



10



Annual  
REPORT

2023



**10** years from the admission to trading on the Bucharest Stock Exchange and London Stock Exchange.

Electrica Group is a key player in the energy sector, active in the distribution, supply, production, and energy services segments, serving over 3.9m users.

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Management

## MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

With a challenging year behind us, we are proud to look back on Electrica Group's achievements in 2023 and move confidently and enthusiastically towards the future. Last year saw a remarkable development, highlighting the team's ability to successfully navigate the energy market complexities and to turn obstacles into opportunities for growth and innovation.

2023 marked a significant milestone in the company's path to excellence, managing to generate a financial result that reflects solid performance at consolidated level and efficiency of cost optimization strategies. This result is proof of our ongoing commitment to efficiency, sustainability and innovation.

In the context of a constantly changing energy landscape, Electrica has adapted and refined its strategy in force to meet the needs of the customers and of the market and to ensure a smooth transition to a green economy, at the end of the year being launched the strategy for the next six years. The new strategic directions are meant to strengthen the Group's position on the energy market and to accelerate performance growth, bringing benefits for customers through diversification and improvement of the portfolio of services, and also benefits for shareholders through stable long-term results.

As we look to the future, our strategy for 2024-2030 is clear and ambitious. We aim to accelerate the transition to green energy and to contribute to achieving the national and European sustainability goals. We are determined to explore new growth opportunities and to harness the potential of emerging technologies for creating innovative and sustainable energy solutions.

The year 2024 also represents a transition phase from the Fourth Regulatory Period (RP4) to the Fifth Regulatory Period (RP5), which will bring important news for the industry. Therefore, the watchword of this year should be flexibility - the willingness to find the best solutions, to adapt to a world in constant transformation.

At the same time, 2024 also marks the 10th anniversary of the company's listing on the capital market. This milestone opened new horizons for Electrica, by accessing capital for strategic investments and expansion in related fields. Moreover, the listing strengthened the commitment to transparency and excellence in corporate governance, building a solid foundation for the relationship with shareholders and investors. This anniversary is the opportunity to reaffirm Electrica Group's vision and to renew its commitment to all stakeholders. It is an opportunity to celebrate past achievements but, more importantly, to look with optimism and determination to the future.

In conclusion, I would like to express my gratitude to all those who contributed to Electrica's success - the dedicated team, partners, shareholders and, of course, customers. Together, we will continue to innovate, to grow and to contribute to a greener and more sustainable world!

**Dumitru Chiriță**

**Chair of the Board of Directors of Electrica**



## MESSAGE FROM THE CEO

The energy sector continues to undergo a stage marked by significant transformations globally and locally, against the backdrop of climate change, legislative developments, and technological innovations. With over 125 years of experience and a solid team, Electrica has successfully responded to the challenges, meeting the set objectives, although the path has not always been easy.

The year 2023 was defined by our commitment to green energy and strategic investments. We focused on developing renewable energy production, expanding in this segment being more than just a business decision. It is part of our vision to contribute to building a sustainable future for Romania. As a Romanian company, we take responsibility for innovating and implementing solutions that benefit not only us and our customers but society as a whole. This is the direction we pursue with determination, with a strong focus on promoting a green economy and ensuring a cleaner environment for future generations.

At the same time, thanks to optimization measures and the joint effort of the Group, we achieved solid financial results. The Electrica Group ended 2023 with an 11% increase in consolidated net profit, amounting to 620.4 million lei, and a 27% increase in EBITDA, reaching a value of 1,732.7 million lei.

Together, we have succeeded in increasing the capacity of Group companies to optimize their operations, make investments, even exceeding 100% in the distribution area, improve network access, and, very importantly, better coordinate field activities. We continued to invest heavily in modernizing our IT infrastructure and management systems, as well as in cybersecurity, all contributing to the safety and improvement of the quality of services offered to our customers. The optimization process is a complex and continuous one, naturally pursuing the interests of both our customers and our shareholders.

Also, through our distribution operator, last year we achieved another important milestone - attracting non-reimbursable financing totalling about a quarter of a billion euros for the development and modernization of the networks we manage. This is the largest amount in the field.

In terms of recognition, for the third consecutive year, Electrica has been among the companies that received a maximum score of 10 in the VEKTOR evaluation, the indicator of communication with investors for companies listed on the stock exchange. Moreover, this has been a constant concern for us, as throughout the year we were one of the three companies selected in the Investor Relations and Liquidity Support Program run by the European Bank for Reconstruction and Development and the Bucharest Stock Exchange.

Also, another remarkable achievement is the inclusion of Electrica in the international FTSE Russell indices starting on 18 March 2024, which complements the fact that Electrica shares recorded an exceptional yield both in 2023 (43.4%) and in the first quarter of 2024 (16%), exceeding the BET-TR index (40% in 2023, respectively 10.8% in the first quarter of 2024).

Also in 2023, Electrica maintained its position as 7th in the Top 50 most valuable Romanian brands, being the highest position occupied so far. The company's brand market value, estimated in the ranking, reached 260 million euros, representing a 28% increase compared to 2022.

Last but not least, I want to thank each member of the Electrica team for their dedication and effort in 2023. I am grateful to our partners, collaborators, shareholders, and, of course, our customers for the trust they have placed in us and for the constant support they have provided. Collectively, we hold the power to craft a greener and more prosperous future for Romania's energy landscape!

**Alexandru Chiriță**

Electrica's CEO









## **DIRECTORS' REPORT FOR THE YEAR 2023**

(based on the individual and consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union) – IFRS-EU  
**REGARDING THE ECONOMIC AND FINANCIAL ACTIVITY OF SOCIETATEA ENERGETICA ELECTRICA S.A. and ELECTRICA GROUP**

as well as

(based on the individual and consolidated financial statements prepared in accordance with the Order of the Ministry of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards) – OMFP 2844/2016  
**REGARDING THE ECONOMIC AND FINANCIAL ACTIVITY OF SOCIETATEA ENERGETICA ELECTRICA S.A. and ELECTRICA GROUP**

in compliance with art. 63 of the Law no. 24/2017 on issuers of financial instruments and market operations and with annex no. 15 to ASF Regulation no. 5/2018 and the Bucharest Stock Exchange Code  
for the 12-month period ended 31 December 2023

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

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

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## Identification details of Electrica

**Report date:** 25 March 2024

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

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

**Telephone/fax number:** +4021.208.5999; +4021.208.5998

**Fiscal code:** 13267221

**Trade Registry No:** J40/7425/2000

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

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

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

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

**Reporting period:** 2023 Year (period 1 January - 31 December 2023)

### Applicable accounting standards:

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

### Audit:

The consolidated financial statements (both sets, S-IFRS-EU and S-OMFP 2844/2016) and respectively the individual financial statements as of and for the period ended 31 December 2023 are audited by an independent financial auditor.

**Table 1. Company details**

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

Source: Electrica









# **1. ELECTRICA 2023 OVERVIEW**



## 1.1 2023 Key financial data

### 1.1.1 2023 Key financial data – S-IFRS-EU

**S-IFRS-EU:** In 2023, the net result of the Electrica Group was a profit of RON 772.1 mn., a result generated mainly by the performance of the distribution segment in the context of decreasing electricity costs to cover NL. as a result of the implementation of the MACEE centralized purchase mechanism, according to which producers are to sell 80% of the available energy at a price of 450 RON/MWh, impact mitigated by the increase in volumes of electricity needed to cover grid losses.

**S-IFRS-EU:** For the supply segment, both in 2023 and 2022, the effect of retail electricity prices was covered by subsidies received from the state authorities as a result of the application of the electricity and natural gas price cap mechanism, following the application of Ordinance 27/2022, as amended and supplemented. The way these schemes were implemented and the mechanism for the settlement of the amounts granted as support to customers, ex-post from the state budget to the electricity suppliers, generated constraints in terms of cash flow, as well as uncertainties regarding the full recovery of these amounts by the suppliers. In this context, EFSA has adapted its medium and long-term strategy to manage the impact of these measures on the company's activities in a responsible and sustainable manner in the context of a regulatory framework that has undergone many successive and major changes in recent times.

**S-IFRS-EU:** The revenues of the Electrica Group in 2023, 2022 and 2021 were RON 9,817 mn., RON 10,010 mn., respectively RON 7,179 mn.

**Table 2. Key financial data for 2023 – 2021 – S-IFRS-EU**

(RON mn.)	2023	2022*	2021
Revenue	9,817	10,010	7,179
Other operating income	3,499	2,841	196
Operational costs	(12,123)	(12,973)	(7,980)
EBITDA	1,714	374	(128)
EBIT	1,192	(123)	(606)
Gross profit	898	(288)	(632)
<b>Net profit</b>	<b>772</b>	<b>(240)</b>	<b>(553)</b>

Source: Electrica

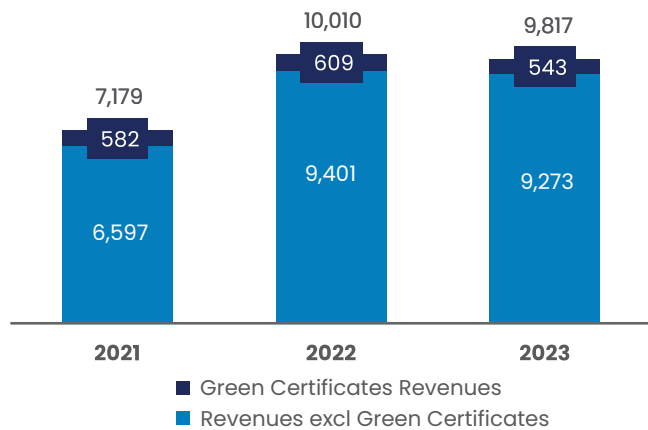
\*The amounts for 2022 have been restated, detailed in sub-chapter 6.7 of this report

**S-IFRS-EU:** As can be seen in the graphs below, the EBITDA margin increased by RON 1,340.5 mn. in 2023 compared to 2022 (vs. RON 502 mn. increase in 2022 compared to 2021), while the net profit margin increased by RON 1,012.6 mn. (vs. increase RON 312.5 mn. in 2022 compared to 2021).

<sup>1</sup> Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) is defined and calculated as profit/(loss) before tax adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets, and iii) net finance income. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

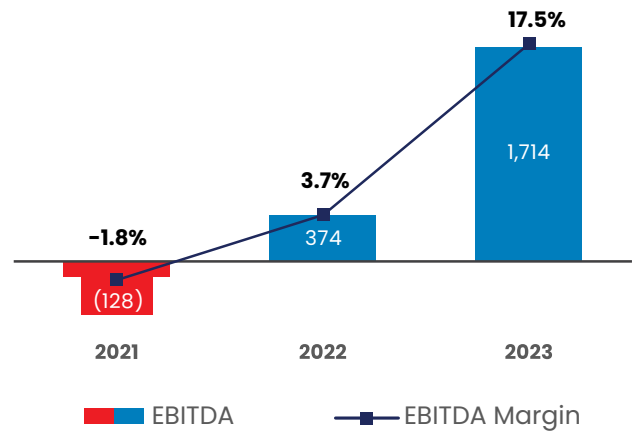
**S-IFRS-EU:** As of 31 December 2023, the Group has a capital structure with net debt position of RON 3,835 mn. (31 December 2022: RON 3,051 mn., respectively 31 December 2021: RON 1,056 mn.).

**Figure 1: Consolidated revenue of Electrica Group (RON mn.) - S-IFRS-EU**



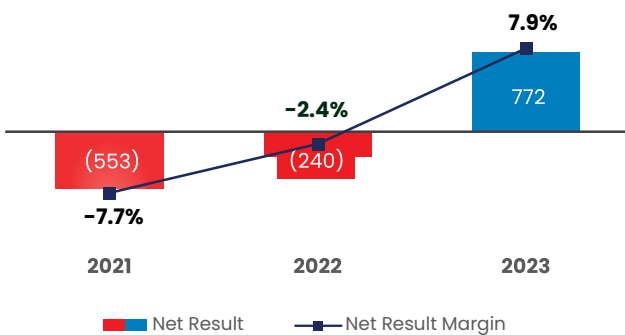
Source: Electrica

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



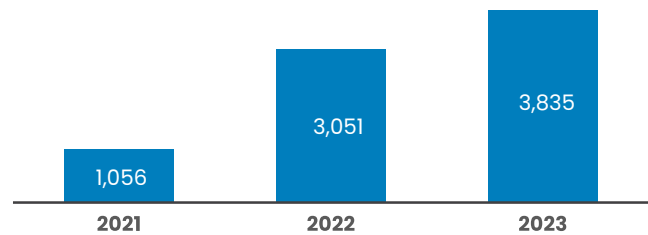
Source: Electrica

**Figure 3: Consolidated net profit (RON mn.) - S-IFRS-EU**



Source: Electrica

**Figure 4: Net debt (RON mn.) - S-IFRS-EU**



Source: Electrica

## 1.1.2 2023 Key financial data - S-OMFP 2844/2016

**S-OMFP 2844/2016:** In 2023, the net result of the Electrica Group was a profit of RON 620 mn., a result generated mainly by the performance of the distribution segment in the context of decreasing electricity costs to cover NL. as a result of the implementation of the MACEE centralized purchase mechanism, according to which producers are to sell 80% of the available energy at a price of 450 RON/MWh, impact mitigated by the increase in volumes of electricity needed to cover grid losses.

Starting from 30 September 2022, the Company applies the provisions of GEO no. 119/2022, whereby the additional costs with the purchase of electricity made in the period 1 January 2022 - 31 August 2023, in order to cover its own technological consumption, compared to the costs recognized in the regulated tariffs, are capitalized quarterly. For the evolution in terms of financial performance 2023 vs 2022, in 2023, the capitalized NL for the period 01 January - 31 December 2023 was approx. 18 mn. RON compared to 2022

<sup>2</sup> Net debt/(Cash) is defined as bank borrowings + bank overdrafts + financial leases + funding for concession agreements - cash and cash equivalents - restricted cash - bank deposits, treasury bills and government bonds.

when a value of 989 mn. RON was recorded, the Group managing to reduce the additional costs related to the purchase of electricity for NL on the distribution segment. The operational performance was motivated by the decrease in NL costs and by the reduction of other operational costs as well as by higher revenues from reactive energy. It should be mentioned that the intangible assets built up together with the income from capitalisation of NL costs are non-cash, in the coming periods they will be recovered in terms of billings and subsequently receipts, starting from 01 April 2023.

**S-OMFP 2844/2016:** For the supply segment, both in 2023 and 2022, the effect of retail electricity prices was covered by subsidies received from the state authorities as a result of the application of the electricity and natural gas price cap mechanism, following the application of Ordinance 27/2022, as amended and supplemented. The way these schemes were implemented and the mechanism for the settlement of the amounts granted as support to customers, ex-post from the state budget to the electricity suppliers, generated constraints in terms of cash flow, as well as uncertainties regarding the full recovery of these amounts by the suppliers. In this context, EFSA has adapted its medium and long-term strategy to manage the impact of these measures on the company's activities in a responsible and sustainable manner in the context of a regulatory framework that has undergone many successive and major changes in recent times.

**S-OMFP 2844/2016:** The revenues of the Electrica Group in 2023, 2022 and 2021 were RON 9,817 mn., RON 10,010 mn., respectively RON 7,179 mn.

**Table 3: Key financial data for 2023 – 2021 – S-OMFP 2844/2016**

(RON mn.)	2023	2022	2021
Revenue	9,817	10,010	7,179
Other operating income	3,499	2,841	196
Capitalised costs of intangible non-current assets	19	989	-
Operational costs	(12,323)	(13,011)	(7,980)
EBITDA	1,733	1,363	(128)
EBIT	1,011	829	(606)
Gross profit	717	664	(632)
<b>Net profit</b>	<b>620</b>	<b>559</b>	<b>(553)</b>

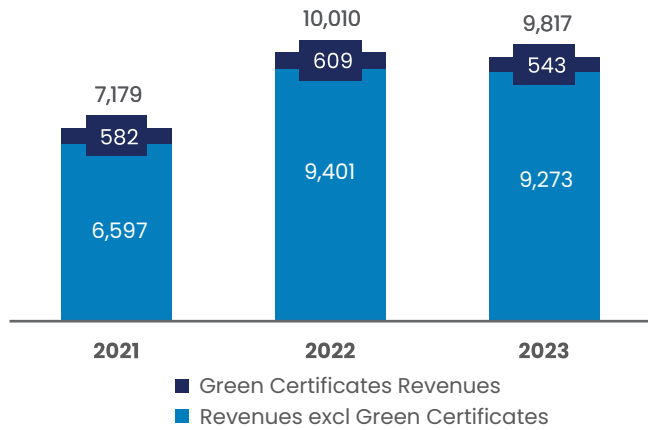
Source: Electrica

**S-OMFP 2844/2016:** As can be seen in the graphs below, the EBITDA margin increased by RON 370 mn. in 2023 compared to 2022 (vs. RON 1,491 mn. increase in 2022 compared to 2021), while the net profit margin increased by RON 61 mn. (vs. increase RON 1,112 mn. in 2022 compared to 2021).

<sup>3</sup> Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) is defined and calculated as profit/(loss) before tax adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets, ii) impairment of assets held for sale and iii) net finance income. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

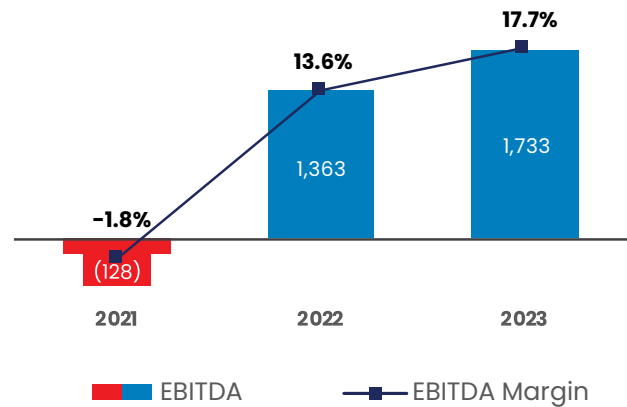
S-OMFP 2844/2016: As of 31 December 2023, the Group has a capital structure with net debt position of RON 3,835 mn. (31 December 2022: RON 3,051 mn., respectively 31 December 2021: RON 1,056 mn.).

**Figure 5: Consolidated revenue of Electrica Group (RON mn.) - S-OMFP 2844/20166**



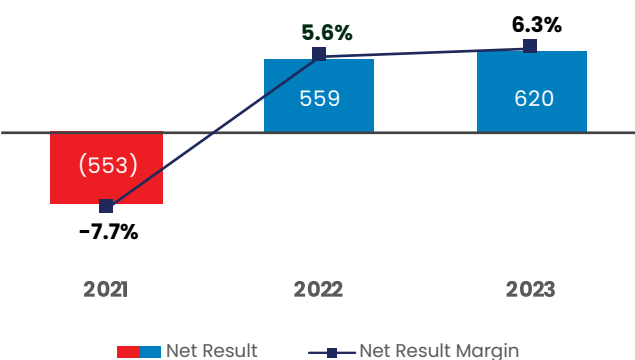
Source: Electrica

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



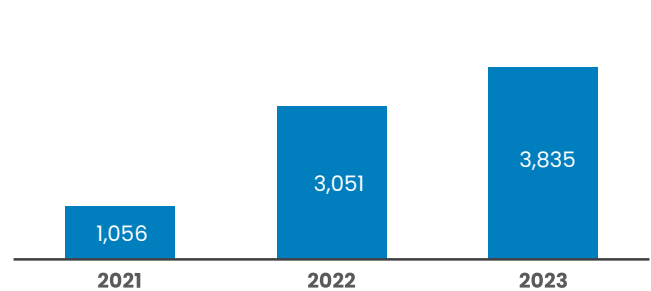
Source: Electrica

**Figure 7: Consolidated net profit (RON mn.) - S-OMFP 2844/2016**



Source: Electrica

**Figure 8: Net debt (RON mn.) - S-OMFP 2844/2016**



Source: Electrica

## DISTRIBUTION SEGMENT

### Essential market information:

- Electricity distribution in Romania is fulfilled mainly by six electricity distribution system operators, regulated by ANRE;
- Each company is responsible for the exclusive distribution of electricity in the region for which it is authorized, under a concession agreement concluded with the Romanian State;
- PPC (formerly Enel) owns three distribution companies each, while Electrica through Distribuție Energie Electrica Romania (formed by the merger at 31 December 2020 of Societatea de Distribuție a Energiei Electrice Transilvania Nord, Societatea de Distribuție a Energiei Electrice Transilvania Sud and Societatea de Distribuție a Energiei Electrice Muntenia Nord), owns 3 network zones, CEZ through Distribuție Oltenia and E.ON through Delgaz Grid own the remaining two;

- Electrica Group is a key player in the electricity distribution sector, both in terms of areas covered and of number of users served;
- The estimated Regulated Assets Base (RAB) value at the end of 2023 was RON 7.2 bn (nominal terms);
- 203,391 km of electric lines - 7,604 km for High Voltage ("HV"), 46,941 km for Medium Voltage ("MV") and 148,846 km for Low Voltage ("LV");
- Total area covered: 97,196 km<sup>2</sup>, 40.8% of Romania's territory;
- 3.93 mn. users (2023) for the distribution activity;
- 17.05 TWh of electricity distributed in 2023, a decrease of 3.8% as compared to 2022;
- **39.7% market share for the distribution of electricity to final users in 2022 (based on distributed quantities, according to ANRE report for 2022).**

Figure 9: Romanian electricity distribution map



Source: Electrica

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

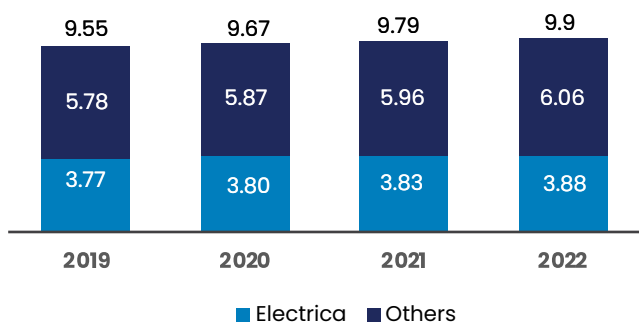
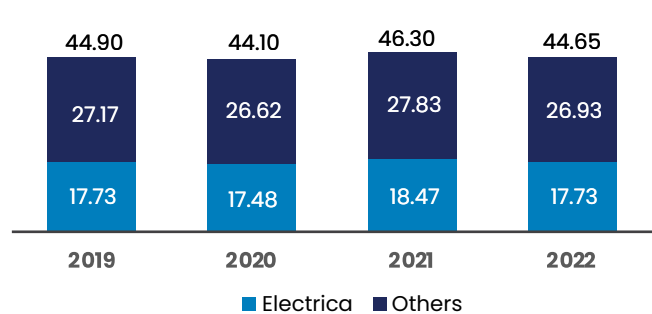


Figure 11: Quantity distributed (TWh)



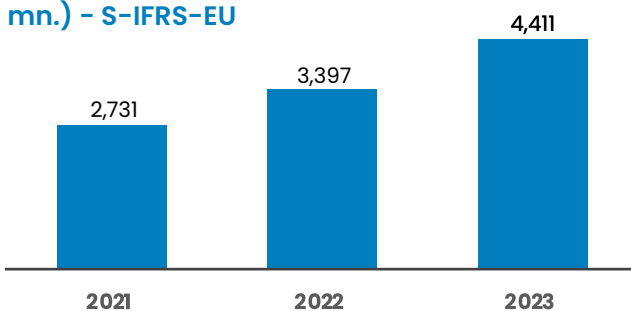
Source: ANRE Report for performance indicators' monitoring 2022, Electrica

Source: ANRE Report for performance indicators' monitoring 2022, Electrica

### KEY FINANCIAL INDICATORS FOR DISTRIBUTION SEGMENT

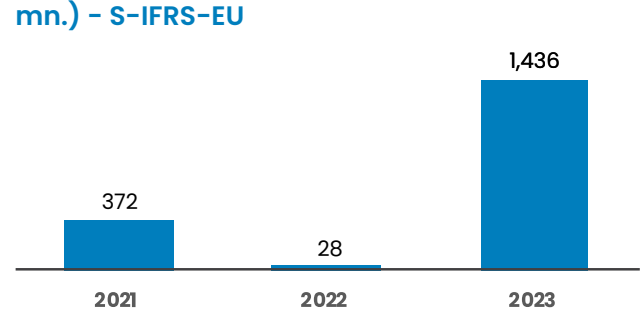
- S-IFRS-EU:** In 2023, revenues from the electricity distribution segment increased by approximately RON 1,014.8 mn., or 29.9%, to RON 4,411.5 mn., from RON 3,396.6 mn. in 2022 mainly due to the effect of the RON 407.6 mn. increase in revenues recognized under IFRIC 12 (recognised on the basis of the stage of completion of the works, in accordance with the accounting policy on the recognition of revenue from construction contracts), to which was added the increase in distribution tariffs as well as the decrease in volumes of electricity distributed, with a net impact of RON 725.9 mn. or 39.9%.
- S-IFRS-EU:** The net profit of the segment is RON 637.8 mn. in 2023, compared to the net loss of RON 491.2 mn. in 2022. The net profit is favourably influenced by the increase of revenue of RON 1,014.8 mn., reaching RON 4,411.5 mn. in 2023 compared to RON 3,396.6 mn. in 2022.
- S-OMFP 2844/2016:** In 2023, revenues from the electricity distribution segment increased by approximately RON 1,014.8 mn., or 29.9%, to RON 4,411.5 mn., from RON 3,396.6 mn. in 2022 mainly due to the effect of the RON 407.6 mn. increase in revenues recognized under IFRIC 12 (recognised on the basis of the stage of completion of the works, in accordance with the accounting policy on the recognition of revenue from construction contracts), to which was added the increase in distribution tariffs as well as the decrease in volumes of electricity distributed, with a net impact of RON 607.2 mn. or 24.9%.
- S-OMFP 2844/2016:** EBITDA in the distribution segment was favourably influenced in 2022 by revenues from the production of intangible assets from the capitalisation of additional costs with NL which contributed with an increase of RON 989.3 mn. compared to 2023 when their contribution was only RON 18.6 mn..
- S-OMFP 2844/2016:** The net profit of the segment is RON 486.0 mn. in 2023, compared to the net profit of RON 308.2 mn. in 2022. The net profit is unfavourably influenced by the increase of the negative financial result by RON 57.7 mn., reaching RON 209.8 mn. in 2023 compared to the negative financial result of RON 152.0 mn. in 2022.
- Also, at the beginning of the current RP4 regulatory period, ANRE made a total negative closing correction to RP3 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 RP2 (2008-2013). The meter correction was challenged in court by the distribution subsidiary of Electrica Group, because in 2013 ANRE recognized the meters in RAB based on the principle of non-discrimination of all distribution operators, although they were not registered as fixed assets. The total negative correction related to RP3 decreased the regulated profitability related to RP4, with the value for 2023 being (93) mn. RON (nominal terms).

**Figure 12: Revenues – distribution segment (RON mn.) – S-IFRS-EU**



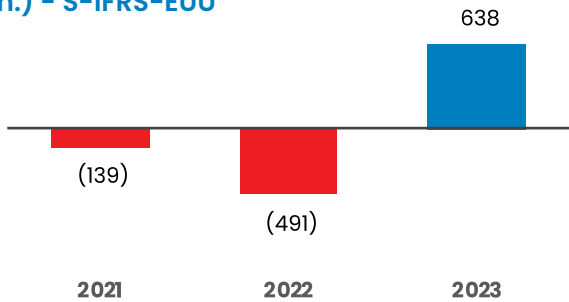
Source: Electrica

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



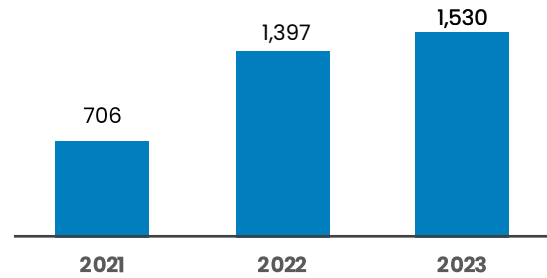
Source: Electrica

**Figure 14: Net Profit – distribution segment (RON mn.) – S-IFRS-EUU**



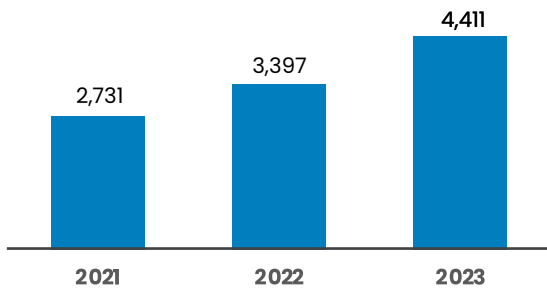
Source: Electrica

**Figure 15: Net debt/(cash) – distribution segment (RON mn.) – S-IFRS-EU**



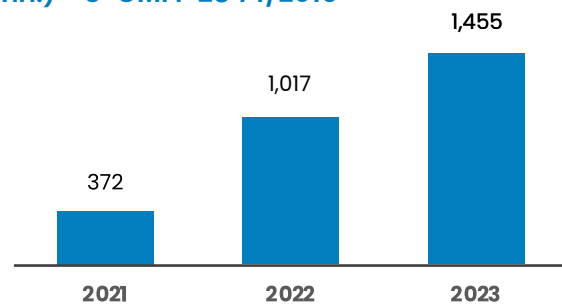
Source: Electrica

**Figure 16: Revenues – distribution segment (RON mn.) – S-OMFP 2844/2016**



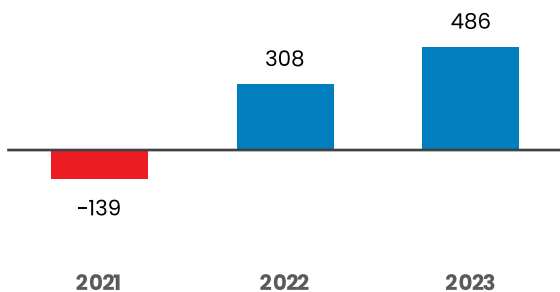
Source: Electrica

**Figure 17: EBITDA – distribution segment (RON mn.) – S-OMFP 2844/2016**



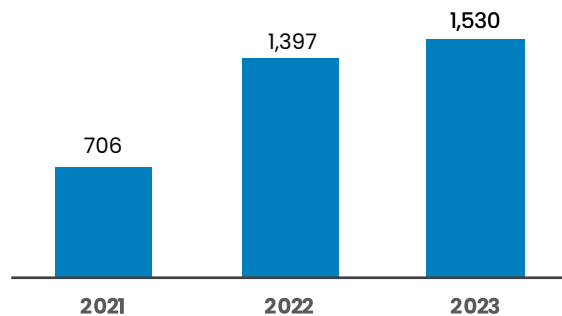
Source: Electrica

**Figure 18: Net Profit – distribution segment (RON mn.) – S-OMFP 2844/2016**



Source: Electrica

**Figure 19: Net debt/(cash) – distribution segment (RON mn.) – S-OMFP 2844/2016**



Source: Electrica

## SUPPLY SEGMENT

### Essential market data (according to ANRE Report for November 2023)

- The supply market comprises both competitive segment and universal service and supplier of last resort (US and SoLR);
- Universal service and supplier of last resort segment comprises five suppliers of last resort nominated at national level;
- Competitive segment comprises 92 suppliers, (last resort suppliers active on Retail Market competitive segment included) from which 85 are relatively small (<4% market share);

Electrica Furnizare (EFSA) has a total market share of 16.61%; and on the competitive market has a share of 10.25% (ANRE Report - November 2023). By comparison, in 2022 Electrica Furnizare had a total market share of 17.96% and a competitive market share of 12.79% (ANRE report - December 2022).



### KEY FINANCIAL INDICATORS FOR SUPPLY SEGMENT

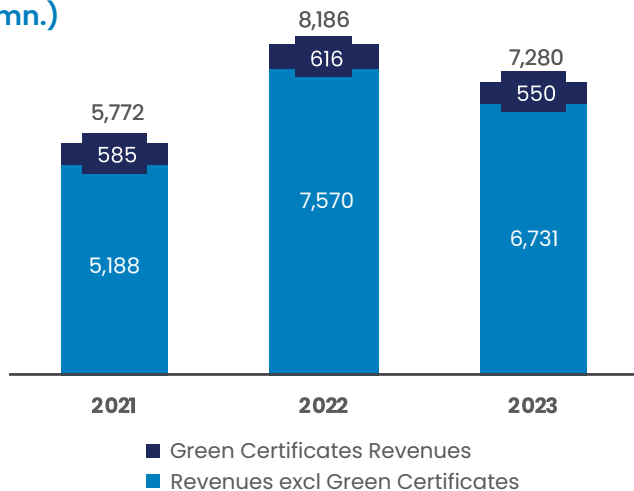
Revenues from electricity and natural gas supply decreased in 2023 by approximately RON 905.8 mn., or 11.1%, to RON 7,280.3 mn. from RON 8,186.0 mn. in 2022.

Quantities of electricity supplied decreased in 2023 by approximately 9%, due to the decrease in the customer portfolio, as well as the decrease in consumption at the national level (as an effect of electricity price increases but also energy efficiency measures implemented).

In terms of EBITDA, the supply segment recorded in 2023 a decrease to RON 305.5 mn. from the EBITDA of RON 390.9 mn. recorded in 2022, and also a decrease in the EBITDA margin from 4.8% in 2022 to 4.2% in 2023.

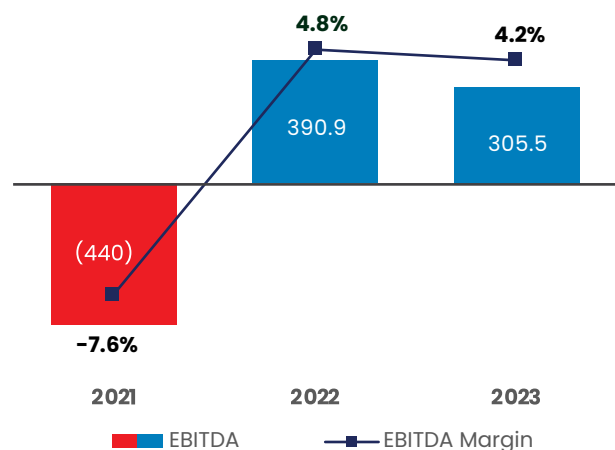
The supply segment has a net cash financial position that increased compared to 2022 by approx. 443.0 mn. RON, reaching 1,892.4 mn. RON in 2023.

**Figure 20: Revenues - supply segment (RON mn.)**



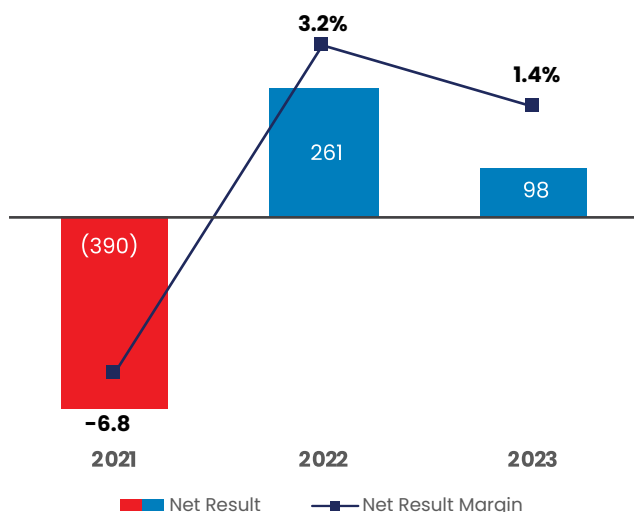
Source: Electrica

**Figure 21: EBITDA - supply segment (RON mn.)**



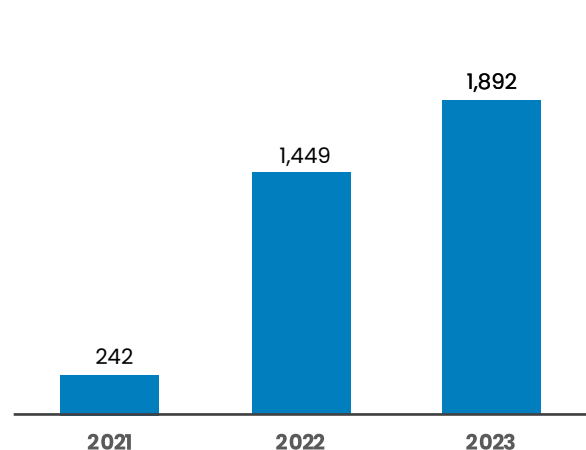
Source: Electrica

**Figure 22: Net profit - supply segment (RON mn.)**



Source: Electrica

**Figure 23: Net debt/(Cash) - supply segment**



Source: Electrica

## 1.2 Key events in 2023

During 2023 the following main events took place:

### 1.2.1 Decisions of ELSA's BoD

#### Changes in the composition of the BoD and BoD Committees

- 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 – Chair;
- Mr. George Cristodorescu – Member;
- Mr. Iulian Cristian Bosoanca – Member.

- 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 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 15 December 2023, Electrica's Board of Directors decided the re-election of the BoD Chair and to maintain the composition of its consultative committees until 31 January 2024.

Regarding the composition of **ELSA's BOD, on 31 December 2023**, it was the following:

- Mr. Iulian Cristian Bosoanca – Chair;
- Mr. Gicu Iorga – Member;
- Mr. Ion Cosmin Petrescu – Member;
- Mr. Adrian-Florin Lotrean – Member (independent);
- Mr. Dragos-Valentin Neacsu – Member (independent);
- Mr. Radu Mircea Florescu – Member (independent);
- Ms. Valentina Elena Siclovan – Member (independent)

Regarding the composition of the **ELSA's BoD Committees, on 31 December 2023**, it was the following:

The Audit and Risk Committee:

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

The Nomination and Remuneration Committee:

- Mr. Adrian-Florin Lotrean – Chair;
- Mr. Radu Mircea Florescu – Member;

- Mr. Ion Cosmin Petrescu – Member.

#### 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.

### BoD decisions regarding ELSA's Executive Management

- On 27 February 2023, 26 April 2023, 24 August 2023 and 14 December 2023, ELSA's Board of Directors decided to extend the term of office granted to Mr Alexandru - Aurelian Chirita, as Acting CEO, under the same conditions. Currently, Mr. Chirita has a CEO mandate of until 31 December 2024 (inclusively).
- On 27 February 2023, 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). Currently, Mr. Frangulea has a CFO mandate until 27 February 2025 (inclusively).
- On 14 March 2023, ELSA's Board of Directors decided the appointment of Ms. Ioana - Andreea Lambriu, as Chief Business Development Officer (CBDO), starting with 15 March 2023, for a four-year period.
- On 27 June 2023 the BoD acknowledged that, on 1 June 2023, the mandate agreement of Mr. Mircea Modran, CIO, was effectively terminated upon lapse of the 4-year duration.

Regarding the composition of **ELSA's Executive Management, on 31 December 2023**, it was the following:

- Mr. Alexandru-Aurelian Chirita – CEO (appointed until 31 December 2024);
- Mr. Stefan-Alexandru Frangulea - CFO (appointed until 27 February 2025);
- Ms. Andreea Lambriu – Business

Development Officer (appointed for 4 years mandate, starting 15 March 2023);

- Ms. Livioara Sujdea – Chief Distribution Officer (appointed for twice 4 years mandate, starting 1 February 2021) and Chief People Officer (interim, starting 3 January 2022).

### Other BoD decisions

- 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.
- 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.
- 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 3 October 2023, Electrica's Board of Directors convened the Extraordinary General Meeting of Shareholders of Societatea Energetica Electrica S.A., on 22 November 2023.
- On 30 October 2023, Electrica's Board of Directors convened the Ordinary General Meeting of Shareholders and Extraordinary General Meeting of Shareholders of Societatea Energetica Electrica S.A. on 20 December 2023.
- On 30 November 2023, Electrica's Board of Electrica, at the request of the Ministry of Energy, on behalf of the Romanian State, as a shareholder of Electrica SA with 48.7948% of the share capital, decided to convene the Ordinary General Meeting of Shareholders on 26 January 2024.
- On 14 December 2023, Electrica's Board of Electrica approved the Corporate Strategy of Electrica Group for 2024-2030.

## 1.2.2 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.

### EGMS from 22 November 2023

- On 22 November 2023, the EGMS took place, physically and online through the voting platform <https://electrica.voting.ro/>, with a quorum of 77.03% of the total voting rights and 75.49% of the share capital of the Company, which mainly approved:
  - Increasing the loan ceilings for the EFSA and DEER (Electrica subsidiaries), up to RON 850 mn. for each, with the Electrica SA guarantee (which is not a real guarantee);
  - The conclusion of an additional act to the loan agreement between DEER and the EIB (93414/7Dec2021) to increase the amount granted for the financing of the investment plan for the period 2012-2023 from EUR 90 mn. to EUR 120 mn..
  - Completing the secondary activities of Electrica SA with two new activities and updating the Articles of Association accordingly.

## OGMS and EGMS from 20 December 2023

- On 20 December 2023, the OGMS and EGMS took place, physically and online through the voting platform <https://electrica.voting.ro/>, with a quorum of 76.65% of the total voting rights, which mainly approved:
  - The election of Ms. Valentina Elena Siclovan, proposed by the shareholder European Bank for Reconstruction and Development (EBRD), as an independent member to fill the vacant position within Electrica BoD;
  - The separate interim financial statements for the first 9 months of 2023 of Electrica SA, in view of the Merger between ELSA and EPE, GECI and EEVI;
  - Implementation and completion, by 31 December 2023, of the merger by absorption between Electrica SA (ELSA), as the absorbing company, and its subsidiaries EPE, GECI and EEVI, as absorbed companies.

## 1.2.3 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" 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, drawn up in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as well as an announcement explaining the differences between the two sets of consolidated financial statements.
- On 13 March 2023, Electrica organized a web conference – Presentation of the Financial Results for FY 2022

- 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 Romania 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 22 May 2023, Electrica organized a web conference – Presentation of the Financial Results for Q1 2023.
- 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 Romania (DEER) has attracted EUR 57 mn. non-reimbursable financing through the Modernisation Fund.
- On 23 June 2023, Electrica 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 Romania (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 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 30 August 2023, Electrica organized a web conference – Presentation of the Financial Results for H1 2023.
- 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.
- On 25 October 2023, Electrica published the Interim Key Operational Indicators for Q3 2023.
- On 27 October 2023, Electrica announced to the market the information published on the jut.ro portal in connection with file 724/1285/2023 opened at the Cluj Specialized Court.
- On 30 October 2023, Electrica published the simplified standalone financial statements for the first 9 months of 2023, on the occasion of the Merger by absorption subject for EGMS approval on 20 December 2023.
- On 20 November 2023, Electrica organized a web conference – Presentation of the Financial

Results for Q3 2023.

- On 23 November 2023, Electrica announced that the annulment appeal against the decision issued by the ICCJ on 25 February 2022 in file 3889/2/2018 was settled.
- On 29 November 2023, Electrica announced the attraction of a new non-reimbursable financing of RON 17.4 mn. through the Modernization Fund.
- On 15 December 2023, Electrica announced that the BoD approved the Corporate Strategy of Electrica Group for 2024-2030.
- On 20 December 2023, Electrica announced that it met all the criteria for entering the international FTSE Russell indices in 2024.
- On 22 December 2023, Electrica informed about the specific tariffs applicable to DEER from 1 January 2024.

### Transactions with related parties

During 2023, until 31 December 2023, ELSA published 25 announcements, according to art. 108 of Law no. 24/2017, reporting transactions concluded in this period between EFSA – OPCOM, DEER – OPCOM, DEER – EFSA, EFSA – Transelectrica, DEER – Hidroelectrica, whose cumulated value in the case of each announcement case exceeds the threshold of 5% of ELSA's net assets, calculated on the basis of Electrica's latest available individual financial statements.

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

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

## Treasury matters

### Loans related to third-parties

- On 9 January 2023, was signed the Additional Act no.2 to the Loan Agreement no. 2022012502 concluded by DEER and BCR which extends the validity of overdraft limit of RON 220 mn. and the validity for issuing bank guarantees until 25 January 2024.
- On 18 January 2023, was signed the Additional Act no.4 to the Loan Agreement no. 10091385 dated 16 December 2020 concluded by DEER and Banca Transilvania, which extends the validity of Overdraft limit until 01 February 2024, and the validity of the Facility for issuing letters of guarantee until 01 February 2025.
- On 23 January 2023, was signed the Additional Act no.1 to the Loan Agreement no. 350 dated 06 September 2022 concluded by EFSA and Alpha Bank Romania, SE Electrica SA as guarantor, in amount of EUR 60 mn., through which is added the movable mortgage over receivables.
- On 27 January 2023, was signed the Additional Act no.5 to the Credit facility agreement no. 3189 dated 28 January 2020, in amount of RON 210 mn., concluded by SE Electrica SA and ING Bank, with the cash pooling structure, extending the validity until 27 February 2023. At the same time, additional acts for the intraday credit limit, within the cash-pooling structure, were concluded between DERR, EFSA, SERV, EEV1, SE Electrica SA and ING Bank, with validity until 27 February 2023.
- On 27 January 2023, EFSA concluded with 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 3 February 2023, EFSA concluded with BRD the Additional Act no.2 to the Loan Agreement no. 17/8130/2022 dated 4 February 2022, SE Electrica SA as co-debtor, in amount of RON 220 mn., which extends the validity until 5 March 2023.
- On 7 February 7, 2023 was signed the Additional Act no. 4 to the Loan Agreement no. 111 dated April 16, 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 December 24, 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 February 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 18 January 2020, in amount of RON 210 mn., concluded by SE Electrica SA and



ING Bank, withing the cash pooling structure, which modifies the commercial conditions and establishes the automatic renewal of the facility. At the same time, additional acts for the intraday credit limit, within the cash-pooling structure, were concluded between DERR, EFSA, SERV, EEVI, SE Electrica SA and ING Bank, regarding the automatic renewal.

- On 3 March 2023, EFSA concluded with BRD the Additional Act no.3 to the Loan Agreement no. 17/8130/2022 dated 4 February 2022, SE Electrica SA as co-debtor, in amount of RON 220 mn., which extends the validity until 2 February 2024.
- On 13 March 2023, was signed the Additional Act no.5 to the multi-product Credit Facility Agreement no. 201910080129, for overdraft and issuance of bank guarantee letters, concluded by EFSA and BCR, which increases the value of the overdraft limit up to RON 165 mn.
- On 17 March 2023, was signed the Loan Agreement no. 53747, concluded by DEER and EBRD, SE Electrica SA as guarantor (corporate guarantee), 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, which converts the value of the Overdraft credit facility from RON to EUR, up to the value of EUR 10 mn., modifies the commercial conditions and 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 27.3 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 dated 26 May 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 dated 26 May 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 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.
  - 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, by which the amount of facility is reduced from 750 mn. RON to 450 mn. RON and the validity of the credit line is extended until 03 November 2024.
  - On 15 December 2023 was signed the Additional Act no. 2 to the Loan Agreement no. 165 dated 27 December 2022, concluded by EFSA and BNP Paribas, SE Electrica SA as guarantor, in amount of RON 240 mn., by which the limits of the facility are modified as follows: the value of the facility is extended to RON 440 mn. until the date of 30 January 2024; on 31 January 2024, the amount of the facility is reduced by RON 90 mn. and becomes RON 350 mn.; on 31 March 2024, the amount of the facility is reduced by RON 100 mn. and becomes RON 250 mn., and starting with 01 April 2024, the value of the facility will be RON 250 mn.
  - On 18 December 2023, the Additional Act no.1 to the Multicredit Facility Agreement no. RQ23079467247483/04.08.2023 was signed between EFSA and CEC Bank, SE Electrica SA as guarantor, whereby it was agreed to supplement the credit facility by the amount of RON 50 mn. up to the maximum ceiling of RON 200 mn., starting from 18 December 2023 and until

03 March 2026 in the form of a revolving loan ceiling.

- On 21 December 2023, the Additional Act no. 3/2023 to the Overdraft Credit Facility Agreement with the possibility of issuing letters of guarantee and opening letters of credit No. 61/2021, was signed by EFSA and Raiffeisen Bank SA, SE Electrica SA as guarantor, extending the validity of the overdraft limit and the facility for issuing letters of guarantee until 24 March 2024.
- On 21 December 2023, the Additional Act no.6/2023 to the Credit Facility Agreement no.56 dated 26.10.2021, was signed by EFSA and Raiffeisen Bank SA, SE Electrica SA as guarantor, whereby the movable mortgage on all the collections related to any commercial contracts entered into with eligible clients approved by the Bank, established by the Movable mortgage contract no.56/IC/2023, ancillary contract to Contract 56/2021, is extinguished.
- On 22 December 2023, the Loan Agreement No.1430 was signed, concluded by DEER and EXIM BANCA ROMANEASCA SA, SE Electrica SA as guarantor, whereby a non-revolving loan in the amount of RON 250 mn. was granted, for the financing of current activity, valid until 21 December 2027.
- On 22 December 2023, the Amendment Letter No.1 was signed, with reference to the financing contracts no. 92.394/2020-0391, 93.414/2020-0391 and the related guarantee agreements, concluded by DEER and the European Investment Bank (EIB), SE Electrica SA as guarantor, whereby amendments to certain clauses and definitions have been agreed to allow disbursements under the two Financing Agreements.
- On 22 December 2023, was signed the Amendment no.1 to the Financing contract dated 17 March 2023, concluded between DEER and the European Bank for Reconstruction and Development (EBRD), SE Electrica SA as guarantor, whereby the credit facility was increased by RON 60 mn., up to the maximum ceiling of RON 240 mn.

- On 28 December 2023, the Additional Act no.6 to the Credit Agreement GRIM/75912/2017 dated 19 July 2017, was signed by SE Electrica SA, SERV and UniCredit Bank SA, whereby the maturity of the loan was extended until 31 December 2031 and the drawing period until 31 December 2024.

### 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 September 20, 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 purpose of granting the facility and extends the validity until 25 September 2024.
- On 09 October 2023, was signed the Additional Act no. 4 to Loan Agreement no. 40 dated 14 June 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 14 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.
- On 16 November 2023, was signed the Additional Act no. 2 to Loan Agreement 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 up to RON 115 mn., and establish the utilization period until 12 December 2023 and validity until 31 December 2024.
- On 29 November 2023, SE Electrica SA signed with FOTON POWER ENERGY S.R.L. the Additional Act 1 to the Loan Agreement no. 73/11.10.2023, which increased the amount of the loan by up to RON 1.0 mn. RON, so that the total amount of the loan is RON 3.6 mn...
- On 18 December 2023, SE Electrica SA signed with EFSA the Loan Agreement No.90/18.12.2023 in the amount of RON 100 mn. for financing the working capital, with maturity date 02 November 2024.
- On 21 December 2023, SE Electrica SA signed with SUNWIND ENERGY S.R.L. the Additional Act No. 2 to the loan contract no. 63/27.09.2022, which increased the amount of the loan by up to RON 0.5 mn., so that the total amount of the loan is RON 1.7 mn...
- On 21 December 2023, SE Electrica SA signed with New Trend Energy SRL the Additional Act no.6 to the Loan Agreement no.40/14.06.2022, which increased the amount of the loan by up to RON 0.9 mn. so that the total amount of the loan is RON 8.5 mn...
- On 29 December 2023, was signed the Additional Act no. 3 to Loan Agreement 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 up to RON 150 mn., and extends the utilization period until 12 December 2024 and validity until 31 December 2025.
- On 29 December 2023, was signed the Additional Act no. 1 to Loan Agreement no. 54 dated 07 July 2023, concluded by SE Electrica SA and DEER, which extends the utilization period until 12 December 2024 and validity until 31 December 2025.

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

#### **Corporate guarantees within the credit facilities 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, 4, 5 and 6, 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, 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 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, 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 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, 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 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, 4 and 5 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..
- 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 RON 300 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 300 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., increased by Additional Act to RON 440mn., with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 484 mn..
- On 20 February 2023, was signed the Loan Agreement no. 49183 concluded by DEER and GarantiBBVA, in amount of RON 103 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 103 mn..
- On 17 March 2023, was signed the Loan Agreement no. 53747 concluded by DEER and EBRD, in amount of RON 180 mn., increased by Additional Act to 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 312 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., increased by Additional Act to RON 200 mil, with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 200 mn..

- On 22 December 2023, was signed the Loan Agreement No.1430, concluded by DEER and EXIM BANCA ROMANEASCA SA, in amount of RON 250 mn., SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 325 mn..
- On 31 December 2023, the value of the corporate guarantees (which are not real guarantees), established by ELSA within the credit facilities, is RON 6,119 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 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.

As of 31 December 2023, the amount of the Parent Corporate Guarantees (which are not real guarantees), constituted by ELSA in favor of EFSA, is RON 247.5 mn..

## 1.2.4 Litigations with significant impact on the financial performance

### 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. On 22.11.2023, the Court dismissed the annulment appeal filed by ELSA as inadmissible.

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.

On November 22, 2023, the High Court of Cassation and Justice rejected, as inadmissible, the annulment appeal filed by ELSA against civil decision no. 5599 of November 22, 2022, by which the appeal declared by ELSA against Sentence no. 707/2019. This decision, pronounced in file no. 1100/1/2023, is final. At this moment there is no financial impact of this court decision, the fine established by the Competition Council for ELSA being paid on 11 October 2018.

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

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

the same court for re-examining the main action. The term in this case is 28 March 2024.

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

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

### **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, the term settled in this case being 27 March 2024.

### **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. As 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 RON 77.85 mn.; (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.

The next term in the case is 18 March 2024.

### 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 the term of 11.01.2024, the court takes note of the renunciation of the creditor EUROTOTAL COMP S.R.L., when judging the request to open the insolvency procedure filed against the debtor DEER, it finds that DEER's appeal remains without object; without court costs. At the same time, the court takes note of the parties' manifestation of will to waive the appeal. The sentence is final.

#### • Corporate image

Mainly, as a result of the PR & Communication efforts, Electrica maintained its position at number 7 in the top of the most valuable Romanian brands in 2023. This represents the company's highest ranking to date. In the same top, the brand's market value is estimated at EUR 260 mn., an increase of 28% compared to the previous year.

Regarding transparency, Electrica reaffirmed its commitment to stakeholders by publishing the Sustainability Report for the seventh consecutive year. This report provides detailed information about all the companies within the Electrica Group, and can be accessed on the company's official website. Additionally, all these reports formed the basis for evaluating sustainability-related aspects.

#### • Certifications

In October 2023, Electrica S.A. underwent the annual audit for the supervision of the Integrated Quality Management System - Environment - Occupational Health and Safety - Information Security in accordance with the requirements of international reference standards SR EN ISO 9001:2015, SR EN ISO 14001:2015, SR ISO 45001:2018, and SR EN ISO/

IEC 27001:2018. Additionally, also in October 2023, Electrica S.A. obtained certification for the Energy Management System from the certification body SRAC Cert affiliated with IQNet, in accordance with the requirements of the international standard SR EN ISO 50001:2019.

During the year 2023, the companies DEER and EFSA underwent annual surveillance audits of the Integrated Quality Management System - Environment - Occupational Health and Safety, implemented in accordance with the requirements of the reference standards ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018. These audits were conducted by the external certification body SRAC Cert. No major non-conformities were identified.

## 1.2.5 Distribution segment

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

- GEO no. 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, are capitalized quarterly, RRR = 50% of the RRR applicable to each periods; GEO no. 119/2022 was approved and amended by Law no. 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. By ANRE Order no. 104/2023, the application period was changed until March 31, 2025, according to the changes approved by Law no. 357/2022.
- 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 (RP4) 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<sup>A1</sup>); (iii) In 2024, ANRE approved 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 was 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<sup>A1</sup> para. (1)), only with prior approval by ANRE; (iv) establishing the method of calculating the economic efficiency of investments in production/storage, to be recognized by ANRE.
- The Methodology for the evaluation of investments in projects of common interest (PCI) approved by the ANRE Order 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.

- Law no. 158/2023 for the amendment and completion of the Electricity Law no. 123/2012 provides that for the supply of equipment and aggregates for irrigation and for economic operators that carry out activities included in CAEN codes 01 Agriculture, hunting and related services and CAEN 10 Food industry, DSO has the obligation to ensure the financing and realization of the design and execution works of the connection installation of the non-domestic final customer, whose length will be up to 2.5 km located on the territory and for the connection installations that exceed the length of 2.5 km, the financing of the difference from the network falls on the responsibility of the non-domestic final customer. The counter value of the design and execution works of the connection installation will be recognized in the tariff by ANRE, the resulting assets become the property of OD from the moment the connection installation is installed. The applicant, a future non-domestic end customer, has the obligation

to use the place of consumption and to keep its destination for a period of at least 15 years from the date of the PIF, otherwise he is obliged to return to the OD the value of the design and execution of the connection installation, proportionally with the period remaining unused, gradually, in accordance with ANRE regulations.

- The regulation approved by ANRE Order no. 99/2023 allows granting to the TSOs and DSO the right to own, develop, manage or operate electrical energy storage facilities (ISE) that represent fully integrated network components (CRCI). 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.

## 1.2.6 Supply segment

The regulatory framework has undergone significant changes over the last decade, in terms of full liberalization of electricity and natural gas market, supply and distribution activities unbundling, implementation of renewable energy support scheme, support for electricity consumers and price capping for final consumers.

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

Therefore, the year 2023 was under the influence of the following features:

1. Price cap for household and non-household consumers according to GEO no. 27/2022, with subsequent amendments and additions;
2. Limitation of average acquisition price considered for determining the amounts to be recovered from state budget to 1,300 RON/MWh initially, lowered to 900 RON/MWh in present - amendment according to Law no.206/2023 (approving GEO 153/2022), except for acquisition intended for Supply of Last Resort, where this limitation does not apply;
3. Centralized Electricity Purchase Mechanism (CEPM): the mechanism provides that OPCOM, as the sole purchaser, buys electricity from producers (electricity producers with an installed power capacity equal to or greater than 10 MW) and sells purchased electricity to suppliers who have contracts with end customers, transmission system operator and

distribution system operators to cover their own technological consumption; the price paid by OPCOM to energy producers for sold electricity quantities is 450 RON/MWh, and the OPCOM 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 Centralized Electricity Purchase Mechanism). In order to carry out the transactions, OPCOM will organize an annual procurement procedure each month, as well as an additional monthly procurement procedure, for electricity quantities to be delivered in the following month; the annual and monthly quantities of electricity are binding on the electricity producers and economic operators for all settlement intervals each month (contracts are concluded by signature, within a maximum of three working days);

4. The mandatory natural gas underground storage was calculated by ANRE according to two criteria: obligation of all suppliers to store a quantity of gas that would cover 90% of Romania's storage capacity and the market share of each supplier in 2022;
5. Obligation of natural gas producers to sell at the price of 150 RON/MWh the quantities needed to supply household customers/heat energy producers.

The categories of customers benefiting from electricity cap in 2023:3:

- household customers (consumption <100 KWh/month – maximum price 0.68 RON/KWh, consumption range 100–300 KWh/month – by delimiting the volume exceeding 255 KWh/month – respectively the price level capped at 0.800 RON/KWh and with a maximum price of 1.3 RON/KWh;
- non-household customers – divided separately by activity field into three categories: customers benefiting from capping for 85% of consumption with a price capped at 1 RON/KWh, customers benefiting from capping for 100% of consumption, price capped at 1 RON/KWh and the rest of the customers at a maximum price of 1.3 RON/KWh.

The categories of customers benefiting from natural gas cap in 2023:

- household customers – the maximum price is capped at 0.310 RON/KWh;
- non-household customers – the maximum price is capped at 0.370 RON/KWh for an annual consumption of up to 50 GWh.

The compensated amounts are settled by the National Agency for Payments and Social Inspection (“ANPIS”) for household consumers and by the Ministry of Energy for non-household consumers. Transactions on the competitive gross market are transparent, public, centralized and non-discriminatory. Participants on the gross market can trade electricity based on bilateral contracts concluded on distinct markets.

### 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 energy prices increase

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

The difficult conditions mentioned above have led to an increase in operating expenses, mainly for the purchase of energy for the NL and for the supply activity.



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

### **Subsidies to be received**

As of 31 December 2023, the estimated amount to be received from the Ministry of Energy for subsidies is RON 2,595.5 mn. (31 December 2022: RON 1,280.7 mn.), and from the County Agency for Payments and Social Inspection is worth RON 18.9 mn.. Of the amount of subsidies to be collected, RON 1,528.7 mn. represents uncollected claims submitted to the state authorities and RON 1,085.9 mn. claims not yet submitted to the state authorities by 31 December 2023.

## 1.3 Subsequent events to the balance sheet date

Below are presented the relevant events that took place at the Group level in the period between 31 December 2023 and the date of the present report.

### 1.3.1 General Meetings of Shareholders

On 26 January 2024, the Ordinary General Meeting of Shareholders approved the election of the following members of the Company's Board of Directors by applying the cumulative vote method:

- Mr. Ion-Cosmin Petrescu
- Mr. Dumitru Chirita
- Ms. Georgiana Bogasievici
- Mr. Dragos-Valentin Neacsu
- Mr. Adrian-Florin Lotrean
- Mr. Marian-Cristian Mocanu
- Ms. Valentina-Elena Siclovan

The following members of the Board of Directors are considered revoked: Mr. Iulian Cristian Bosoanca, Mr. Radu Mircea Florescu and Mr. Gicu Iorga. They were not reconfirmed as a result of applying the cumulative voting method, their mandate ending as a consequence on the OGMS date, according to the provisions of art. 167 paragraph (3) of Regulation no. 5/2018 of the Financial Supervision Authority.

Also, Electrica shareholders approved with the majority of votes cast by the shareholders present or represented:

- Establishing the term of office of the members elected by applying the cumulative voting method, for a period of 4 (four) years.
- Establishing the remuneration due to the members of the Board of Directors elected by applying the cumulative vote method, respectively that established according to the Remuneration Policy for Administrators and Executive Directors, approved by the Resolution of the Ordinary General Meeting of Shareholders no. 1/27 April 2023.
- Establishing the form of the mandate contract that will be signed with the members of the Board of Directors elected by applying the cumulative vote method, respectively the one approved by the Resolution of the Ordinary General Meeting of Shareholders no. 1 of 9 February 2018.

### 1.3.2 Decisions of ELSA's BoD

On 22 January 2024 and subsequently on 25 March 2024, ELSA's Board of Directors decided to extend the duration of the mandate of Mr. Alexandru-Aurelian Chirita, as CEO, under the same conditions, until 31 December 2024 (inclusively).

During its meeting on 12 February 2024, ELSA's BoD elected Mr. Dumitru Chirita as the Chair of the Board of Directors until 31 December 2024.

Also, the Board of Directors decided, in accordance with art. 18, para. 14 from the articles of Association of the Company, to establish two vice-chair positions. Therefore the Board of Directors elected Mr. Dragos-Valentin Neacsu and Mr. Adrian-Florin Lotrean as Vice-Chairs, until 30 December 2024.

During the same meeting from 12 February 2024, the Board of directors decided the following composition for its consultative committees, until 31 Decemebr 2024:

The Strategy and Corporate Governance Committee:

- Mr. Marian Cristian Mocanu – Chair;
- Mr. Dumitru Chirita – member;
- Mr. Dragos Valentin Neacsu – member.

The Nomination and Remuneration Committee:

- Mr. Adrian-Florin Lotrean – Chair;
- Mr. Marian Cristian Mocanu – member;
- Mr. Ion Cosmin Petrescu – member.

**The Audit and Risk Committee:**

- Ms. Valentina-Elena Siclovan – Chair;
- Mr. Adrian-Florin Lotrean – member;
- Mr. Ion Cosmin Petrescu – member.

**The Climate Governance and Public Affair Committee:**

- Mr. Dragos Valentin Neacsu – Chair
- Ms. Valentina-Elena Siclovan – member
- Ms. Georgiana Bogasievici – member

### 1.3.3 Other relevant events

On 19 January 2024, Electrica received from the European Bank for Reconstruction and Development (EBRD) a notification according to which, on 15 January 2024, the EBRD disposed of a number of 205,505 Electrica shares, falling below the 5% threshold provided by article 71 of Law 24/2017 on issuers of financial instruments and market operations, thus reaching a holding of 4.9502% of the voting rights of Electrica calculated on the basis of all the shares to which voting rights are attached, even if for the shares own shares (6,890,593 own shares) their exercise is suspended, in accordance with the provisions of art. 71 (1) of Law no. 24/2017 regarding issuers of financial instruments and market operations.

On 14 February 2024, Electrica published the preliminary key performance indicators for Q4 2023.

On 15 February 2024, Electrica published a current report regarding the final settlement of a case against ANRE.

On 22 February 2024, Electrica announced the attraction of EUR 171 mn. Non-Reimbursable Financing Through the Modernisation Fund.

**Transactions with related parties**

After 31 December 2023, Electrica published 6 more current report according to art. 108 of Law no. 24/2017, reporting transactions concluded between DEER – OPCOM, EFSA – OPCOM, DEER – EFSA and EFSA – TEL, as well as a current report for information on the signing of contracts on MACEE, for the year 2024, by DEER and EFSA.

Also, on 30 January 2024, Electrica published the Auditor's report regarding the transactions reported in H2 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/>.

On 31 January 2024, Electrica published the Auditor's Report on transactions reported in H2 2023 pursuant to Art. 108 of Law 24/2017 (R).

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

**Treasury aspects****Loans related to third parties**

- On 18 January 2024, the Intra-Group Domestic Cash Pooling Services Agreement No. 8/8130/2024 was signed between Groupe Societe Generale SA and Societatea Energetica Electrica SA, as "Pool Leader" and DEER, as "Participating Company", to ensure the optimal management of the cash deficit or surplus in the bank accounts of each of the Group Companies.
- On 18 January 2024, the Intra-Group Domestic Cash Pooling Services Agreement No. 9/8130/2024 was signed between Groupe Societe Generale SA. and SE Electrica SA, as "Pool Leader" and EFSA and SERV, as "Participating Companies", to ensure the optimal management of the cash deficit or surplus in the bank accounts of each of the Group Companies.
- On 18 January 2024, the Loan Facility Agreement no.10/8130/2024 was signed by SE Electrica SA and BRD - Groupe Societe Generale SA within the cash-pooling structure, whereby the bank provides the borrower with a revolving credit facility in the total amount of RON 150 mn., valid

until 17 January 2025, to finance the funding needs of the Participating Companies and the borrower within the structure from the Cash Pooling Agreements.

- On 22 January 2024, was signed the Additional Act no.3 to the Loan Agreement no. 2022012502 concluded by DEER and BCR which extends the validity of the overdraft facility and bank guarantees, in the amount of RON 220 mn., until 30 April 2024.
- On 30 January 2024, was signed the Additional Act no.4 to the Loan Agreement no. 11673879/02.02.2022, in the amount of RON 190 mn., concluded by EFSA and Banca Transilvania, SE Electrica SA as guarantor, extending the validity of the facility until 30 January 2025 and amending the commercial terms.
- On 31 January 2024, was signed the Additional Act No. 5 to the Loan Agreement 10091385 of 16.12.2020 concluded by DEER and Banca Transilvania SA, extending the validity of the period of use until 30 January 2025 and maturity until 31 January 2026 for the facility in amount of RON 160 mn., for credit line and for issuing bank guarantees.
- On 02 February 2024, was signed the Additional Act no.4 to the Loan Agreement no. 17/8130/2022 dated 04 February 2022 concluded by EFSA and BRD, SE Electrica SA as guarantor, extending the validity of the facility in amount of RON 220 mn. until 02 February 2025 and amending the commercial terms.
- On 8 February 2024, was signed the Additional Act no. 1 to the Credit Facility Agreement no. 49183, non-cash facility for issuing bank guarantees, concluded between DEER and Garanti BBVA, SE Electrica SA as guarantor, in the amount of RON 103 mn., which extended the validity of the facility until 20 April 2026.
- On 14 February 2024, was signed the Additional Act no. 5 to the Credit Facility Agreement no. WB/C/14 dated 18 February 2022 in the amount of EUR 34.3 mn., concluded between EFSA and

ING Bank, SE Electrica SA as guarantor, extending the validity of the facility until 29 March 2024.

- On 19 February 2024, was signed the contract FA 9178/19.02.2024, concluded between EFSA and Vista Bank, SE Electrica SA as guarantor, whereby a facility for working capital was granted, in the amount of RON 17 mn., valid until 19 February 2025.
- On 20 February 2024, was signed the contract 02246681CR/01/20.02.2024, concluded between EFSA and Vista Leasing IFN, SE Electrica SA as guarantor, whereby a facility for working capital was granted, in the amount of EUR 6 mn., valid until 10 February 2025.

### Intragroup Loans

- On 13 January 2024, was concluded the Interna Treasury Convention no.13/22.01.2024, between SE Electrica SA and EFSA, within the Cash Pooling structure, to ensure the optimal management of the cash deficit or surplus in the bank accounts of each of the two companies.
- On 13 January 2024, was concluded the Interna Treasury Convention no.14/22.01.2024, between SE Electrica SA and DEER, within the Cash Pooling structure, to ensure the optimal management of the cash deficit or surplus in the bank accounts of each of the two companies.
- On 13 January 2024, was concluded the Interna Treasury Convention no.15/22.01.2024, between SE Electrica SA and SERV, within the Cash Pooling structure, to ensure the optimal management of the cash deficit or surplus in the bank accounts of each of the two companies.
- On 23 January 2024, SE Electrica SA concluded the Loan Agreement no. 17 dated 23 January 2024 with New Trend Energy SRL, for a loan in the amount of RON 200 mn. and 12 months validity, to finance the investment works necessary for the completion and operation of the photovoltaic power plant "Satu Mare 3".

- On 31 January 2024, SE Electrica SA concluded the Loan Agreement no. 19 dated 31 January 2024 with Foton Power Energy SRL, for a loan in the amount of RON 245 mn. and 12 months validity, to finance the investment works necessary for the completion and operation of the photovoltaic power plant "Bihor".

### **Guarantees established by ELSA, for its subsidiaries and other third parties**

#### **Parent Corporate Guarantees**

- On 01 February 2024, was signed the Additional act no.1 to the Parent Corporate Guarantee established on 14 December 2022 in favor of EFSA, having as beneficiary COMPLEXUL ENERGETIC OLTENIA. The amount of the guarantee was reduced to RON 32.1 mn. and the validity was extended until 10 March 2024.
- On 01 February 2024, was signed the Additional act no.1 to the Parent Corporate Guarantee established on 28 December 2022 in favor of EFSA, having as beneficiary COMPLEXUL ENERGETIC OLTENIA. The amount of the guarantee was reduced to RON 62.8 mn. and the validity was extended until 10 March 2024.

## **1.3.4 Litigation**

### **Case no. 2790/1/2023 (former 360/2/2015)**

On 14 February 2024, the High Court of Cassation and Justice definitively settled the case no. 2790/1/2023 (former number 360/2/2015), against ANRE, rejecting Electrica's recourse as unfounded (the case was also dismissed on merits). The object of the file is Electrica's request for the annulment of ANRE President's Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and of the price for reactive electricity, for Societatea Comerciala "Filiala de Distributie si Furnizare a Energiei Electrice Electrica Distributie Transilvania Sud" S.A., now Distributie Energie Electrica Romania S.A. (DEER), Electrica's subsidiary.

The amount of the Parent Corporate Guarantees (which are not real guarantees), constituted by ELSA in favor of EFSA, is RON 161.6 mn..

### **Subsidies receivables**

Subsequent to the reporting date, claims amounting to RON 605 mn. were submitted to the state authorities for the period prior to 31 December 2023 (invoices issued in October - November 2023), subject to GEO no. 27/2022 applicable with subsequent amendments.

### **Legislation**

The legislative changes with significant impact in the activity of the Electrica Group and published in the period between the closure of the financial year 2023 and the date of this report are presented in Appendix A.3.2.

Following Electrica's request, the case was suspended until the final resolution of Electrica's file against ANRE no. 192/2/2015, having as its object the annulment of ANRE's President Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of tariffs for the electricity distribution service provided by concessionaire distribution operators starting from January 1, 2015 and the repeal of art. 122 of the Methodology for establishing tariffs for the electricity distribution service, approved by the Order of the President of the National Energy Regulatory Authority no. 72/2013.





## 2. ELECTRICA GROUP

## 2.1 Organizational structure

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

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

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

- **Distributie Energie Electrica Romania S.A. („DEER”)** resulted from the merger through absorption of the three distribution subsidiaries Societatea de Distributie a Energiei Electrice Muntenia Nord (“SDMN”), Societatea de Distributie a Energiei Electrice Transilvania Sud (“SDTS”) and Societatea de Distributie a Energiei Electrice Transilvania Nord (“SDTN”), the last one being the absorbing company. DEER is the main electricity supplier in Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita Nasaud counties), Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) and Muntenia Nord area (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), ensuring the service of network users by operating the installations that work at 0.4 kV to 110 kV (power lines, substations and transformation stations). DEER holds exclusive distribution licenses for the aforementioned regions, which have a validity period until 2027, with the possibility of extension for a period of 25 years;
- **Electrica Furnizare S.A. („EFSA”)**, company whose main activity is the supply of electricity to final consumers. EFSA holds an electricity supply license that covers the entire territory of Romania, which was renewed in 2021 for a period of 10 years, and a license for carrying out the activity of natural gas supply, valid until 2022. In view the expansion of the economic activities of Electrica Furnizare S.A. (EFSA) in Hungary, the electricity trading license was granted by the Hungarian Energy and Public Utilities Regulatory Authority (MEKH) for Electrica Furnizare, by Decision no. H879/2022. Also, the Group holds a natural gas supply license valid until 2032.
- **Electrica Serv S.A. („SERV”)** starting on 30 November 2020, the company absorbed Servicii Energetice Muntenia SA (“SEM”), following a merger process. SERV provides repair services and other related services to third parties and various services to the companies in the group (car rental, building rental, etc.).
- **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.
- **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 became subsidy on 31 July 2023 as a result of ELSA owning 60% of shares.



**Table 4. ELSA's subsidiaries**

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 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	Bucuresti	99.9998444099934%
Electrica Serv S.A. („SERV”)	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%
Sunwind Energy S.R.L. („SWE”)	Production of electricity	42910478	Constanta	100%
New Trend Energy S.R.L. („NTE”)	Production of electricity	42921590	Constanta	60%
Foton Power Energy S.R.L. („FPE”)	Production of electricity	43652555	Constanta	60%

**Table 5. ELSA's associates**

Associate	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2023
Crucea Power Park S.R.L. („CPP”)	Production of electricity	25242042	Constanta	40%

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

Source: Electrica

#### **Merger by absorption within the Group:**

On 20 December 2023, the Extraordinary General Meeting of the Company's Shareholders (EGMS) approved 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 absorbing company, Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as absorbed companies, with the effective date of the merger being 31 December 2023.

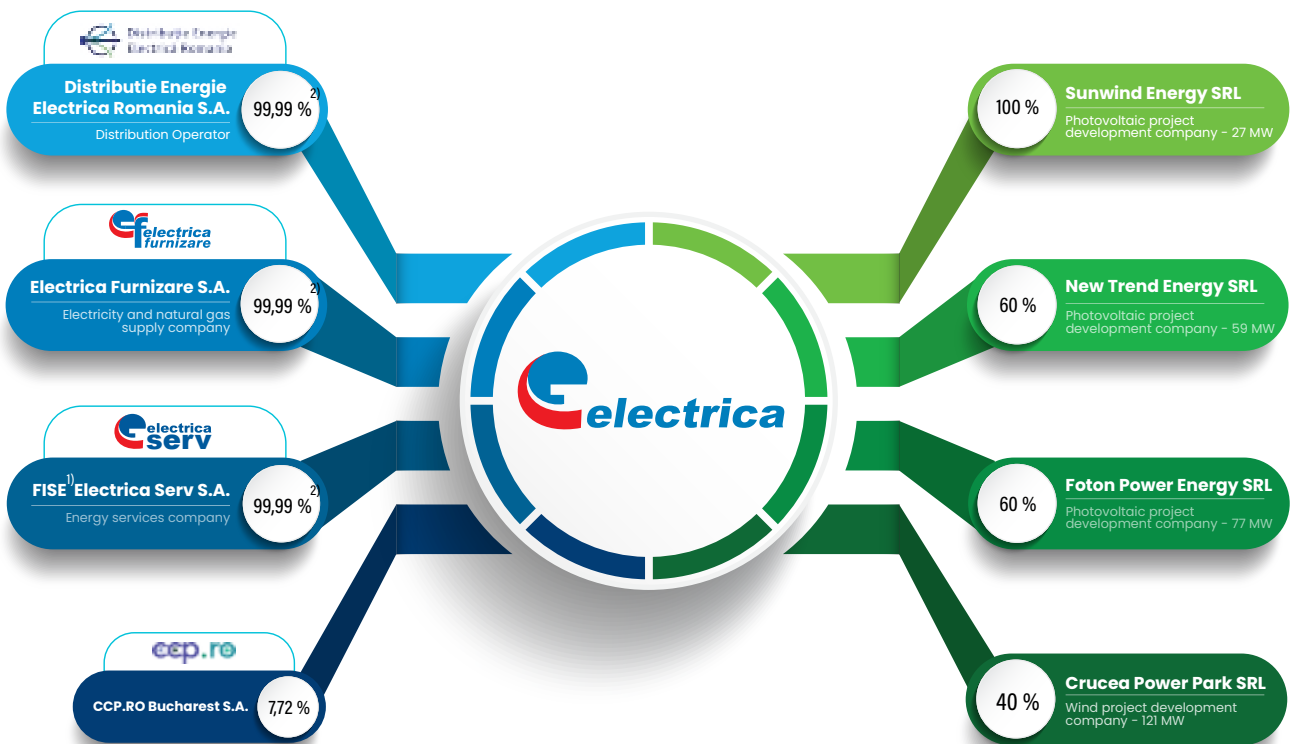
**Table 6. Long term investments owned by ELSA**

Company	Activity	Sole registration code	Head Office	% shareholding as at 31 December 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. Following the completion of the share capital increase process approved by the EGMS of the Company on 29 May 2023, in which ELSA did not participate, ELSA’s holding in the share capital of CCP.RO was reduced to 7.72% as of 18 August 2023..

**Electrica Group Structure at the Date of this Report**



1) Filiala de intretinere si Servicii Energetice

2) The existence of additional shareholders was imposed by the provisions of Art. 10, paragraph (3) of the Law no. 31/1990 regarding the companies.

## 2.2 Key elements of the 2024 – 2030 Corporate Strategy

The results of the Corporate Strategy for 2019–2023 were the starting point for the analyzes and debates necessary to develop the Corporate Strategy for 2024–2030. The Board of Directors approved the new strategic directions and objectives, the document being available on the company's website in the section Investors > Strategy overview > [Key elements of Electrica Group's Strategy for 2024-2030 – document published on December 22, 2023.](#)

The main strategic directions assumed are:

- Contribution to a green economy transition
- Promoting network security and business sustainability
- Accelerating the digital transition in the Group's operations. By adopting strategic directions, aligned with those at national and European level, Electrica Group could play an important role in transforming the energy sector, contributing to a new era of energy that is sustainable, efficient and environmentally friendly.

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

The general objectives proposed within the corporate strategy cover all Group operations and constitute the response adapted to new trends and market requirements:

- 1. Diversification of renewable energy sources Active contribution to large-scale projects to increase the share of renewable energy sources in the national energy mix through significant investments in the development and implementation of renewable energy technologies, such as solar, wind, CCGT and hydrogen potential, including energy storage solutions.
- 2. Implementing ESG in business models Implementing a comprehensive governance framework for stakeholder engagement, while promoting sustainable practices across the Group, actively participating in initiatives aimed at reducing greenhouse gas emissions and combating climate change, investing in training programs and education to ensure a workforce prepared for the new requirements of the energy sector, awareness and education initiatives for communities and customers on the benefits and importance of sustainable energy.
- 3. Sustainable electrification and modern infrastructure Investment in automation and development of smart grids for efficient grid management and smart energy distribution, as well as to support the transition to renewables, promoting sustainable mobility through investments in charging infrastructure for electric vehicles.
- 4. Energy efficiency and customer solutions Implementing extensive energy efficiency programs in the Group's operations and integrating digital technologies for optimizing and efficiently monitoring energy consumption, integrating innovative services, customized energy solutions and educational programs for customers in order to reduce energy consumption.
- 5. Digitalization and innovation Automating business processes and integrating them on interconnected platforms to increase operational efficiency, develop virtual communication channels to improve customer experience, support innovative initiatives and develop strategic partnerships with other companies and organizations to share expertise and collaborate on innovative projects that contribute to the modernization of the organization and the transformation of the energy sector.

In addition to traditional areas of interest, namely electricity distribution, electricity and natural gas supply and energy services, there is a high interest in developing new activities based on innovative technology, while continuing to monitor and analyze growth opportunities through mergers or acquisitions. It also aims at a closer relationship with customers, based on skills development, but also on an offer of products and services in line with their needs.

Also, an important role will be played by optimizing IT&C support functions and aligning with industry-specific trends and solutions. In this context, beyond the digitization of processes and their integration into IT platforms, the development of smart grids, the integration of smart meters into the rhythm of their implementation plan, support for the operationalization of prosumers, etc. are foreseen 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 distributors in Romania are critical elements supported by IT&C in order to ensure strategic advantages for the Group's business segments.

The corporate governance framework continues to improve, closely following the Corporate Governance Action Plan established with the EBRD since 2014. It was approved the establishment of the Climate Governance and Public Policy Committee in order to prepare the necessary framework for implementing initiatives that contribute to achieving the EU's objective of zero greenhouse gas emissions by 2050 and ensuring the long-term resilience of the companies within the Group, in light of potential structural changes in the business environment, arising from climate change.

From a process-oriented culture to a results-oriented and customer-centered culture, through leadership and improving employee satisfaction, we aim to realign the culture with the vision, mission and core values of the organization to achieve the strategic objectives proposed in the horizon 2024-2030.

We are dedicated to cultivating a culture that

embraces diversity, we remain committed to creating the most equitable and inclusive workplaces, advancing diversity representation at every level of the organization.

By translating general strategic objectives into objectives and plans of specific initiatives, at the level of each Subsidiary, the organization adapts to market conditions, customer expectations and the rapid pace of technology so as to deliver value consistently.

### **Distribution segment**

In the Distribution segment, the organizational transformation process initiated in 2017 was consolidated by the legal merger of the three Distribution Operators of the Group in 2020, under the umbrella of Distribuție Energie Electrica Romania SA (DEER). The post legal merger integration facilitated the adaptation and improvement of processes and technology according to the new strategy (horizon 2019-2023) and the program of measures related to the integration.

The current strategy, approved last December, is based on three main pillars: sustainable growth of the company's value, transformation and sustainability through the implementation of ESG principles and organisational excellence programmes, and efficiency through increased network security, digitalisation and improved business resilience.

The long-term strategy is designed to position us at the forefront of the national energy transition and contribute to achieving our 2030 and 2050 targets, not only responding to today's challenges but also anticipating the future of the energy sector.

Strategic objectives at Group level include diversifying renewable energy sources, with a focus on generation and storage, to contribute to the transition to a green economy and to offer a variety of services such as energy efficiency solutions and exploring regional growth opportunities.

Considering the market context and unpredictable situations, adaptability is a key element of the long-

term strategy. Thus, in the Distribution segment, we aim to develop smart grids and increase their flexibility to meet the needs of consumers and to integrate electric vehicles. We aim to increase network security, accelerate the digitisation process and improve business resilience to face future market challenges.

As a result of the implementation, as of 1 January 2022, of the new unified target organization chart, whereby all structures in the area of strategic activities (asset management, energy management, integration program management, IT&C, strategic project management), financial and support activities have been brought together under a single 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 improvement of processes and supporting technology, as defined by the approved Strategy for the distribution segment. As a result of the implementation of the organisational transformation plan as of 1 February 2023, a number of strategic objectives have been pursued, such as:

- simplification and structuring of the decision-making chain by branches of activity;
- specialisation and professionalisation of human resources in key activities;
- reducing the NL by creating a well-structured organisational branch so that there are no decision-making or operational bottlenecks;
- corporate cultural transformation of the organisation, focused on efficiency and performance, ensuring business sustainability;
- retention of highly skilled workforce;
- human resources concentration, development and specialisation;
- accelerating the adoption of best practices and new technologies, bringing increased transparency and reduced monitoring costs;
- increasing financial and operational performance and keeping within ANRE regulated costs.

Within the strategy there is a strong focus on the implementation of ESG (Environmental, Social, Governance) principles and the development of organisational excellence programmes. In view of the geopolitical crisis in 2022, which has led to a steep rise in energy prices, we are also focusing on streamlining operational costs and securing funding sources for future investments.

Ultimately, our strategy is a response to changes in the energy sector and market needs, and the need for continuous adaptation and innovation remains at the heart of our actions.

Establishing a predictable and incentivising regulatory framework for the fifth regulatory period will boost investment in the modernisation, automation and digitalisation of distribution networks to meet the requirements of a sustainable energy infrastructure.

To finance investments in the Distribution segment, investment financing mechanisms will be optimised, using both own sources and European funding programmes, which provide opportunities for upgrading networks and transforming them into smart grids, which will be reflected both in improved network resilience and increased operational efficiency.

### Supply segment

In 2023, the company carried on the strategy from the previous year, focusing on securing its portfolio of customers by developing specific measures to increase client satisfaction. Also, traditional electricity supply offer was enlarged with combined electricity - gas and value-added services packages.

In 2023, EFSA continued the implementation of measures settled in order to transform the company into an organization capable of successfully responding to current and future challenges of energy market, including improving the financial situation, improving NPS, defining a competitive commercial program, improving positioning and transforming the organization into a flexible and

agile one.

Therefore, during 2023, evaluations will be continued at each organizational entity level with the aim of identifying new measures necessary to improve the activity.

Also, as part of priority measures for upgrading and adjustment of internal IT systems during 2023, SAP ISU implementation project was carried out with January 2024 as deadline for migration to the new system.

## Services segment

The main development directions of SERV branch for the next period are:

- further development of projects for the implementation of new activities: design and installation of B2B/B2C photovoltaic power plants, reactive energy compensation, power supply stations, smart metering solutions;
- expansion of Electrica Serv's activity on the services market outside the Group and consolidation of the business lines for the new activities identified, simultaneously with the improvement of the already existing activities for which the company has accumulated experience;
- the efficiency of maintenance and repair works for electricity distribution and transmission installations and investment works in the energy sector, with priority being given to compliance with the conditions imposed so that the result leads to "zero penalties";
- providing preventive and corrective maintenance services leading to safe and efficient electricity supply to consumers;
- significantly improve asset management, by leasing or selling "non-essential"/"non-core" assets;
- optimising the real estate portfolio by selling intra-group assets;
- re-alignment of the operational staffing structure and reprioritisation of business lines;
- reduction of administrative overheads, production costs, material, services and labour

costs;

- creation of a structure of qualified personnel for the construction of photovoltaic power plant assembly works;

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

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

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

## 2.3 Outlook

During 2019–2023, the global energy industry has undergone significant transformations, and Romania has been directly affected by changes at European and national level. One of the most notable developments has been the shift towards sustainable energy sources, with increasing investment in renewable energies such as solar, wind, hydro and geothermal. In the European context, this change has been supported by policies and regulations adopted to promote the sustainable development of the energy sector.

Nationally, this transition has been reflected in increased investment in renewable energy projects such as wind farms and solar farms. The Romanian government has encouraged this development by introducing support policies for renewable energies and measures to improve energy efficiency. In addition, technological and digital advances have been integrated into industry, and the implementation of artificial intelligence, Internet of Things (IoT) and energy storage solutions have become increasingly important in optimizing energy production, distribution and consumption processes nationwide.

Since September 2021, Romania has also felt the impact of extremely high prices and significant volatility on European electricity markets, a phenomenon generated mainly by high natural gas costs. This situation has contributed to an energy crisis in Europe, and Russia's involvement in using natural gas for political purposes has increased pressure. As a result, Romania has intensified its efforts to become energy independent and develop its own production capacities, in order to reduce dependence on resources from Russia.

In October 2022, the European Commission presented a set of measures to address the impact of high energy prices by providing revenue

support, tax incentives and gas saving and storage initiatives, some of which were also adopted in Romania. The REPowerEU plan, introduced in May 2022, aimed to reduce dependence on fossil fuels in Russia and included increasing the target for renewables to 45% by 2030.

In the Romanian context, adapting to the energy crisis and transforming the electricity market involves sustained efforts to increase the production capacities of net-zero emission technologies and ensure the flexibility of the electricity system. It is essential to assess the impact of proposed reforms to ensure that they are efficient and appropriate for Romania's specific energy mix.

As Romanian consumers become more aware of rising energy prices, the retail sector (retail sale of energy) is facing significant transformations. Energy suppliers should support consumers in their energy transitions by providing solutions for energy efficiency, consumption management and access to affordable energy. Taking a more sustainable approach and diversifying the offer of products and services becomes essential to respond to new energy market challenges in the specific national context.

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

The current strategy of the Electrica Group is built on a set of trends and assumptions, and the acceleration of digitization and the implementation of Artificial Intelligence (AI) is one of its objectives. Thus, the already started efforts to support investments in IT tools and automation to increase

efficiency, reduce costs and optimize operations through artificial intelligence will continue.

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

- Competition between players on the electricity supply market in terms of diversifying the portfolio of products offered to customers with a focus on the value-added products offered (especially energy efficiency) and digital services offered (mobile applications, invoices and online payments, expanding customer service through chat solutions);
- In the electricity distribution area, the regulatory trend is to provide remuneration to the distribution operator considering both the quality of the service, as well as the operational costs and efficiency based on comparative analysis between DSOs. An element that affects and will continue to significantly affect the profitability of distribution companies is the increase in the purchase price of NL, a situation which was partially regulated by the entry into force of: (i) Government Emergency Ordinance no. 118/2021 regarding the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, (ii) Government Emergency Ordinance no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as for the modification and completion of some normative acts in the energy field, (iii) EMERGENCY ORDINANCE no. 119/2022 for the amendment and completion of GEO no. 27/2022 regarding the measures applicable to end customers in the electricity and natural gas market in the period 1 April 2022 - 31 March 2023, as well as for the modification and completion of some normative acts in the field of energy, (iv) EMERGENCY ORDINANCE no. 153/2022 for the amendment and completion of GEO no. 27/2022 and the amendment of GEO no. 119/2022, as well as for the modification and completion of some normative acts in

the field of energy, ANRE approved by ANRE Order no. 129/2022 Methodological norms for the recognition in tariffs of additional costs with the purchase of electricity to cover own technological consumption compared to the costs included in the regulated tariffs;

- Regulation (EU) 2022/1854, regarding an emergency intervention to address the problem of high energy prices, provides for a maximum threshold of 180 Euro/MWh for solar, nuclear, hydro, wind and lignite production, incomes above this threshold will be collected by the state;
- Electricity distributed generation technologies will determine the distribution operators to adapt their processes and strategies regarding the upgrade and development of the network and to offer solutions to the independent producers, considering the appearance of prosumers, which are active participants in the energy market; in this context, significant investments are necessary in order to improve both the transmission and the distribution infrastructure. The high price of electricity in 2022 and the uncertainty of keeping the electricity price cap in place has increased the interest of consumers to produce part of their energy independently, which has accelerated the trend. The significant reduction in the cost of photovoltaic technologies represents a development opportunity for smaller-scale generation projects, especially in the domestic area;
- On the long term, full electric vehicles, light commercial vehicles and electrification of railways are expected to increase the consumption of electricity in the transportation sector;
- Future development of technologies will support energy efficiency policies such as:
  - Development of transmission and distribution networks, including smart grid and smart metering;
  - End-use energy efficiency (thermal integrity



of buildings, lighting, electric appliances, motor drives, heat pumps etc.);

- The smart metering implementation will offer complex tariffs options to the consumers, detailed information regarding the consumption profile, which might lead to increased flexibility and demand reduction during peak periods. Thus, the consumers shall be better informed and involved in decision-making process, as active participants. The smart metering implementation pace depends on the implementation calendar adopted at national level;
- The development of the transmission and distribution infrastructure and long-distance interconnection will become a necessity. The

electricity market target model, which implies the development of Europe’s internal electricity market, will continue to evolve and be in line with future trends and challenges in the energy industry;

- Process optimization based on artificial intelligence;
- Using machine learning algorithms to optimize production processes and minimize waste;
- Adopting similar AI strategies can optimize energy production, increase equipment reliability and minimize operational expenses.

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

Key drivers	Description	Impact on
GDP evolution and industry structure	The economic growth is a determinant factor of electricity demand. Although there is not a one-to-one relationship between GDP growth rate and electricity demand growth rate, there is a positive correlation, mainly between the industrial demand for electricity and economic growth. In the future, household and industrial electricity demand will also be influenced by energy efficiency policies. Also the evolution of the number/quantity of energy produced/injected by consumers will determine differences between the trend in the amount of energy distributed and the trend in GDP.	GDP evolution and industry structure
Demographic evolution and technology development	In contrast with the demographic decline recorded at EU and Romanian level, the electricity consumption is positively impacted by the changes in the consumer behaviour and the increase in urbanization. For example, the massive increase in the number of connected devices and implicitly, in a less accelerated manner, in the electricity consumption, maintains the increasing trend of consumption.	Electricity consumption
International geopolitical context	Russia’s invasion of Ukraine has massively disrupted Europe and global energy markets, prompting the urgent need to identify a plan to stop the EU’s dependence on imports of fossil fuels from Russia.  REPower EU is the EU’s response plan to this context, a plan for the period 2022-2030. The REPower EU plan sets out a series of measures to rapidly reduce energy and accelerate the green transition while increasing the resilience of the EU energy system.  The plan targets 4 areas: Saving, diversifying sources, accelerating the shift to clean energy, investment and reform.	Electricity prices

Key drivers	Description	Impact on
<p>Changes in regulatory framework</p>	<p>The approved schemes to support customers in payment of electricity/ natural gas bills, with initial application between November 1, 2021 and March 31, 2022, through which price caps, compensations for household customers and exemptions for SMEs were granted, later extended for the period April 1, 2022 - March 31, 2025, by which the prices applicable to final customers were capped, assume ex post recovery of amounts related to these schemes by suppliers, risking affecting supply activity in case of delays in settling the amounts incurred by suppliers or of non-recovery in the situation where the costs recorded in the balancing market exceed the purchase costs by more than 5% or in the situation where the average purchase price exceeds the cap of 1,300 RON/MWh/ or 900 RON/ MWh after the publication of Law approving GEO 153/2022 in the Official Monitor.</p> <p>Also, as a result of entering into force of the new Electricity and Natural Gas Supply Activity Performance Standard, more demanding requirements are applied regarding the quality of supply service and responsibility towards customers, including through the obligation of automatic payment of compensations to all customers categories, in case of non-compliance with standard indicators.</p> <p>Since 2020, the regulatory framework for connections has changed repeatedly, the connection process being carried out successively on the basis of the following ANRE Orders: ANRE Order no. 160/2020 amending and supplementing the Regulation on the connection of users to the electricity networks of public interest, approved by the Order of the President of the National Energy Regulatory Authority no. 59/2013, ANRE Order no. 17/2021 approving the Procedure for the connection to the public interest electricity networks of consumption sites belonging to non-household end-users through connection installations with lengths up to 2 meters. 500 metres and household customers, ANRE Order no. 18/2022 approving the Procedure for the connection to the low voltage public interest electricity networks of consumption sites belonging to household customers, ANRE Order no. 17/2022 amending and supplementing the Regulation on the connection of users to the public interest electricity networks, approved by the Order of the President of the National Energy Regulatory Authority no. 59/2013, ANRE Order no. 19/2022 approving the Procedure for the connection of consumption and production sites belonging to prosumers to public interest electricity networks, ANRE Order no. 4/2023 amending and supplementing some orders of the President of the National Energy Regulatory Authority in the field of connection of users to the public interest electricity network.</p> <p>In 2023, the free connection of irrigation equipment and appliances was introduced for non-household customers with CAEN code 01 Agriculture, hunting and related services and CAEN code 10 Food industry, for connection installations with a length of less than 2.5 km, the financing of the network difference exceeding 2.5 km is provided by non-household customers.</p> <p>Also, as a result of the entry into force of the new Performance Standard for the electricity distribution activity, more demanding requirements on the technical quality of the distribution service and increased demands on the monitoring of technical quality parameters are applied.</p> <p>At the same time, the changes regarding prosumers such as: the rules for selling electricity produced by prosumers, respectively quantitative compensation for customers with installed power of up to 200 kW and financial compensation for customers with installed power between 200 and 400 kW, generated a flow of new requests for this customer segment, but also important changes to the invoicing IT system for this customer category.</p>	<p>Electricity prices</p>

Key drivers	Description	Impact on
The evolution of the electricity price in the market	<p>Energy is an indispensable resource for both the population and the economic operators. Thus, the sharp increase in energy prices is reflected on the dynamics of consumer prices, respectively on the generalized increase in inflation rates.</p> <p>The transactions concluded on the centralized platforms exceeded the threshold of 2,500 RON/MWh for the AN product and 4,000 RON/MWh for the short-term products related to the winter period, and on the DAM the weighted average price doubled compared to the beginning of 2022. The distribution operators purchase purchased energy for NL at a price four times higher than the ex-ante approved price in the distribution tariffs. In the period 1 January 2023-31 March 2025, the mechanism for the centralized purchase of electricity is established, and OPCOM is designated as the sole purchaser.</p>	Electricity prices and inflation rate
Technological development	<p>Smart networks and smart meters will create benefits for the end consumers, distribution operators and suppliers in terms of energy efficiency, resource optimization and network operation, implementation of demand response etc. It is necessary to prepare the networks and to integrate the distributed resources (storage solutions, micro-grids, local production, electric machines, etc.), also considering the management of their impact.</p>	Electricity prices and consumption
Increase in environmental awareness	<p>Romania has adopted the strategy "Europe 2020" - program 20-20-20, aiming to reduce greenhouse gas emissions, improve energy efficiency and raise the share of renewable energy. Moreover, the 2030 Framework provides even more ambitious targets and therefore more efforts are needed from governments and market players to achieve them.</p> <p>Renewable energy is the cheapest and cleanest energy available and can be generated domestically, reducing our need for energy imports. Energy efficiency and the use of renewable energy sources can enable industry to reduce the impact of market evolution. Energy saving is the cheapest, safest and cleanest way to reduce the repercussions of the trend in the energy market. In addition to energy efficiency measures, individual actions have a positive impact on energy bills (consumption and price level).</p>	Electricity prices and consumption, regulatory framework

## 2.4 Key factors, directions and significant market trends affecting the operational results of Electrica Group

The significant increase in renewable energy production will generate a surplus in certain hourly segments, according to the production and consumption curve for the period 2022–2032. Although Romania's energy efficiency has decreased in recent years, our country has a significant potential to improve indicators in this area.

In 2023, a series of challenges and opportunities of the electricity market have left their mark on the Electrica group:

- Current distribution networks have an old infrastructure, with performance indicators (SAIDI, SAIFI) below the European average. The Green Deal will put additional pressure on networks, with tens of billions of euros of investment expected at European level;
- Network flexibility, achieved through storage, distributed generation aggregation and digitalised planning with artificial intelligence, can significantly reduce costs, by more than EUR 29 bn. annually at European level;
- Pressure on tariffs and competition in supply and generation markets require permanent cost control;
- ESG has become an essential component of the corporate agenda in response to stakeholder expectations; ESG can be a source of increasing company value through staff engagement, reduced regulatory risks, lower capital costs and financing;
- Robust ESG strategy must cover topics that are holistically relevant and tailored to industry specificities;
- In order to fully capitalize on the opportunities offered by the energy transition, Electrica must go beyond ESG statements and reporting and implement concrete initiatives with significant impact.

Electrica has the potential to become a leader in Romania's energy transition by implementing an ambitious strategy that takes into account the challenges and opportunities outlined above.

At the same time, digitization generates benefits on multiple levels:

- Improving customer value
- Cost reduction
- Efficiency
- New sources of income
- Reduced risks

The end of 2023 meant the approval of a new corporate strategy, and the most important assumptions we looked at were the following:

- The European Union maintains targets for reducing greenhouse gas emissions from green energy production;
- Romania's GDP will have an upward and stable evolution in the medium term, even if some slowdown is possible in the near period of industrial production;
- Romania will remain committed to achieving the objectives of the European Green Deal, focusing on reducing greenhouse gas emissions (55% reduction compared to 1990 by 2030) and increasing

electricity production from renewable sources (40% by 2030);

- The energy mix in Romania changes significantly in the medium and long term, mainly by increasing the production capacity of electricity from renewable sources;
- "Democratization of energy" brings about important changes in the way electricity is transmitted and distributed;
- The energy market will continue to register a production deficit both due to the accelerated growth in demand (caused by the electrification of transport and, partially, heating systems) and due to the environmental limitations to which energy production (European, regional, national) has committed;
- The supply segment experiences unpredictable developments, with very frequent changes in incident legislation, which (at least so far) diminishes competition and relativizes any planning scenario;
- Geopolitical developments in the region will remain at their peak in 2022, but we do not exclude the possibility of escalations;
- Financial markets will allow access to advantageous funding sources to support companies' investment programs, but companies' involvement in ESG practices will play a role in the success of financing.

The IT&C activities within the group were reviewed and re-focused on the key areas of business support in accordance with the Group Strategy. Subsequently, the structure and projects in the subsidiaries were re-reviewed and accelerated to achieve the optimal level of support for electricity distribution and supply activities, including automation projects, digitization, friendly and simplified interface with external and internal customers. Emerging technologies, with an impact on the resilience of IT&C services, are constantly evaluated and monitored in the Group and tested in pilot mode in Electrica SA.

### Cyber Security:

- **Impact:** Increasing cyber threats to critical infrastructure in the energy sector can affect the operations and security of networks and systems.
- **Directions:**
  - Development and implementation of advanced cyber security measures, including protection solutions against sophisticated attacks.
  - Strengthening capabilities for monitoring and responding to cyber incidents.

### Digitization and Automation:

- **Impact:** The integration of digital technologies and the automation of processes can optimize efficiency, but also introduce new risks and dependence on IT systems.
- **Directions:**
  - Implementing automation systems to improve the efficiency of operations and reduce human error.
  - Careful management of risks associated with increased reliance on digital technologies.

### Directions and Trends:

#### 1. The Internet of Things (IoT) in Smart Energy:

- **Impact:** Increased connectivity through IoT can provide real-time data
- **Trends:**
  - Expanding the use of IoT devices for monitoring and controlling energy infrastructure equipment.
  - Implementing security protocols to protect IoT devices.

#### 2. Predictive Analysis and Artificial Intelligence:

- **Impact:** The use of predictive analytics and artificial intelligence (AI) can improve decision-making and

optimize operations but requires the management of sensitive data..

• **Trends:**

- Integrating AI solutions to effectively anticipate and manage energy demand.
- Using machine learning algorithms to identify and prevent security incidents.

**3. Smart Grids and Microgrid:**

• **Impact:** The development of smart grids and microgrids can improve the distribution and efficient use of energy.

• **Trends:**

- Implementation of automation technologies in smart grids to improve energy flow management.
- Focus on cyber security to protect communications and control in smart grids.

**4. Blockchain in Energy:**

• **Impact:** Blockchain technology can ensure transparency, safety and efficient management of energy transactions.

• **Trends:**

- Development of blockchain solutions to facilitate decentralized energy transactions.
- Using blockchain to ensure the authenticity and integrity of energy data.

**5. Green Energy and Sustainable Technology:**

• **Impact:** Integration of renewable energy sources can optimize energy distribution and consumption.

• **Trends:**

- Expansion of energy storage capacities to handle fluctuations generated by renewable sources.
- Use of sustainable technologies to reduce the carbon footprint of the IT infrastructure.

These directions and trends reflect the continued evolution of technology and its impact on the energy sector, highlighting the need for an integrated approach that takes into account both the advantages and challenges associated with emerging technologies.

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

One of the main factors influencing the strategic decisions for the Distribution area is represented by the trend of energy market prices which negatively impacts in a significant way the cost of energy acquisition for network losses, with a significant negative impact over profitability if the method of capitalizing on the additional costs of the procurement of electricity for the NL or the mechanism for the centralized procurement by OPCOM of energy for the NL does not lead to the improvement of the results.

An important factor is the alignment of strategic decisions with the 10-year development plan which was developed by DEER to be approved by ANRE, after public consultation with all stakeholders, and that includes both investment works for the production of energy from renewable sources for NL and the

power consumption from the station or for the development of electricity storage facilities and the way to integrate flexibility services.

The year 2024 was approved by ANRE as the transition period towards the fifth regulatory period, the DEER distribution tariffs for the year 2024 are transitory and established on the basis of a single income, the NL target being unique for the total DEER. In the year 2024 distribution operators will submit to ANRE approval the data for substantiating the projection of revenues and profitability for the fifth regulatory period 2025-2029.

The **supply segment** will focus on diversifying its activity through offers and services adapted to customer needs, on operational efficiency through optimized electricity sales and purchase processes, and on orientation towards customers and maximization of their satisfaction. The goal is to increase the supply segment, offer value-added solutions (products and services) and digitize specific operations and processes.

Taking into consideration that other factors that are not available at the date of this report (e.g. regulations and legislation being amended) or that have not been presented above, or that have not been taken into account by the Group, may occur and can have a significant impact on Group's strategy implementation and evolution.

The regulatory framework has undergone significant changes over the last decade, including liberalisation of electricity and gas markets, unbundling of supply and distribution activities, implementation of the support scheme for renewable energy, support for electricity prosumers and end-customer price caps. In 2023, the electricity market was completely liberalized for all customer categories and the price was set by suppliers through free market mechanisms, both for universal service offers and for offers related to competitive market, in compliance with price capping invoicing rules.

Regarding electricity and natural gas last-resort supply, a monthly rotation system was introduced for the Supplier of Last Resort nomination, which automatically takes over customers from all areas of the country. For this purpose, the Suppliers of Last Resort list is established according to the market share, each Supplier of Last Resort in the list being nominated by turn, monthly, to automatically take over the customers with no supplier. Thus, in 2023, EFSA was the nominated Supplier of Last Resort for electricity in May and October, and for natural gas in April and November 2023.

ANRE's development of the online platform for changing electricity and natural gas supplier (OPCS) helps energy market in Romania to achieve the objective provided by the European legislation regarding the change of supplier in 24 hours, starting with 2026.

Regarding the legislation related to prosumers, the change of electric power installed level in power plants from renewable energy sources belonging to prosumers, from 100 kW to 400 kW per place of consumption and the introduction of quantitative compensation led to an increase in the number of prosumers, which led to an increase of 185% in 2023 compared to 2022.

Just as importantly, in 2023 the New Regulation for Electricity Supply to Final Customers entered into force, approved by ANRE Order no. 5/2023, which triggered various innovations that had to be implemented in the electricity supply activity.

As part of price increase on electricity and natural gas markets at international and national level, as well as the effects caused by these increases for the Romania's population, a series of support schemes for electricity/natural gas customers are to apply, through the effect of GEO no. 27/2022 with the respective

changes and additions. Considering the implementation method of these schemes and the settlement mechanism of amounts granted as support to clients, ex post from the state budget to electricity suppliers, they are generating constraints in terms of cash flow, and uncertainties regarding the full recovery of the respective amounts by suppliers.

In this context, EFSA has adapted its medium and long-term strategy in order to manage the impact of these measures on company's activities in a responsible and sustainable manner in the situation of a regulatory framework that has seen numerous successive and high-impact changes in the recent period.

### **The evolution of acquisition costs**

2023 was characterized by an extremely low liquidity on gross market generated by the implementation at the end of 2022 of some measures in order to reduce electricity and natural gas price, GEO 27, GEO 119 and GEO 153, respectively.

New regulations were introduced, as follows:

- The introduction of Centralized Electricity Purchase Mechanism (CEPM);
- Capping the selling price on retail market for certain categories of end customers;
- Mechanisms for recognizing the cost of acquisition achieved;
- Overtaxing producers/traders on income obtained from the sale of electricity, if the average price exceeds 450 RON/MWh;
- Limiting the profit from the wholesale of energy and natural gas to 2%, the difference set to be paid to the energy transition fund;
- Limiting electricity exports;
- Establishing the maximum value of the acquisition price recognized by suppliers, for energy billed to capped customers.

The average trading price of energy in the Day Ahead Market, in 2023, recorded a decrease of approximately 61% from 1,306.61 RON/MWh average price recorded in 2022 to 510.63 RON/MWh.

Over-taxation of the income obtained from energy sold by producers/traders as well as the obligation of large producers to sell the energy produced exclusively through CEPM resulted in a reduced number of transactions on the gross market.

For natural gas, the transaction price on the spot market decreased in 2023 by approximately 65.5% compared to the transaction price achieved in 2022, from 574.4 RON/MWh to 198.3 RON/MWh

Under these circumstances, the market low liquidity as a result of Centralized Electricity Purchase Mechanism introduction, the unpredictability created by the legislative framework as well as the limitations established by the government regarding the acquisition/sale prices of electricity and natural gas, it is difficult to forecast the evolution of wholesale electricity and natural gas market in 2024. In absence of major investments in new production and storage capacities but also of maintaining a reduced demand from consumers, it is estimated that prices will stabilize and be maintained at a level similar to those achieved in 2023.

### **The impact on customers**

The impact on clients in the dynamic domestic and international context:



- Acceleration and optimization of the implemented digitization and development of synergies within national supplier change platform, by adapting and homogenizing processes to optimize the relationship with clients;
- Adapting to internal context created by liberalization of energy prices, as well as to the international one causing supply fluctuations;
- Support measures granted to both household consumers and non-households;
- Maximizing the results obtained following the development of partnership relations in the dynamic context created by liberalization.





### **3. ELECTRICA ON THE CAPITAL MARKETS**

### 3.1 Ownership structure

Until July 2014, the Romanian State, through the Ministry of Economy, Energy and Business Environment, was the sole shareholder of ELSA. As of 4 July 2014, after the Initial Public Offering, the Company's shares are listed on the Bucharest Stock Exchange (BSE – ticker EL), and the Global 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 31 December 2023, the ownership structure according to the records of Depozitarul Central (the Romanian Central Depository) is presented below.

**Table 8. Ownership structure**

Shareholder	Number of shares	Stake held (% of the share capital)	Percent of voting rights (%)
The Romanian State, through the Ministry Energy, Bucharest, Romania	169,046,299	48.7948%	49.7850%
The European Bank for Reconstruction and Development	17,355,272	5.0096%	5.1112%
Electrica SA	6,890,593	1.9890%	-
BNY MELLON DRS, New York, USA	2,060,808	0.5948%	0.6069%
Other legal entities*	131,281,205	37.8940%	38.6629%
Individuals	19,809,420	5.7179%	5.8340%
<b>TOTAL</b>	<b>346,443,597</b>	<b>100.0000%</b>	<b>100.0000%</b>

Source: Depozitarul Central, 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

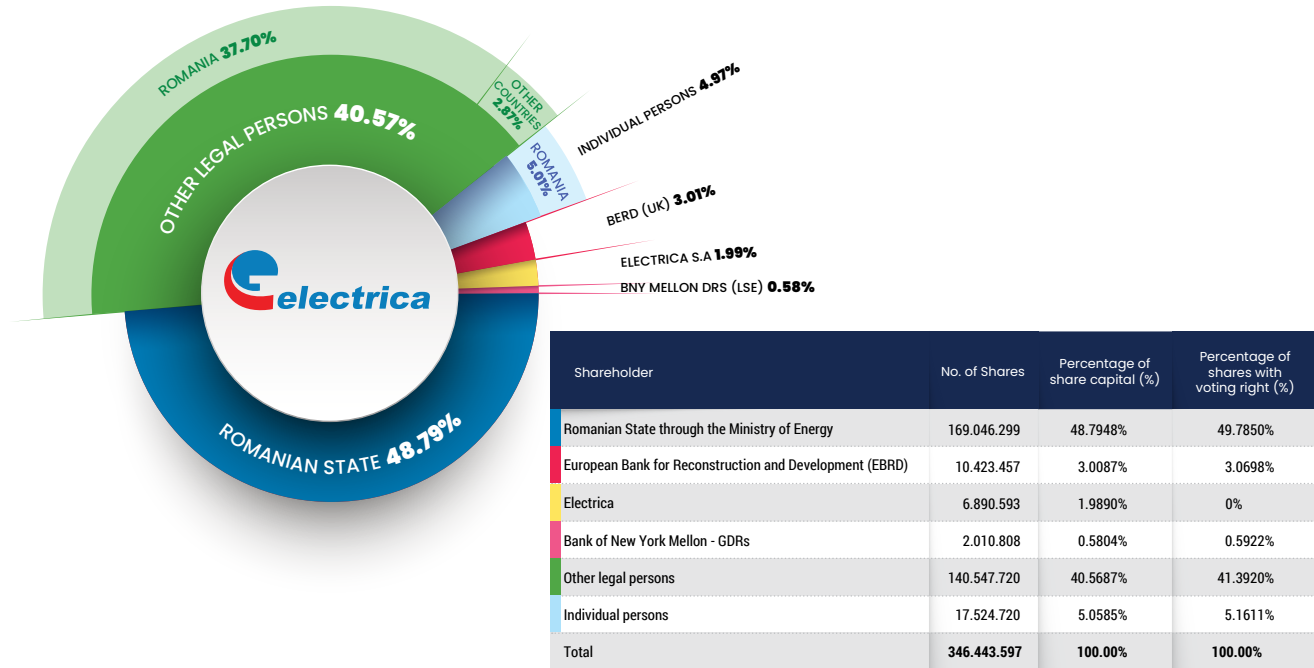
\* Paval Holding, NN Group NV and Allianz SE hold, directly or indirectly, between 5% and 10% of the total number of shares with voting rights

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 31 December 2022, with suspended voting rights, which does not entitle

ELSA the right to receive dividends.

**Figure 24: Ownership structure as of 31 March 2024**



Source: Depozitarul Central, Electrifica

At 31 March 2024, ELSA's shares were owned by a total of 13,637 shareholders, of which 252 legal entities and 13,385 individuals from 30 countries. 93.49% of the total number of shares (323,901,544 shares) were owned by investors with residence in Romania. Thus, foreign shareholders held 6.51% of the share capital (22,542,053 shares), the largest weight being represented by European citizens. Shareholders in the United Kingdom and Ireland held 3.38% of share capital, while those in the USA held 2.05%, in this category being included also the GDRs holders.

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

### 3.2.1 BSE shares:

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

Between **4 July 2014 - 31 December 2023**, ELSA's shares recorded a minimum price of RON 6.10 (29 September 2022) and a maximum price of RON 14.96 (12 May 2017), therefore the weighted average price was RON 11.5.

The gross dividends per share granted by ELSA in this period reached a cumulative value of RON 5.7995.

Thus, the aggregate yield generated by ELSA's shares (along with dividends) from the IPO and until the end of 2022 was 57.08%, of which 4.36% from share evolution and +52.72% from dividend yield.

From the IPO dated 4 July 2014 until the end of 2021, ELSA shares attracted a RON 4.317 bn. liquidity on BSE, with a daily average of RON 1.79 mn. During this period of about 9.5 years, 375.42 mn ELSA shares have been traded (including DEAL transactions), representing 108.4% of the share capital and 110.6% of the voting rights (total shares without ELSA's own shares). Thus, the average daily turnover during this period on BSE was of 156,099 shares.

The gross dividend per share granted by ELSA in 2023 (for 2022) was RON 0.1178, below those granted in the previous years, with a yield of 1.4% (computed at the ex-date closing price of RON 8.57 from 30 May 2023).

During 2023, ELSA shares attracted a liquidity of RON 247.1 mn. on BSE, with a daily average of RON 1 mn., increasing by 71% compared to 2022, the 10th in top trading data on BSE. The volume of shares traded was 26 mn, increasing by 50% compared to 2022, so the daily average volume was 105,060 shares. The total volume of shares traded in 2023 accounted for 7.5% of the share capital.

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

Thus, in 2023, Electrica shares met the liquidity criteria according to FTSE Russell methodology, respectively they recorded a median monthly volume above the minimum threshold of 76,576 shares (0.05% of free-float) in 10 months out of the 12 of the year, and therefore, considering that the capitalization criteria was easily met, Electrica met all the conditions, according to internal calculations, for accessing the FTSE Russell Indices series.

The official announcement regarding the inclusion of Electrica shares in the FTSE Russell Indices was made on 27 February 2024, and the official inclusion in the FTSE Russell indices to take place at the meeting of 18 March 2024. A statement in this regard was issued by Electrica on 28 February 2023 ([https://www.electrica.ro/wp-content/uploads/2024/02/ELSA\\_EN\\_Announcement\\_Inclusion-in-FTSE-Russell-indexes\\_28Feb2024\\_LSE.pdf](https://www.electrica.ro/wp-content/uploads/2024/02/ELSA_EN_Announcement_Inclusion-in-FTSE-Russell-indexes_28Feb2024_LSE.pdf)).

### 3.2.2 Global Depositary Receipts (GDRs) on the LSE

**The GDRs' weight** in ELSA's total share capital diminished during the period following the Initial Public Offering, reaching a level of 0.59% at the end of 2023, compared to 10.17% at 4 July 2014.

**The maximum price** reached by the GDRs was USD 15.3, in September 2014 and the minimum price was USD 5.25 on 9 November 2022. Subsequently, the GDRs' price followed a fluctuating trend. During 2023 the trend was an upward, ending 2023 at a price of USD 9.90, increasing by 68% compared to the end of 2022 (USD 5.90).

In the period since the IPO and until the end of 2023, 12.71 mn. GDRs have been traded, out of which 28,787 GDRs in 2023, dropping by 48% compared to 2022 (55,452).

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

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

Indicator	4 Jul 2014 – 31 Dec 2023	2023	2022	Variation 2023 vs 2022
<b>Bucharest Stock Exchange</b>				
Total liquidity (RON)	4,316,702,362	247,111,195	144,828,599	-33.33%
Average daily liquidity (RON)	1,794,884	996,416	574,717	-33.33%
Turnover (no. shares)	375,417,612	26,054,922	17,327,927	-1.8%
Average daily turnover (no. shares)	156,099	105,060	68,762	-1.8%
Market cap. – end of period (RON)	3,977,172,493	3,977,172,493	2,802,728,700	-19.4%
Minimum price (RON)	6.10	8.01	6.10	-37.8%
Maximum price (RON)	14.96	11.56	11.02	-21.8%
Average price (RON)	11.50	9.48	8.36	-32.1%
Price at the end of period (RON)	11.48	11.48	8.09	-19.4%
ELSA Share price performance (%)	4.36%	41.9%	-19.4%	-
BET performance (%)	119.1%	31.8%	-10.70%	-
BET-NG performance (%)	58.8%	31.4%	-4.98%	-
Dividend(s)	5.7995	0.1178	0.45	-38.4%
ELSA's Dividend(s) yield1 (%)	52.72%	1.46%	4.48%	-22.9%
BET-TR Dividend(s) yield 1 (%)	129.80%	8.15%	8.85%	30.1%
ELSA's Adjusted price performance (%) <sup>2</sup>	25.20%	43.36%	-14.94%	-
BET-TR performance (%)	314.4%	39.9%	-1.85%	-
<b>London Stock Exchange</b>				
ELSA's GDRs liquidity (USD)	162,825,743	229,723	427,357	-3.7%
ELSA's GDRs turnover (no. of GDRs)	12,710,816	28,787	55,452	54.6%
GDRs price performance (%)	-27.5%	67.8%	-34.44%	-

**Figure 25: Evolution of the adjusted closing price of ELSA's shares vs BET-TR index during 2023 and January 2024**



Sursa: BVB, Electrica

1 Computed at the previous periods' last day close price (for comparability)  
2 Computed together with dividend(s) granted during the analyzed period

During 2023, the price of Electrica's shares gradually recovered from the ground lost in 2022, benefiting both from the favorable market context – which recorded an impressive yield –, as well as from the financial results that continue to consolidate, on the background of the stabilization of prices on the energy market and of MACEE implementation. Two more delicate moments occurred, one in June, on the basis of the launch of the Public Offer of Hidroelectrica, an event that shifted the attention of many players from trading certain shares, including Electrica, and another in October, when the market reached an annual minimum of interest investors, on the background of the uncertainties related to the key interest rate of several central banks, the discussions regarding the future fiscal measures in the foundation of the budget for 2024, etc., these two months being the only ones in which the Electrica shares did not meet the liquidity criteria according to the FTSE Russell methodology.

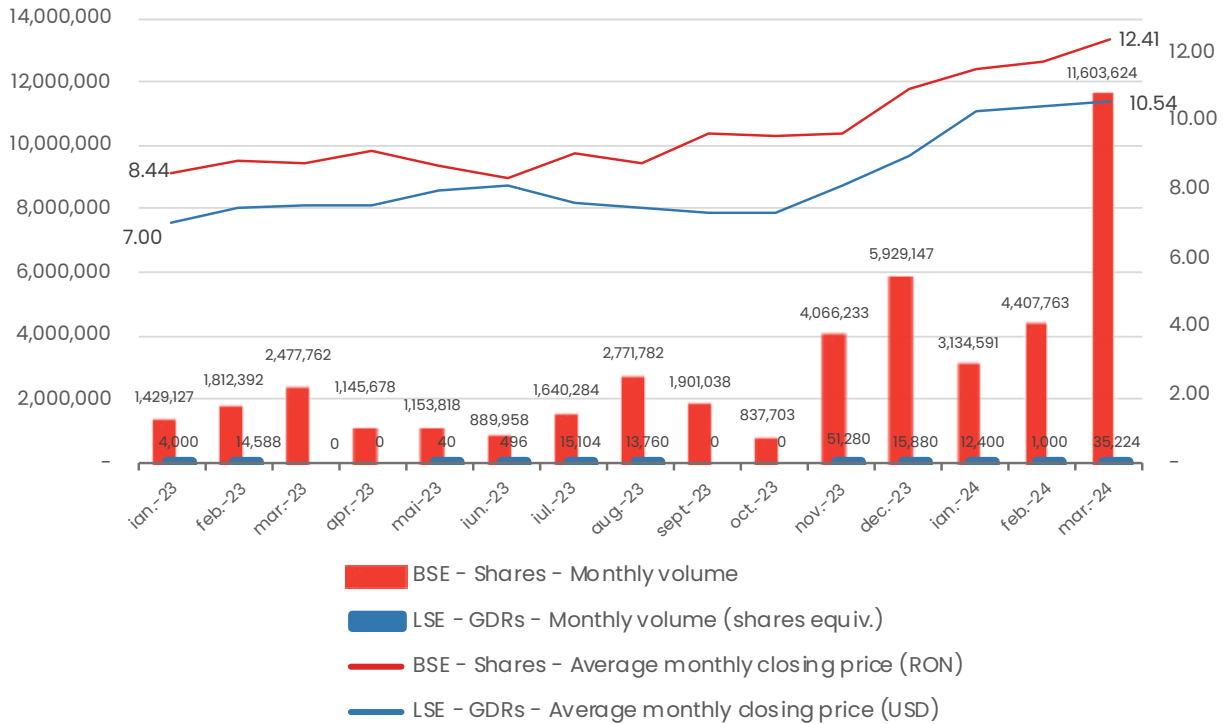
Thus, if in the first five months of 2023 Electrica shares recorded an aggregate return above the market (BET-TR), from June to November, although they continued to have a consistent appreciation of 20%-30%, this was below that of the market, the gap with the market increasing in October to around 10 percentage points, and in November to 15 percentage points.

The month of December came instead with an impressive interest of investors for Electrica shares, being almost the best month in the history of Electrica on the BSE: 1) the highest monthly return was recorded, over 17%, which contributed to the doubling of the aggregate return since the beginning of the year, from 22.35% (at the end of November) to 43.36% (at the end of December); 2) Electrica shares recovered the entire gap of 15 percentage points compared to the market (BET-TR) existing at the end of November, managing to close even above the market, with 3.4 percentage points (43.36% vs 39.93% – see the previous graph); 3) have met the liquidity criteria according to FTSE Russell for the 10th month out of the 12 of the year, which is equivalent to meeting all the conditions for entering the FTSE Russell indices in 2024; 4) the highest turnover of Electrica shares in the last 3.5 years was recorded, over 5.93 mn. shares; 5) two psychological thresholds



were exceeded, 10 RON (nominal value) and 11 RON (IPO price), unreached for about 2 years.

**Figure 26: Monthly trading volume and weighted average monthly closing price of shares on BSE (in RON) and GDRs on LSE (in USD) during 2023 and January 2024**



Source: BSE, LSE, Electrica

### 3.3 Investor relations (IR)

Electrica’s management understands that, as a listed company, efficient and transparent communication with investors is essential to gain and maintain their trust, thus contributing to the company’s long-term success on the financial market. During 2023, as every year since the listing in 2014, the management was actively involved in activities dedicated to investors and analysts.

In order to inform stakeholders fairly, continuously and transparently, the Investor Relations department has disseminated numerous current reports and announcements on the platforms of the Bucharest Stock Exchange (BSE), the London Stock Exchange (LSE), the Financial Supervisory Authority (FSA), as well as on ELSA’s website. All these documents, as well as the data necessary for

any investor to be accurately and comprehensively informed can be found on the company’s website, in the *Investors* section.

In 2023, with the participation of the entire executive management team of the Electrica Group, four teleconferences were organized to present the annual, quarterly and half-yearly financial results of the Group. The events were broadcast live via webcast, and both the supporting documents and the recordings and transcripts of the teleconferences can be accessed on the company’s website, in the section *Investors > Results and Reports > Presentations and other information*.

ELSA’s management representatives also participated in the most important national and

international conferences dedicated to investors during 2023, interacting directly with dozens of investors and analysts, both institutional and individual:

- 3 March 2023, WOOD Conference - Romania Investor Day, London, UK
- 7-8 September 2023, WOOD-BVB Conference - Romania Investor Days - Bucharest, Romania
- 5-8 December 2023, WOOD's Winter Wonderland EME Conference - Prague, Czech Republic
- 11 December 2023, Quarterly Report, quarterly conference organized by Ziare.Com and TradeVille for retail investors - Bucharest, Romania

During 2023, Electrica's management organized a workshop both physically and online, with its shareholders, for consultations and in order to provide additional details on topics subject to their approval in principle through the EGMS of 23 August 2023, respectively the merger by ELSA absorption of its renewable electricity production subsidiaries.

Also, Electrica's management, the investor relations team and specialists from within the Electrica Group organized during the year multiple workshops, both physical and online, with analysts and investors, both on company representatives' initiative and at the analysts' & investors' proposal, in order to provide more details about regulatory, operational, financial and strategic aspects. On 23 November 2023, the entire executive management of Electrica participated in such a hybrid event (physical and online) dedicated to local analysts.

In 2023, ELSA continued to be an associate member of the Romanian Investor Relations Association (ARIR), being involved in its numerous projects.

In ELSA's 2019-2023 strategy, updated in April 2022, one of Electrica's strategic objectives was to increase its market value. In this respect, Electrica aimed, among other things, to be included and remain in relevant international indices.

In August 2023, Electrica was one of six companies

promoted from Small Cap to Mid Cap/Large Cap and its shares were included in the MSCI Frontier and MSCI Romania indices.

In 2023, Electrica aimed to meet the criteria for accessing FTSE Russell international indices, and in this regard, in order to stimulate investor interest and increase the liquidity of Electrica shares, and consequently to meet these criteria, it contracted two market makers with experience and results on the Romanian market, respectively Wood & Company Financial Services a.s. and BRK Financial Group.

On 20 December 2023, the company informed its shareholders and investors about the degree of compliance with the criteria of the global index provider FTSE Russell, in view of the inclusion, for the first time, of Electrica (EL) shares in the FTSE Global Equity Index Series (GEIS). Based on the internal monitoring, in line with the methodology of the global provider FTSE Russell, Electrica's shares **met the capitalization criterion** throughout 2023 and also **passed the liquidity test** (median daily trading volumes exceeded 0.05% of the number of free float shares) in 10 of the 12 months of 2023. Thus, according to the methodology and thresholds published by FTSE Russell, Electrica shares will be included in the FTSE Global All Cap Index and, given the capitalization thresholds of the FTSE Global Equity Index Series (GEIS) published in November 2023, Electrica shares will be included in the FTSE Global Mid Cap Index (which requires a total capitalization of over USD 570 mn. An announcement from FTSE Russell officially confirming the inclusion of Electrica shares in the mentioned indices was made on 27 February 2024, and the actual inclusion will be made starting with the trading session on 18 March 2024 ([https://www.electrica.ro/wp-content/uploads/2024/02/ELSA\\_EN\\_Announcement\\_Inclusion-in-FTSE-Russell-indexes\\_28Feb2024\\_LSE.pdf](https://www.electrica.ro/wp-content/uploads/2024/02/ELSA_EN_Announcement_Inclusion-in-FTSE-Russell-indexes_28Feb2024_LSE.pdf)).

During 2023, Electrica was selected to participate in the joint programme of the European Bank for Reconstruction and Development (EBRD) and the Bucharest Stock Exchange (BSE) [Investor Relations and Liquidity Support Programme \(IRLSP\)](#), launched in Romania at the beginning of 2023. This program

aims to improve the visibility and liquidity of companies listed on the capital market, the three selected companies benefiting from personalized advice provided by a team of professional investor relations and communication consultants to achieve an IR strategy. Thus, during 2023, the company's investor relations strategy was outlined, in parallel with the Corporate Strategy of Electrica Group, which was approved by the Board of Directors on 14 December 2023.

Also, Electrica continues to partner with the Bucharest Stock Exchange (BSE) and supports its platform BVB Research Hub, which aims to increase the visibility of listed companies, attract investors and analysts, offering the public, especially individual investors, access to informative and educational materials, tools and analyses through its online portal, [www.bvbresearch.ro](http://www.bvbresearch.ro).

All actions undertaken during 2023 as well as plans for the coming years have as main objective the implementation of the best investor program, increasing transparency and quality of communication with investors and analysts, with a constant concern for retention, attraction and satisfaction of shareholders and investors. Evidence of the recognition of these efforts was the positioning in the top of listed companies in terms of transparency and communication in the relationship with investors, by obtaining in 2023 the maximum grade, 10, for [Vektor – Investor communication indicator for companies listed](#) in Romania, for the third consecutive year.

### 3.4 Related parties transactions

ELSA has the obligation to report the significant transactions concluded by ELSA or its subsidiaries with related parties, as per art. 108 of law no. 24/2017. „Significant transaction” means any transfer of resources, services or obligations, whether or not it involves the payment of a price, the individual or cumulative value of which represents more than 5% of ELSA's net assets, according to the latest individual financial statements published by ELSA (in 2022, there were three references: on 31

December 2022 – RON 199,818,824, on 30 June 2023 – RON 198,490,436 RON and on 30 September 2023 – RON 198,760,627).

The 29 announcements related to these type of transactions published by ELSA in 2023 and until 17 January 2024 can be found on the company's website, at a <https://www.electrica.ro/en/investors/results-and-reports/current-reports-art-108/>.

### 3.5 Dividends policy

ELSA's dividend policy, updated in May 2022, can be accessed on the company's website under section a <https://www.electrica.ro/en/investors/corporate-governance/corporate-policies/>.

ELSA's dividends are distributed from the annual net distributable profit based on the annual individual audited financial statements, and/or from other items of equity (e.g. retained earnings) set up at the level of the Company, after their approval by ELSA's

Ordinary General Shareholders' Meeting (OGMS) and the approval of the dividend proposal by the OGMS. The shareholders receive dividends proportionally to their share in the company's paid-up capital. The company will pay all dividends in RON.

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

from the GDR issuer, proportionally to their holdings.

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

- Reducing the fluctuations in dividend yield from one period to the next, as well as the absolute dividend per share value;
- Electrica’s investment needs and opportunities;
- Contributions of non-monetary items to net reported profit;
- Financial resources available for dividends payment as well as Electrica’s indebtedness;
- Dividend yield comparable to other listed companies in the industry or related sectors.

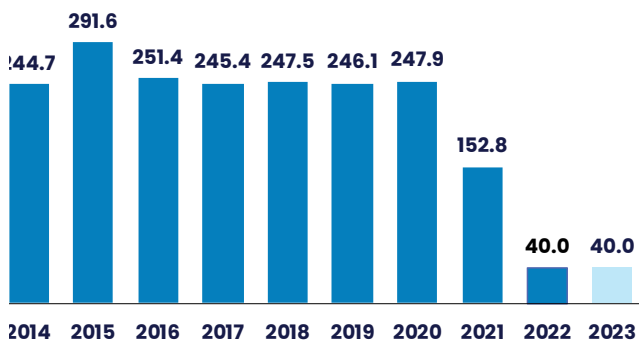
The dividend distribution rate from the distributable profit of the Electrica group subsidiaries will be consistent with the dividend policy in force. The dividends paid by the Group’s subsidiaries to ELSA in year N (related to year N-1 results) are recorded

as finance income in ELSA’s individual financial statements in year N and thus constitute the source of the net result from which ELSA declares and subsequently pays dividends to its shareholders in year N+1 (related to the result of year N).

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

### 3.6 Dividend distribution

Figure 27: Gross dividends distributed (2014-2022) (RON mn.)

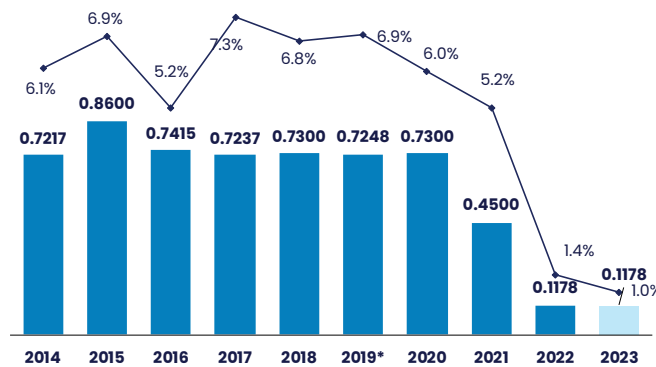


Source: Electrica

The dividends<sup>1</sup> distributed by ELSA fluctuated in the period 2014 - 2022, between RON 39.9 mn. and RON 291.6 mn., and the dividend payout ratio<sup>2</sup> was 96% in 2014, 100% each year between 2015-2017, 87% in 2018 (RON 35.57 mn. was distributed to “Others reserves”), 100% in 2019, 87.5% in 2020 and 50% in 2021 (RON 152.9 mn. was distributed to “Others reserves”).

The dividend payout ratio for 2022 was 174% (RON 16.97 mn. was distributed from “Others reserves”).

**Figure 28: Gross dividend per share (RON) and dividend yield (%)**



The yield of the dividend paid in 2023, for the 2022 results, recorded a level of 1.4%, the gross dividend per share paid in 2023 being RON 0.1178. The dividend yield (%) is calculated as Gross dividend per share/Closing share price on BSE at ex-date.

Thus, Electrica offered investors a stable return for each year in the period 2014 – 2021, in the range 5.2% - 7.3%, with the exception of 2022, for which the yield and dividend level were affected by the energy crisis.

Source: Electrica

<sup>1</sup> The dividends refer to each financial year indicated and are paid in the following year.

<sup>2</sup> The dividend distribution rate is calculated as gross dividends/Net profit distributable on dividends, where Net profit distributable on dividends is net profit according to ELSA's individual financial statements, except for mandatory distributions to legal reserves.

More details about dividends and their distribution can be found on the website: [https://www.electrica.ro/en/investors/shares-and-shareholders/dividende\\_en/](https://www.electrica.ro/en/investors/shares-and-shareholders/dividende_en/).

### 3.7 Own shares

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



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## **4. CORPORATIVE GOVERNANCE IN ELSA**



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

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

The corporate governance represents the set of principles standing at the basis of the governance framework used for the company's management and control. Transposed in the internal rules and regulations, these principles determine the efficiency and effectiveness of the control mechanisms aiming to protect and harmonize the interests of all the stakeholders – shareholders, directors, executive managers, managers of

different structures of the company, employees and the organizations that represent their interests, customers and business partners, suppliers, central and local authorities, regulators and capital markets operators etc.

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

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

## 4.1 Corporate Governance Code

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

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

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

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

*Investors > Corporate Governance*.

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

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

ELSA CGC contains the terms of reference and the main responsibilities of the company's administrative and executive management, as they are detailed in ELSA's Articles of Association,



the organization and functioning regulations of the Board of Directors and those of its committees.

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

During 2023 the following corporate documents have been revised and published on Electrica's website: *Remuneration Policy for Directors and Executive Managers* – approved at the Electrica OGMS of April 27, 2023, *Policy on Organizing and Running the General Meetings of Shareholders* – on 17 August 2022, and the Articles of Association – Effective November 22, 2023.

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

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

Since ELSA's shares are allowed for trading both on the regulated market managed by Bucharest Stock Exchange (BSE), as well as on the market managed by the London Stock Exchange (LSE), ELSA is subject to the rules imposed by the national and European laws regarding market abuse prevention and the regime applicable to inside information. Thus, ELSA has implemented a Policy on preventing the misuse of inside information, unauthorized disclosure of

inside information and market manipulation (*Policy regarding Market Abuse*).

The purpose of this policy is to prevent violations of the legal provisions regarding the misuse of inside information, by increasing the awareness of all persons who possess inside information regarding the obligations, restrictions and sanctions applicable in case of possession and abusive use of inside information or in case of market manipulation regarding ELSA's securities.

All the owners of financial instruments of the same type and class issued by ELSA are entitled to equal treatment. In order to ensure efficient, active and transparent communication with its shareholders, within ELSA activates the investor relations department and related processes have been set up to ensure efficient and transparent communication with investors, in compliance with the legal obligations in force, which can be found in the *Investor Relation Corporate Disclosure Policy*, applicable at ELSA level, available, in the updated form, on the company's website since 25 August 2020. The company's rules and procedures that establish the framework for organizing and conducting general meetings of shareholders are contained in ELSA's GMS Policy, amended on 17 August 2022 and available electronically on the company's website in the sections *Investors > General Meeting of Shareholders* and *Investors > Corporate Governance > Corporate policies and other documents*.

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

## 4.2 General Meeting of ELSA's Shareholders

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

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

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

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

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

- a. withdrawal of the preference right of shareholders upon subscription of new shares issued by the Company;
- b. contracting any type of loans, debts or obligations representing a loan, as well as creating real or personal security related to these loans, in each case in accordance with the competence limits provided in Annex 1 to the Articles of Association;
- c. operations regarding the acquisition, alienation, exchange or creation of encumbrances over fixed assets of the Company whose value

- exceeds, individually or cumulated, during any financial year, 20% of the total fixed assets, less receivables and rentals of tangible assets, for a period of more than one year, whose individual or cumulative value compared to the same co-contractor or persons involved or acting in concert exceeds 20% of the total value of fixed assets, less receivables at the date of conclusion of the legal act, as well as associations over a period of more than one year, exceeding the same value;
- d. leases of tangible assets for periods longer than one year, whose individual or cumulated value towards the same co-contractor or involved persons or with whom it acts in concert exceeds 20% of the fixed assets value, less receivables at the time of entering in the relevant operation, as well as joint ventures in excess of the same value and with a duration of over one year;
- e. approving investment projects in which the Company will be involved in accordance with the competence limits provided in Annex 1 to these Articles of Association, other than the ones provided in the annual investment plan of the Company;
- f. approving the issuance and admission to trading on a regulated market or on a multilateral trading facility of shares, depositary certificates, allotment rights or other similar financial instruments; approving the competencies delegated to the Board;
- g. changing the legal form;
- h. relocation of the registered office;
- i. changing the main or secondary business objects;
- j. increasing the share capital, as well as decreasing the share capital, according to the law;
- k. the merger or the separation;
- l. the dissolution of the Company;
- m. carrying out any bond issuance, as per the provisions of art. 10 of the Articles of Association, or conversion of a category of bonds in a different category or in shares;
- n. approving the conversion of preferential and nominative shares from one category to another, according to the law;
- o. any other amendment to the Articles of Association;
- p. approval of the eligibility and independence criteria with respect to the Board members;
- q. approval of the corporate governance strategy of the Company, including the corporate governance action plan;
- r. donations within the limits of the competence provided in Appendix 1 to these Articles of Association; and
- s. approves granting of intragroup loans with a value of more than EUR 50 mn. per operation;
- t. any other decision that requires the approval of the extraordinary general meeting of the shareholders.
- The OGMS is convened at least once a year, within a maximum of four months from the end of the financial year. Except for this situation, OGMS and EGMS are convened as many times as needed, being convened by ELSA's Board of Directors whenever necessary for the activity of Electrica Group. The GMS may be convened also, upon the request of shareholders representing, individually or cumulatively, at least 5% of the share capital. In this case, the general meeting of the shareholders shall be convened by the Board of Directors within no more than 30 days and shall meet within no more than 60 days from the date of receiving the request.

## 4.3 Shareholders' rights

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

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

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

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

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

**The exercise of the rights by the holders of the depositary certificates<sup>5</sup>** is realized as follows:

- The rights and obligations related to the underlying shares based on which the depositary certificates were issued are exercised by the holders of the deposit certificates, proportionally to their holdings of deposit certificates and taking into account the conversion rate between underlying shares and the deposit certificates;
- The holder of the depositary certificates issued based on the underlying shares has the capacity of shareholder within the meaning and for the application of Law 24/2017 on the issuers of financial instruments and market operations. The issuer of the depositary certificates is fully responsible for informing the holders of the depositary certificates in a correct, complete

<sup>5</sup> According to ELSA's Articles of Association reflecting the dispositions of Law no. 24/2017 on issuers of financial instruments and market operations.

and timely manner, observing the provisions of the issuance documents of the depositary certificates, about the documents and the informative materials related to a general meeting of shareholders, as made available to the shareholders by the Company.

- In order to exercise its rights and obligations related to a general meeting of shareholders, a holder of deposit certificates will send to the entity where it has opened its account for deposit certificates the voting instructions for the topics on the agenda of the general meeting of the shareholders, so that the respective information is sent to the issuer of the depositary certificates;
- The issuer of the deposit certificates votes in the general meeting of the shareholders of the company in accordance with and within the limits of the instructions of the holders of the deposit certificate which have this quality at the reference date;
- The issuer of the deposit certificates may cast different votes for certain underlying shares in the general meeting of the shareholders than those expressed for other underlying shares;
- The issuer of the deposit certificates is fully responsible for taking all necessary measures, so that the entity which keeps the records of the holders of the deposit certificates, the intermediaries involved in the custody services for holders of the deposit certificates on the market where the deposit certificates are traded and/or any other entities involved in recording the holders of the deposit certificates,

to send the voting instructions of the holders of the depositary certificates related to the topics on the agenda of the general meeting of the shareholders;

- Any reference date for the identification of the shareholders which have the right to take part and to vote in the general meeting of the shareholders of the Company and any registration date for the identification of the shareholders which have rights deriving from their shares, as well as any other similar date set by the Company related to any corporate events of the Company will be established in accordance with the applicable legal provisions and with a prior notice sent with at least 15 free calendar days (in Romanian, zile calendaristice libere) to the issuer of the deposit certificates, in the name of which the underlying shares are registered based on which the deposit certificates mentioned above are issued. The reference date will be prior with at least 15 working days to the deadline for submitting the power of attorney related to the vote..

### **Transfer of shares**

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

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

## 4.4 ELSA's Board of Directors

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

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

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

During 2023, the Board of Directors' structure has undergone changes, as follows:

- At the beginning of the year, the BoD consisted of the following members: Mr. Iulian Cristian Bosoanca – Chair, Mr. George Cristodorescu, Mr. Radu Mircea Florescu, Mr. Gicu Iorga, Mr. Adrian-Florin Lotrean, Mr. Dragos-Valentin Neacsu and Mr. Ion-Cosmin Petrescu;
- The members of the Board re-elected Mr. Iulian Cristian Bosoanca as Chair of the BoD starting with 01 January 2023 and until 31 December 2023;
- On 15 May 2023, the BoD took note of the legal termination of the mandate of Mr. Cristodorescu George, in accordance with the provisions of art. 2030 para. (1) of the New Civil Code, of art. 18 para. (10) letter d) of the company's Articles of Association, as well as of art. 20, point ii) of the mandate contract concluded with Mr. Cristodorescu George.
- On 18 July 2023, following the legal termination of the mandate of Mr. George Cristodorescu, The BoD nominates Ms. Valentina-Elena Siclovan as an interim member of the Board of Directors, starting on 24 July 2023 and until the date of the next meeting of the Ordinary General Meeting of Shareholders of Electrica. On 20 December 2023, the GMS approved the election of Ms. Valentina-Elena Siclovan as an independent Director with the duration of the mandate equal to the period remaining until the expiration of the mandate related to the vacant position, i.e. until 28 April 2025.

On 26 January 2024, the GMS appointed a new Board of Directors, through the cumulative vote method, therefore, at the date of the Directors report, the BoD consists of the following members: Mr. Ion-Cosmin Petrescu, Mr. Dumitru Chirita, Ms. Georgiana Bogasievici, Mr. Dragos-Valentin Neacsu, Mr. Adrian-Florin Lotrean, Mr. Marian-Cristian Mocanu, Ms. Valentina-Elena Siclovan;

**Table 10. Members of the BoD in 2023**

No	Name	Term of office (until 27 April 2025)	Status	Starting date of the first mandate
1.	Mr. Iulian Cristian Bosoanca	4 years	Chair, non-executive director	29 April 2020
2.	Mr. George Cristodorescu *	4 years	non-executive director, independent	28 April 2021
3.	Mr. Radu Mircea Florescu	4 years	non-executive director, independent	7 February 2019
4.	Mr. Gicu Iorga	4 years	non-executive director	1 May 2017
5.	Mr. Adrian-Florin Lotrean	4 years	non-executive director, independent	28 April 2021
6.	Mr. Dragos-Valentin Neacsu	4 years	non-executive director, independent	28 April 2021
7.	Mr. Ion-Cosmin Petrescu	4 years	non-executive director	28 April 2021
8.	Ms. Valentina-Elena Siclovan	Starting with 24 July 2023 and until 30 April 2024 or until the date of the next meeting of the Ordinary General Meeting of Electrica Shareholders  On 20 December 2023, the GMS approves the election of Ms. Valentina-Elena Siclovan as an independent member with the duration of the mandate equal to the period remaining until the expiration of the mandate related to the vacant position, i.e. until 28 April 2025	non-executive director, independent	24 July 2023

Source: Electrica

\* On 15 May 2023, the BoD took note of the legal termination of the mandate of Mr. Cristodorescu George, in accordance with the provisions of art. 2030 para. (1) of the New Civil Code, of art. 18 para. (10) letter d) of the company's Articles of Association, as well as of art. 20, point ii) of the mandate contract concluded with Mr. Cristodorescu George

At the date of issuing of this report, the members of the Board of Directors were the following:

No.	Name	Term of office (until 26 January 2028)	Status	Starting date of the first mandate
1.	Mr. Dumitru Chirita	4 years	Chair, non-executive director	26 January 2024
2.	Mr. Marian Cristian Mocanu	4 years	non-executive director, independent	26 January 2024
3.	Ms. Georgiana Bogasievici	4 years	non-executive director	26 January 2024
4.	Ms. Valentina – Elena Siclovan	4 years	non-executive director independent	24 July 2023
5.	Mr. Adrian-Florin Lotrean	4 years	non-executive director, independent	28 April 2021
6.	Mr. Dragos-Valentin Neacsu	4 years	non-executive director, independent	28 April 2021
7.	Mr. Ion-Cosmin Petrescu	4 years	non-executive director	28 April 2021

Source: Electrica

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

**Below are presented the most relevant aspects regarding the professional experience of the members of the Board in office at the date of this report, as well as of those in office in 2023.**



# Dumitru Chiriță

- *Chair of the Board of Directors*
- *Non-executive Director appointed on 26 January 2024*
- *Member of the Strategy and Corporate Governance Committee*



Born in 1963, Mr. Dumitru Chirita has more than 30 years of professional experience in the field of energy and labour relations, holding over time management positions in various key state institutions, in historical moments for Romania such as the accession to the European Union.

For 13 years (legislatures: 2000–2004, 2008–2012, 2012–2016, 2016–2017), Mr. Dumitru Chirita held the position of deputy in the Romanian Parliament, working within the Commission for Industries and Services as a member and vice-president of this forum.

Since 2000, as a deputy, Mr. Chirita was a member and Secretary of the Commission for European Integration, actively participating in the negotiations with the European Parliament in the process for Romania's accession to the European Union.

Between 2004 and 2008, Dumitru Chirita was the Vice-president of the National Health Insurance House, and in the period 2017 to 2023 he held the position of President of the Romanian Energy Regulatory Authority (ANRE).

Dumitru Chirita is a graduate of the Faculty of Law and International Relations – 'Nicolae Titulescu' University and a MA student of the University of Bucharest – Faculty of Law – MA in 'Labour and Industrial Relations'.

In his capacity as President of the 'Univers' National Federation of Electricity Trade Unions, President of the 'Energia' Free Trade Union and Vice-president of the Confederation of the National Trade Union Bloc, he constantly represented the interests of employees in the energy sector.

Dumitru Chirita also held the positions of member of the Board of Directors of the National Employment Agency and member of the Board of Directors of the National Council for Professional Training of Adults.

Mr. Chirita was elected as a non-executive director, member of the Board of Directors, by the Ordinary General Meeting of Shareholders of Electrica on 26 January 2024.

Starting with 12 February 2024 Mr. Chirita is the Chair of the Board of Directors and a member of the Strategy and Corporate Governance Committee.

# Dragoș Valentin Neacșu

- Vice-Chair of the Board of Directors
- Non-executive Independent Director since 28 April 2021, re-elected on 26 January 2024
- Chair of the Climate Governance and Public Affairs Committee and Member of the Strategy and Corporate Governance Committee
- 



Born in 1965, Mr. Neacsu has an extensive professional experience in the field of investment management and financial markets, for almost three decades.

Mr. Neacsu is currently the CEO of the GSI Romania Association, part of a global federation of 116 not-for-profit organizations, with an activity focused on elaborating and promotion of global standards, that aim to create a common foundation for business administration, by uniquely identifying, accurately capturing and automatically sharing information about products, locations and assets.

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

Among other relevant positions held by Mr. Neacsu: Member of the Board of Governors EFAMA (European Fund and Asset Management Association, between 2013–2016), Romania's representative in multilateral financial institutions (Council of Europe Bank (BDCE), Black Sea Trade and Development Bank (BSTDB)), Vice-president and then President of the Romanian Association of Asset Managers (AAF, between 2008–2016), founding member and first Vice President of the Board of Romanian Association for Privately Managed Pension Funds (APAPR in 2004), Member of the Supervisory Board of BCR Pensii, Private Pension Fund Management Company S.A. (between 2009–2019), Member of CEC Bank S.A Board (between 2005–2006), Member of the Bucharest Stock Exchange Board of Governors (2001–2005), of the first Board after the demutualisation (2005) and between 2021 and 2024, as well as Independent Non-Executive Member of the Board of FINS IFN SA (2018–present), Board Member of the Romanian Business Leaders Foundation (2017–2023), member of the Board of "Merito" educational project (2017–present).

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

Dragos-Valentin Neacsu is a non-executive independent member of the Board of Directors since 28 April 2021.

From 6 May 2021 to 30 July 2023, he was a member of the Audit and Risk Committee. From 17 May 2023 to 26 January 2024, he was member of the Strategy and Corporate Governance Committee and from 27 January 2023, since its set up until 26 January 2024, he was the Chair of the Climate Governance and Public Affairs Committee.

He was re-elected by Electrica's Ordinary General Meeting of Shareholders from 26 January 2024. Starting with 12 February 2024 Mr. Neacsu is Vice-Chair of the Board of Directors, member of the Strategy and Corporate Governance Committee and Chair of the Climate Governance and Public Affairs Committee.

## Adrian-Florin Lotrean

- *Vice-Chair of the Board of Directors*
- *Non-executive Independent Director since 28 April 2021, re-elected on 26 January 2024*
- *Chair of the Nomination and Remuneration Committee and member of the Audit and Risk Committee*



Born in 1980, Mr. Lotrean holds currently the position of coordinating associate of Infinexa Restructuring SPRL and extensive professional experience in the field of insolvency, coordinating as insolvency practitioner, complex restructuring projects on production of thermal energy and electricity in cogeneration (for clients such as CET ARAD SA, Electrocentrale Constanta SA), being consultant to the judicial administrator of Electrocentrale Bucuresti SA and coordinating the restructuring procedure of Hidroserv S.A.

In terms of corporate governance, Mr. Lotrean had a significant impact as Chair of the Board of Directors of the Municipal Company Termoenergetica Bucuresti SA between May 2021 and November 2023, a period in which the foundations were laid for the resumption of investments in the heating network in Bucharest. Previously, between September 2019 – December 2020, Mr. Lotrean held the position of Member of the Board of Directors of Electroplast SA Bistrita, between November 2007 and February 2010 he was insolvency practitioner in the professional civil company Casa de Insolventa Transilvania S.P.R.L where he participated in the management of projects for more than 50 commercial companies.

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

Adrian Florin Lotrean is a non-executive independent member of the Board of Directors since 28th April 2021. From 6 May 2021 to 26 January 2024 he was the Chair of the Nomination and Remuneration Committee and a member of the Strategy and Corporate Governance Committee.

He was re-elected by Electrica's Ordinary General Meeting of Shareholders from 26 January 2024. Starting with 12 February 2024 Mr. Lotrean is Vice-Chair of the Board of Directors, a member of the Audit and Risk Committee and the Chair of the Nomination and Remuneration Committee.

# Ion Cosmin Petrescu

- *Non-executive Director since 28 April 2021, re-elected on 26 January 2024*
- *Member of the Audit and Risk Committee and of the Nomination and Remuneration Committee*

Born in 1978, with an extensive professional experience in business development, sales and management, Mr. Cosmin Petrescu presently activates in FNGCIMM (The National Loan Guarantee Fund for SMEs), where he leads the activity of IT, State Aid and Reporting Divisions. Cosmin Petrescu is also the President of the working groups dedicated to the program IMMINVEST ROMANIA and for the relation with the European Bank of Reconstruction and Development.

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

Previously, starting with the year 2001, Mr. Petrescu held different positions within companies acting in the Oil&Gas sector where he proved competence in optimizing business processes (Lean Management).

Ion-Cosmin Petrescu is a non-executive director, member of the Board of Directors, starting 28 April 2021. From 6 May 2021 to 26 January 2024 was a member of the Nomination and Remuneration Committee.

He was re-elected by Electrica's Ordinary General Meeting of Shareholders from 26 January 2024. Starting with 12 February 2024 Mr. Petrescu is member of the Audit and Risk Committee and of the Nomination and Remuneration Committee.



# Georgiana Bogasievici

- *Non-executive Director since 26 January 2024*
- *Member of the Climate Governance and Public Affairs Committee*



Born in 1991, Ms. Georgiana Bogasievici is a dedicated legal professional with experience in the field of law and public administration, reflected in her varied and significant roles.

With a legal career started at the Faculty of Law of the University of Bucharest, she deepened her knowledge with a master's degree in Civil Law and Civil Procedure at Titu Maiorescu University.

She has demonstrated proficiency in environmental management and public procurement, occupying positions of legal advisor and leader in various public and private organizations.

English and Spanish are among her advanced language skills. Ms. Bogasievici has distinguished herself through communication and interpersonal skills, stress management and adaptability, qualities that make her a valuable addition to any team.

Ms. Bogasievici was elected as a non-executive director, member of the Board of Directors, by Electrica's Ordinary General Meeting of Shareholders from 26 January 2024. Starting with 12 February 2024 Ms. Bogasievici is member of the Climate Governance and Public Affairs Committee.

## Marian Cristian Mocanu

- *Non-executive Independent Director since 26 January 2024*
- *Chair of the Strategy and Corporate Governance Committee and member of the Nomination and Remuneration Committee*



Born in 1983, Mr. Mocanu has more than 17 years of experience as a business lawyer, being involved in both consultancy activities and in dispute resolutions projects, with an emphasis on insolvency and restructuring issues, corporate law (shareholders' rights), including the defence of the interests of persons involved in complex investigations.

Throughout his career, Mr. Mocanu has advised and represented both local and international clients, thus building solid experience in a wide range of business sectors, such as real estate, energy, banking, automotive, IT&C, industrial production, or consumer goods.

Starting from 2020, Mr. Mocanu acts also as an insolvency practitioner, managing several insolvency cases during this period, with the purpose to ensure the highest possible degree of debt recovery.

Mr. Mocanu was elected as a non-executive independent director, member of the Board of Directors, by Electrica's Ordinary General Meeting of Shareholders from 26 January 2024. Starting with 12 February 2024 Mr. Mocanu is the Chair of the Strategy and Corporate Governance Committee and member of the Nomination and Remuneration Committee.

## Valentina Elena Şiclovan

- *Non-executive Independent Director since 24 July 2023, re-elected on 26 January 2024*
- *Chair of the Audit and Risk Committee and member of the Climate Governance and Public Affairs Committee*



Born in 1960, Ms. Şiclovan has an extensive experience, more than 20 years in senior executive positions, in public and private sector and 14 years in international financing.

She has started her executive career in the Ministry of Finance and in 2001 took an executive position in the Black Sea Trade and Development Bank as VP Banking, an international financial institution headquartered in Thessaloniki, Greece. Eventually she spent 14 years in this bank, the last 8 years as VP Finance/CFO, being fully involved in all strategic decisions.

Ms. Şiclovan has also experience in energy sector, holding for a period of time the position of Vice-President, Business Development & Strategy, in Gaz de France Suez (Engie), responsible for the development of energy projects in South East Europe.

She was Board member in Tarom, member of the Interministerial Committee for Credits and Guarantees – Exim Bank and Board member in EnergoNuclear SA, representing GDF Suez.

From 1997 until 2000 Ms. Şiclovan represented Romania in the Boards of Directors of the Black Sea Trade and Development Bank and of the Council of Europe Development Bank.

Since 2022 she is independent Board member in ICME-ECAB, a Romanian company, part of the Hellenic Cables- Greece, one of the largest cable manufacturers in Europe.

Ms. Şiclovan has a degree in finance and accounting from the Romanian Academy of Economic Studies and she did her post-graduate studies (DESS – Master) at Paris- Dauphine University in France. She is financial auditor, member of the Romanian Chamber of Financial Auditors and she is certified in Corporate Governance (INSEAD Fontainebleau).

Ms. Şiclovan was appointed interim director by the Board of Directors of Electrica starting with 24 July 2023. From 1 August 2023 to 26 January 2024 she was a member of the Audit and Risk Committee.

On 20 December 2023 Ms. Şiclovan was appointed as a non-executive independent director, member of the Board of Directors, by Electrica's Ordinary General Meeting of Shareholders, and then was re-elected by Electrica's Ordinary General Meeting of Shareholders from 26 January 2024. Starting with 12 February 2024 Ms. Şiclovan is the Chair of the Audit and Risk Committee and member of the Climate Governance and Public Affairs Committee.

## Biographies of incumbent directors as of 31 December 2023, who were not reconfirmed in office (following the application of the cumulative voting method) by the Ordinary General Meeting of Shareholders on 26 January 2024:

**Mr. Iulian Cristian Bosoanca** was non-executive director appointed on 29 April 2020, Chair of the Board of Directors since 18 July 2020, member of the Risk and Audit Committee, and member of the Climate Governance and Public Policy Committee since 27 January 2023.

Mr. Bosoanca was the Chair of the Board of Directors starting on July 18, 2020, he was a member of the Audit and Risk Committee starting on May 13, 2020 and a member of the Climate Governance and Public Policies Committee from January 27, 2023.

Born in 1976, he holds a bachelor's degree in economics and law, he has a master's degree in financial accounting management and he is an expert accountant and tax consultant.

He holds relevant professional experience in the economic field, especially in the areas of finance, accounting, economic financial analysis and taxation, having over 20 years of practical activity. He also holds competences in management, compliance, legal, payroll and human resources, developed within practicing his activity for over 25 years and following graduated specializations or courses.

The basic profession, accounting and taxation, he carries out as a freelancer ever since 2008, within more companies, members of CECCAR, where he is also an associate and/or administrator/coordinator, but also individually, for the activities of accounting, fiscal and judicial expert.

Starting with 1998, Mr. Bosoanca held several positions, executive or management positions, being also a member of the Boards of Directors in various companies such as: Cazanele SA in the period August 2005 – September 2006, Mehedinti County Health Insurance House in the period May 2012 – October 2014 and Secom SA in the period September 2017 – May 2018, and National Road Infrastructure Management Company (CNAIR - Compania Nationala de Administrare a Infrastructurii Rutiere, in Romanian) in the period May 2020 – May 2021.

He coordinated a Board of Directors, being elected Chair of the Board of Directors of Secom SA from September 2017 to May 2018 and a Supervisory Board, being appointed Chair of the Supervisory Board of the State Assets Management Authority from April 2020 to May 2021.

From March 2020 to June 2023, as Director of the Cabinet Office, he managed the work of the Cabinet Office at the Ministry of Economy, Energy and Business Environment (December 2020) and the Ministry of Energy (June 2023).

In 2016, he was elected President of the Body of Expert Accountants and Certified Accountants in Romania, Mehedinti Branch, being re-elected in 2019. He also worked as a lecturer in the Body of Expert Accountants and Certified Accountants in Romania.

He is an authorized Mediator, a member of the Romanian Body of Mediators.



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

Mr. Florescu was the Chair of the Audit and Risk Committee from May 6, 2021 to January 26, 2024, previously being a member of this committee between February 18, 2019 and December 31, 2020, a member of the Nomination and Remuneration Committee between May 6, 2021 and January 26 2024 and a member of the Strategy and Corporate Governance Committee between January 28, 2020 and May 6, 2021.

Born in 1961, Mr Radu Mircea Florescu is currently the CEO of Centrade | Cheil, South East Europe, the regional communications hub for Cheil Worldwide, coordinating 11 markets in the Adriatic and Balkan region.

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

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

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

**Mr. Gicu Iorga** was a non-executive director since 1 May 2017 and Chair of the Strategy and Corporate Governance Committee.

Mr. Iorga was the Chair of the Strategy and Corporate Governance Committee from May 6, 2021 to January 26, 2024, previously being a member of this committee in the period of May 14, 2018 - February 18, 2019.. He was a member of the Nomination and Remuneration Committee in the periods November 13, 2017-May 14, 2018, February 18, 2019 - January 28, 2020 and May 13, 2020 - May 6, 2021 and a member of the Audit and Risk Committee in the periods of December 12, 2018-February 18, 2019 and January 28, 2020-May 13, 2020.

Born in 1958, Mr. Gicu Iorga has an experience of over 35 years in the field of economics and public administration until November 2023 he held the position of Head of Customs Office within A.N.A.F. - D.G.V Bucharest.

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

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

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

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

The composition of the committees during 2023, as it follows:

### **01 January – 15 May 2023**

#### **Nomination and Remuneration Committee:**

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

#### **Audit and Risk Committee:**

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

#### **Strategy and Corporate Governance Committee:**

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

### **Climate Governance and Public Policies Committee since 27 January 2023**

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

### **16 May – 30 July 2023**

#### **Nomination and Remuneration Committee:**

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

#### **Audit and Risk Committee:**

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

#### **Strategy and Corporate Governance Committee:**

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

### **Climate Governance and Public Policies Committee**

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

### **31 July – 31 December 2023**

#### **Nomination and Remuneration Committee:**

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

#### **Audit and Risk Committee:**

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

- Mr. Iulian Cristian Bosoanca – Member.

**Strategy and Corporate Governance Committee:**

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

**Climate Governance and Public Policies Committee**

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

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

**Nomination and Remuneration Committee:**

- Mr. Adrian-Florin Lotrean – Chair;
- Mr. Marian -Cristian Mocanu – Member;
- Mr. Ion Cosmin Petrescu – Member

**Audit and Risk Committee:**

- Ms. Valentina Elena Siclovan – Chair;
- Mr. Adrian-Florin Lotrean – Member;
- Mr. Ion Cosmin Petrescu – Member.

**Strategy and Corporate Governance Committee:**

- Mr. Marian -Cristian Mocanu – Chair;
- Mr. Dragos Valentin Neacsu – Member;
- Mr. Dumitru Chirita – Member.

**Climate Governance and Public Policies Committee**

- Mr. Dragos-Valentin Neacsu – Chair;
- Ms. Valentina Elena Siclovan – Member;
- Ms. Georgiana Bogasievici – Member.

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

As of 31 December 2023, among the BoD members, Mr. Dragos-Valentin Neacsu holds a number of 20 ELSA shares.

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

## 4.5 The activity of ELSA's Board of Directors and of its consultative committees in 2023

In 2023, the Board of Directors met 47 times; of these, 23 meetings were organized with the physical presence of the members, 6 were held by conference call, in accordance with Art. 18 para. 20 of the company's Articles of Association and 18 meetings were organized electronically.

Below are presented the Board members' attendance (in person, by conference call, or by e-mail) in the meetings of the Board of Directors and its committees in 2023.

**Table 11. Participation of the BoD members at the BoD meetings and of the committees meetings in 2023**

Name	The Board of Directors (no. of meetings 47)	The Audit and Risk Committee (no. of meetings - 31)	The Nomination and Remuneration Committee (no. of meetings - 20)	The Strategy and Corporate Governance Committee (no. of meetings - 30)	Climate Governance and Public Policies Committee (no. of meeting - 6)
Iulian Cristian Bosoanca	47	31	-	-	6
George Cristodorescu	17	-	-	12	-
Radu Mircea Florescu	47	30	20	-	6
Gicu Iorga	46	-	-	29	-
Adrian-Florin Lotrean	46	-	19	30	-
Dragos-Valentin Neacsu	47	17	-	16	6
Ion-Cosmin Petrescu	47	-	20	-	-
Valentina Elena Siclovan	20	14	-	-	-

Source: Electrica

## Evaluation of the Board of Directors

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

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

The Board of Directors decided, to conduct the evaluation of its activity and functioning during 2023, internally, using a self-assessment questionnaire, discussed and agreed by Board members.

The questionnaire, using a scale of 1 to 5, served to perform an assessment of the Board's activities in the following areas:

- Specific KPIs as provided in the mandate agreements (the main objectives defined by the General Meeting of Shareholders: Group strategy, Corporate Governance, Placement of financial investments and Investments achievement in the distribution companies);
- Board Efficiency and Ways of Working of the Board;
- Board interactions and activities' dynamics;
- Self-Assessment of each Board member;
- Functioning of the Board Chair;
- Board's interactions with CEO/Management;
- Board's interactions with stakeholders

Previously, the evaluation of the Board of Directors activity in 2022 was carried out with the support of an external consultant.

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

- Composition and expertise of the BoD;
- Quality of information and materials;
- Agenda and Board meetings;

- Board coordination;
- BoD committees;
- Interactions between the BoD and the Executive team;
- Dynamics of the interactions and processes;
- Performance management;
- Strategic Management and Risk Management;
- Innovation and digitalization;
- Sustainability.

Following the evaluation, a detailed summary was made with the analysis of the result of the evaluation process. From the analysis of the results of the questionnaire, it emerged as a general conclusion that the development of the BoD activity during the year 2023 took place in good conditions, the following being highlighted:

- The majority of respondents assessed the overall activity of the Board during 2023 as good, the average marks awarded being between 3 and 5, on a scale of 1-5;
- Regarding the performance indicators of the Board members, it was appreciated that the target was reached regarding the implementation of corporate governance at the group level, less in relation to the subsidiary BoDs, at the same time new strategies were developed at the group level;
- Regarding the level of investments made and put into operation in 2023, the set/expected level was reached, creating the conditions for the future development and improvement of the results recorded by the subsidiaries (eg: The second cash pooling scheme was developed, the mix diversified of financing by activating some medium-term facilities for investments of some IFIs Preparation of future issues of green and sustainability-linked bonds, as well as an issue of shares, following the inclusion of Electrica in the FTSE Russell regional/global indices; The second system of CashPool is approved and functional);
- As in previous years, the ability of the Board to identify developments in the business environment in which the Company operates and potential opportunities was exploited, the general assessment being that the competence

of analysis and strategic planning is at a higher level;

- Regarding the efficiency and working method of the Board, the members appreciated that their contribution to the development of the company is substantial, considering further that it is necessary to focus on the strategic aspects of the company. In addition, the current component of the Board was appreciated as a good one, which benefits from diversified expertise;
- Regarding the identification and mitigation of risks, BoD members appreciated that the main risks and their management mechanisms have been identified, although some mechanisms are not under the company's control;
- The members of the Board appreciated the personal contribution made by each of the members in the activity carried out, the involvement and the impact of the adopted decisions;
- The communication within the Board is positively appreciated, regarding the frequency and intensity of communication, the reduction of the time affected by physical meetings and the efficiency of the decision-making process, the issues addressed as well as the transparency and sincerity of the dialogue, and according to the assessment of the BoD members, the atmosphere from the level of the Board encourages the expression of all points of view, of open debates, a fact that constitutes one of the bases for the substantiation of the adopted decisions. The decisions were taken by consensus, after the expression, discussion and mediation of contradictory points of view. At the same time, the activity at the committee level has significantly improved in this interval;
- Also, the activity submitted by the Chair received positive assessments from the respondents, especially regarding the facilitation of an open and constructive dialogue within the Board meetings.

The following aspects for improvement were suggested:

- It is still necessary to improve communication with the general public and strategic communication with shareholders, by running

workshops on topics of common interest, stimulating interactive participation in periodic presentations, as well as in market events;

- Board members consider that the functionality of the company's management system can be improved;
- At the same time, the BoD appreciates as a critical point the improvement of the interaction with the company's subsidiaries in order to ensure the achievement of the assumed strategic objectives;
- Paying more attention to succession planning at the level of Senior Management as well as stimulating its implementation remains a point of interest for the Council in future activity;
- At the same time, the BoD considers it appropriate to adopt measures that lead to the improvement of the meeting preparation process, respectively the size and format of the materials received.

### **The Nomination and Remuneration Committee**

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

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

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

- recommends to the Board a nomination policy, including a target Board profile, the process and principles to be considered by the shareholders when proposing candidates for company's directors, and advises the Board regarding the nomination of interim directors in accordance with the policy;
- reviews the implementation of the nomination policy, submits a report to the Board on its implementation and presents a summary of this

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

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

- advises the Board in relation to the remuneration, incentive and compensation policies of the company;
- advises the Board regarding the periodic review of the remuneration policy for Board members and executive managers;
- advises the Board in relation to the remuneration of the CEO and other executive managers, including the main remuneration components, annual and long term performance objectives and regarding evaluation methodology;

- makes recommendations to the Board on the remuneration of subsidiaries' board members and the general limits of remuneration for subsidiaries' executive management;
- monitors compensation trends within areas relevant to the Group;
- oversees the remuneration process of the subsidiaries' chief executive officer and executive managers according to the nomination and remuneration policy at the Group level;
- verifies at least once a year the number of mandates held in other companies by the members of the Board and by the executive managers, in order to evaluate their independence;
- oversees the annual evaluation process of the Board of Directors' activity.

**The Nomination and Remuneration Committee met 20 times during 2023**, among the main aspects on which the activity of the Committee focused, were the following:

- Analysis of ELSA executive managers' KPIs achievement for 2022 and establishing of the KPIs for 2023;
- Supervising the evaluation process of the Board of Directors' activity during 2023;
- Endorsing the proposals regarding the nomination of ELSA Managers and of the subsidiaries' Board members;
- Endorsement of the Remuneration Policy for the Company's Directors and Executive managers;

### **The Audit and Risk Committee**

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

The main role of the Committee is to support the Board in fulfilling its duties of verifying the efficiency of company's financial reporting, internal control and risk management. While fulfilling this role, the Committee advises the Board regarding the assessment of the annual report and annual financial statements, whether the documents are

accurate, balanced and comprehensive and provide all the necessary information for the shareholders' evaluation of the financial performance.

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

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

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

- endorses, for the Board's approval, the annual plan at Group level, based on the annual risk assessment, as well as any significant changes to the plan and receives periodic reports on activities, important findings and follow-up of internal audit reports;
- periodically reviews the charter and internal audit manual and submits them to the Board, for approval;
- advises the Board on the appointment, dismissal and remuneration of the Head of Internal Audit Department;
- monitors the adequacy, effectiveness and independence of the internal audit function;

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

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

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



and assesses the associated risks regarding such transactions.

**The Audit and Risk Committee met 31 times during 20233**, among the main aspects on which the activity of the Committee focused, being the following:

- Analysis of the financial statements of ELSA at standalone and consolidated level for the financial year of 2022, as well as the financial statements of company's subsidiaries for the financial year of 2022, together with the financial auditor report and recommendations, issued during the auditing process;
- ELSA's budget execution, the consolidated budget execution and the quarterly financial results;
- Monitoring of the internal audit plan for 2023 and analysis of its achievement, as well as the reports submitted by the Internal Audit Department, proposing recommendations;
- Monitoring the implementation of the recommendations made by the internal audit department.

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

### **The Strategy and Corporate Governance Committee**

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

- makes proposals to the Board on the development of the medium-term strategic plan, makes recommendations on the strategic direction, priorities and long term objectives of ELSA and its subsidiaries;
- reviews management proposals on the Group's consolidated annual budget, subsidiaries' annual budgets, investment plans of the Group companies and makes relevant recommendations to the Board;

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

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

- reviews and makes recommendations to the Board with respect to the development and implementation of the Group's overall restructuring plans and objectives, including any decision regarding the conduct or efficiency of core businesses;
- regularly reviews the organizational structure and chart of the company, and makes recommendations to the Board in this regard;
- performs any other activities or responsibilities on restructuring matters as may be periodically delegated to the Committee by the Board.

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

- oversees and monitors the company's compliance with legal and contractual obligations on corporate governance, as well as other applicable corporate governance principles and makes recommendations to the Board;
- regularly reviews the company's Corporate Governance Code, the Charter of the Board of Directors and the company's Articles of

Association and makes recommendations to the Board on relevant amendments to the company's corporate governance policy and documentation;

- submits the Group Governance Policy to the Board for approval and regularly reviews it thereafter;
- reviews the company's Delegation of Authorities policy and the company's Delegation of Authority standard in order to ensure that the delegation of authorities to management allows for effective and efficient decision-making process, and makes recommendations to the Board in this respect;
- reviews the company's policy for corporate social responsibility and stakeholder engagement, and makes recommendations to the Board in this regard;
- makes recommendations to the Board on improving the quality of information flows to the Board, including the improvement of reports sent, key performance indicators presented to them, and guidelines for preparing Board documents and presentations;
- drafts reports or materials related to corporate governance, upon the Board request.

During the year 2023, **the Committee met 30 times**, among the main aspects on which the activity of the Committee focused, being the following:

- Analysis of the opportunities and the efficiency of investments in different renewable production capacities and participation in various competitive processes in this regard;
- Endorsement of the amendments to the ELSA's Articles of Association;
- Endorsement of the Revenue and Expenditure Budget for the year 2023;
- Analysis of the revision of the Electrica Corporate Strategy 2024-2030;
- Endorsement of the Corporate Human Resources Strategy 2024-2026(2030);
- Endorsement of the of changes to the Organization Chart;
- Endorsement of the Project and the Merger Process through the absorption of some companies (EPE, GECl and EEVI).

### Climate Governance and Public Policies Committee

The committee is made up of three non-executive members of the CA, two of them being independent. The Committee component provided expertise and understanding of threats and opportunities arising from climate change.

The committee has the following responsibilities:

- (1) Ensuring the preparation, at Electrica Group (the Group) level, of the framework required for implementing initiatives contributing to compliance with the EU objective of zero greenhouse gas emissions by 2050, at national level;
- (2) Implementing at Group level the Principles of the World Economic Forum for an effective climate governance, while using corporate governance for company transition towards a low carbon emission economy;
- (3) Ensuring long-term resilience for the companies of the Group in terms of potential structural changes of the business environment triggered by the climate changes;
- (4) Providing an optimal mix of know-how, relevant experience, and capacity to justify the debates – all necessary for the decision-making process within the Board, based on a proper knowledge and understanding of the threats and opportunities that arose as a result of the climate changes;
- (5) Establishing the most effective way of integrating considerations pertaining to climate change within the organisational structures of the Company;
- (6) Monitoring the provision of a continuous assessment process by the executive management, as well as the materiality of the risks and opportunities deriving from climate reasons for the Company on a short, medium, and long term;
- (7) Ensuring a permanent exchange of opinions and a continuous dialogue within the industry, with the decision-makers in terms of public policies, with the investors, and the other stakeholders in order to encourage the joint use of relevant methodologies and the exchange of information;

- (8) Ensuring the consistent, transparent communication on the material climate risks identified to all stakeholders, especially to investors and to the regulatory and supervisory authorities, if applicable.
- (9) Defining a set of long-term performance indicators and some key performance indicators to help reaching the goal of "zero impact of the greenhouse gas emissions caused by the business of the Electrica Group on the environment", to be submitted to the Board for approval;
- (10) Conveying some recommendations with respect to setting the annual targets for the key performance indicators set for the executive management, following consultations with the executive management and after having obtained the latter's commitment;
- (11) Ensuring the alignment of the methods for rewarding the executive management in order to promote the Company's sustainability and welfare, on the long term. The Committee shall consider issuing some recommendations to include the key indicators related to climate goals within the reward schemes included in the Remuneration Policy for Directors and Executive Managers;
- (12) Monitoring and assessing the accomplishment rate of the key performance indicators related to the climate goals, and issuing recommendations for the Board with respect to the review of such goals, or to taking sanctioning measures, as applicable;
- (13) Periodically reviewing the internal policies and regulations with an impact on the climate goals, and drafting recommendations intended for the Board in relation to the adequacy of the investment level within the Group, as those are necessary to reach the climate goals within the set timeframe;
- (14) Ensuring a climate of trust, by cooperating with the investors in order to understand their topics of interest and priorities, with the purpose of accomplishing an effective climate governance.

#### **The Climate Governance and Public Policies**

**Committee** met 6 times during the year 2023, among the main aspects on which the Committee's activity was focused, including the following:

- ESG Electrica score report analysis;
- Request to establish the assigned responsibilities for the implementation of the ESG strategy at Group level;
- Endorsement of the Sustainability Strategy of the Electrica Group, 2024-2030

## 4.6 ELSA's Executive management

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

The duties of the company's directors (including those of the Managing Director) are laid down in the mandate contracts on the basis of which the directors carry out their activities within ELSA, ELSA's internal rules of organisation and operation and the applicable legal provisions.

During the meetings held on 27 February 2023, 26 April 2023, 24 August 2023, 14 December 2023 and 22 January 2024, the ELSA Board of Directors decided to extend the term of office granted to Mr. Alexandru - Aurelian Chirita, as interim CEO, under the same conditions. Mr. Chirita's CEO mandate currently lasts until 31 December 2024 (inclusively).

During the meeting held on 27 February 2023, the ELSA Board of Directors decided to extend the term of office granted to Mr. Stefan - Alexandru Frangulea, as interim Chief Financial Officer, for a period of 2 years, until 27 February 2025 (inclusively). Mr. Frangulea's CFO mandate currently lasts until 27 February 2024 (inclusively).

At its meeting of 14 March 2023, the ELSA Board of Directors decided to appoint Ms. Ioana - Andreea Lambru as Executive Director of the Business Development Department, starting from 15 March 2023, for a period of 4 years.

On 27 June 2023, the Board of Directors took note of the fact that on 1 June 2023, the contract of mandate of the Director of Information Technology, Mr. Mircea Modran, effectively terminated on the expiry of the four-year term.

Following these changes, during 2023, ELSA's executive directors, appointed under the terms of office, are presented in the table below.

**Table 12. ELSA's Executive management during 2023, appointed on the basis of mandate contracts**

Name	Function	The Executive Manager's mandate
Alexandru-Aurelian Chirita	Chief Executive Officer	17 May 2022 – 31 March 2024
Stefan Alexandru Frangulea	Chief Financial Officer	4 January 2022 – 27 February 2025
Livioara Sujdea	Chief Distribution Officer	1 February 2017 – 31 January 2021, the mandate being renewed for a period of 4 years, respectively 1 February 2021 – 31 January 2025
Mircea Toma Modran	Chief IT & C Officer	1 June 2019 – 1 June 2023
Ioana Andreea Lambru	Business Development Officer	15 March 2023 – 14 March 2027

More details on the in place executive managers' biographies can be found on ELSA's website in the section - <https://www.electrica.ro/en/investors/corporate-governance/executive-management/>.

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

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

# Alexandru-Aurelian Chiriță

- Chief Executive Officer (CEO)
- 17 May 2022 – 31 December 2024
- Starting on 2 June 2023 – Interim Chief Information Officer (CIO)



Alexandru Chiriță is a professional with a substantial experience in the legal and energy fields. He earned his Bachelor's degree from the Faculty of Law at the University of Bucharest in 2008, and subsequently dedicated nearly a decade to practicing law.

Throughout his career, he has amassed comprehensive expertise in consultancy on various legal matters, encompassing corporate law, commercial transactions, and litigation. His profound understanding of legal frameworks, coupled with his aptitude for devising and executing effective legal strategies, has been instrumental in achieving organizational objectives.

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

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

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

# Ștefan-Alexandru Frangulea

- Chief Financial Officer (CFO)
- 04 January 2022 – 27 February 2025



Starting with 4 January 2022, Mr. Ștefan Alexandru Frangulea has taken over the position of Chief Financial Officer, his mandate being until 27 February 2025 (inclusively).

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

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

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

## Livioara Şujdea

- Chief Distribution Officer
- 1 February 2017 – 31 January 2025
- Starting on 3 January 2022 – Interim Chief People Officer (CPO)



Starting from 1 February 2017, Ms. Livioara Şujdea took over the position of Distribution Executive Director, for a period of 4 years. Following her reconfirmation in this role, Ms. Şujdea's second mandate began on 1 February 2021, for another period of 4 years. Between 2017 and 2021, she was a Member of the Boards of Directors of the Electrica's Group Distribution companies.

With over 26 years of experience in the energy field, of which, 15 years in top management positions within large electricity and gas companies, Livioara Şujdea previously held various positions including Deputy General Director and Board Member of E.ON Moldova Distribuție, E.ON Gas Distribuție, E.ON Distribuție Romania, Director of Operation and Maintenance in Delgaz Grid, Deputy General Director and Board Member at E.ON Energie.

Livioara Şujdea is a graduate of the "Gheorghe Asachi" Technical University in Iasi – Faculty of Electrical Engineering, majoring in Energetics, where she also holds a master's degree in management and Commercial Engineering. She also holds an Executive MBA specializing in General Management at the University of Sheffield UK and a Diploma in Strategic Management and Leadership at the Chartered Management Institute London UK (CMI).

Livioara Şujdea has extensive experience in corporate reorganization, mergers and post-merger integration, business optimization, regulatory affairs, transformation processes, operational excellence, change management and performance management.

She is a member of the Professional Women Network and the Association of Independent Administrators, she graduated the Competencies for Effective Boards Program, Women on Boards Academy, The Henley Board Program, Saïd Business School, University of Oxford Artificial Intelligence Programme and Organizational Leadership at ESMT Berlin.



## Ioana Andreea Lambru

- Chief Business Development Officer (CBDO)
- 15 March 2023 – 14 March 2027

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

Ms. Lambru is a graduate of the Faculty of International Financial-Banking Relations at the Romanian American University.

With over 10 years of professional experience in public administration, Ms. Ioana-Andreea Lambru was, for the last 6 years before joining the Electrica team, the Chair of the Supervisory Board of Hidroelectrica company.



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

The remuneration of administrators and executive directors within Electrica is carried out in accordance with the provisions of the Remuneration Policy for Administrators and Executive Directors (Policy) which was approved by the Ordinary General Meeting of Shareholders (AGOA).

The last revision of the Policy was approved during the AGOA on 27 April 2023 without any changes to the remuneration limits previously established by the GMS for Directors and Executive Directors. The amendments cover some additions, in order to present in a transparent manner, the elements of fixed and variable remuneration, including financial and non-financial benefits, in any form, which are granted to the directors.

In developing the Remuneration Policy, good practices used internationally and nationally for similar companies were taken into account, as identified after the listing of the company.

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

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

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

Starting with 2022, the Company has prepared and published annually the Remuneration [Report for Directors and Executive Directors](#), in accordance with the provisions of Law 24/2017 on issuers of Financial instruments and market operations. The annual Report is approved at the Electrica Ordinary General Meeting of Shareholders (OGMS) (<https://www.electrica.ro/en/investors/general-meetings-of-shareholders/>), with the aim of presenting an overview of the remuneration and benefits granted and/or owed during the last financial year, to the managers individually, including new recruits and former managers in accordance with the Company's remuneration Policy.

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

The present Statement reflects ELSA's status of compliance with the new BSE Corporate Governance Code as of 29 February 2024.

Note: considering the fact that there are no mentions for "Reason for non-compliance", the corresponding

column has been removed from the table below. Also, since the Compliance status is YES in all sections, the column „YES/NO/PARTIALLY“ is no longer present in the table below:

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

No.	Provisions of the BSE Corporate Governance Code	Other remarks
<b>Section A</b>	<b>Responsibilities</b>	
A.1.	<p>All companies must have an internal Board regulation which includes the terms of reference/responsibilities of the Board and the key management functions of the company, and which applies, among other things, the General Principles of this Section.</p>	<ul style="list-style-type: none"> <li>• The company had elaborated ever since February 2015 ELSA's Corporate Governance Code (ELSA's CGC) that included the Articles of Association of the Company, the rules of organization and functioning of the BoD and of its committees. All these documents mentioned above contain the terms of reference/the responsibility of BoD, as well as those of the key management functions of the company.</li> <li>• In 2016, the Board carried out an extensive project to review the Articles of Association and the above-mentioned regulations in order to detail the responsibilities of the Board, of its committees and of the management team, taking into account the recommendations made in the Evaluation Report of the Board's activity in the previous year.</li> <li>• In recent years, these documents have undergone successive revisions to align with domestic and international best practices.</li> <li>• In 2022, the Board of Directors ("BoD") started a project to revise the Articles of Association of Societatea Energetica Electrica S.A. with the purpose of increasing corporate governance standards, focused on: <ul style="list-style-type: none"> <li>• ensuring full compliance with all relevant legal provisions, especially by referring to the legislative changes that occurred after the last general review of the Articles of Association;</li> <li>• clarifying the provisions susceptible to interpretations and, implicitly, generating a risk of non-compliance;</li> <li>• incorporating the latest unbundling trends and practices.</li> </ul> </li> <li>• At the same time, an internal consultation process was carried out regarding the amendment of the Articles of Association. The resulted proposed changes, in principle, aim to: <ul style="list-style-type: none"> <li>- the addition of CAEN codes necessary for Electrica to provide a series of services for the benefit of its subsidiaries;</li> <li>- the correlation, from a terminological point of view, of the provisions of the Articles of Association with the changes in the legislation specific to the capital market;</li> <li>- aligning the provisions of the Articles of Association with the relevant legal provisions, especially by referring to the legislative changes that occurred after the last general revision of the Articles of Association;</li> <li>- updating with provisions regarding all the committees organized within the BoD, respectively regarding the Strategy and Corporate Governance Committee;</li> <li>- clarification of the granting of mandates necessary to express the vote in the general shareholders' meetings of the subsidiaries directly owned by the Company;</li> <li>- flexibility of the decision-making mechanism, etc.</li> </ul> </li> <li>• The most recent versions of the Articles of Associations, ELSA's CGC and the Charter of the BoD and its Committees are available on the company's website in the section Investors -&gt; Corporate Governance.</li> <li>• The last update of ELSA's CGC took place in July 2020, and the last update of the Articles of Association was on 22 November 2023.</li> </ul>

No.	Provisions of the BSE Corporate Governance Code	Other remarks
A.2.	Provisions for the management of conflict of interest should be included in the Board regulation.	<p>Such provisions are mentioned in ELSA's CGC, in the Articles of Association, in the Code of Ethics and Professional Conduct, and in the BoD organization and functioning regulation.</p> <p>The current version of the Code of Ethics and Professional Conduct entered into force on 1 January 2022 and is available on the company's website in the section Investors -&gt; Corporate Governance -&gt; Corporate policies and other documents</p>
A.3.	The Board of Directors must consist of at least five members.	ELSA's BoD consists of seven members since 14 December 2015.
A.4.	<p>The majority of the members of the Board of Directors must have no executive function. In the case of Premium Companies no less than two non-executive members of the Board of Directors should be independent. Each independent member of the Board of Directors should submit a declaration at the time of its nomination for election or re-election as well as when any change in its status occurs, indicating the elements on the basis of which it is considered independent in terms of its character and judgement and according to the following criteria:</p> <p>A.4.1. is not the General Manager/ Executive Director of the company or a company controlled by it and has not held such a position for the past five (5) years;</p> <p>A.4.2. is not an employee of the company or a company controlled by it and has not held such a position for the past five (5) years;</p> <p>A.4.3. does not and did not receive additional remuneration or other advantages from the company or from a company controlled by it, other than those corresponding to the quality of a non-executive director;</p> <p>A.4.4. is not or has not been an employee or has not had a contractual relationship, during the previous year, with a significant shareholder of the company, shareholder who controls more than 10% of voting rights or with a company controlled by him;</p>	<p>All the members of ELSA's BoD are non-executive. According to the Articles of Association, at least four out of seven members must be independent. The independence criteria stipulated in the Articles of Association are similar and even more restrictive than those in the BSE's Corporate Governance Code. Currently, four out of seven members are independent. All independent members submitted a declaration of independence, at the time of their appointment by the OGMS. Details can be found in their biographies, available on the company's website, in the Investors &gt; Corporate Governance section &gt; the Board of Directors.</p>

No.	Provisions of the BSE Corporate Governance Code	Other remarks
	<p>A.4.5. does not have and did not have in the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/Administrator, General Manger/ Executive Director or employee of a company if, by its substantial nature, this report may affect its objectivity;</p> <p>A.4.6. is not and has not been for the last three years the external or internal auditor or partner or associate employee of the current external financial or internal auditor of the company or a company controlled by it;</p> <p>A.4.7. is not the general manager/ executive director of another company where another general manger/ executive director of the company is a non-executive director;</p> <p>A.4.8. has not been a non-executive director of the company for more than twelve years; A.4.9. has no family ties to a person in the situations mentioned in points A.4.1. and A.4.4..</p>	
A.5.	Other relatively permanent professional commitments and obligations of a Board member, including executive and non-executive Board positions in companies and not-for-profit institutions, must be disclosed to shareholders and potential investors before appointment and during his/her term of office.	The professional background of the proposed candidates, as well as of the current Board members are available on ELSA's website in the <i>Investors &gt; General Meeting of Shareholders &gt; 2024 GMS &gt; General Meeting of Shareholders as of 26 January 2024 section</i> . Their biographies contain all the relevant information requested by this provision of the Code. The updated biographies of each member of the Board are presented annually in the Directors' Report and on the company's website in the section <i>Investors &gt; Corporate Governance &gt; Board of Directors</i> .
A.6.	Any member of the Board should submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights.	When a Board member has entered into a relation with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights, he/she promptly informed the entire Board.
A.7.	The company should appoint a Board secretary responsible for supporting the Board's work.	The company has established the General Secretary Department, which is directly subordinated to the Board of Directors.
A.8.	The corporate governance statement will inform whether an evaluation of the Board has taken place under the leadership of the chair or the nomination committee and, if so, will summarize the key measures and changes resulting from it. The company should have a policy/guide regarding the evaluation of the Board including the purpose, criteria and frequency of the evaluation process.	This provision was applied starting with 2015, the BoD carrying out an annual assessment process of its activity with the support of an external consultant (in 2015, 2017, 2020 and 2022), or using a self-assessment questionnaire (in 2016, 2018, 2019 and 2021).  More details are provided in the 2015-2017 Annual Reports in chapters 6.1 and 6.2, for 2018 and 2019, 2020, 2021 2022 and 2023 in <i>chapter 4.5.</i>

No.	Provisions of the BSE Corporate Governance Code	Other remarks
A.9.	The corporate governance statement must contain information on the number of meetings of the Board and committees during the last year, directors' attendance (in person or absent) and a report of the Board and committees on their activities.	Details regarding the compliance with this provision are presented in the Annual Report, in the Corporate governance chapter. For 2023, please see chapter 4.5. of the Annual Report.
A.10.	The corporate governance statement must contain information on the exact number of the independent members of the Board of Directors.	Four out of seven members of the BoD are independent and this is specified in the Annual Report. More details are provided in the <i>Annual Report for 2023 in chapter 4.4.</i> On ELSA's website, in the section <i>Investors &gt; Corporate Governance &gt; Board of Directors</i> , it is specified exactly which members are independent.
A.11.	The Board of Premium Companies must set up a nomination committee of non-executive members that will lead the procedure of nomination of new members to the Board and will make recommendations to the Board on the appointment and the revocation of the Chief Executive Officer and the management team. The majority of the members of the nomination committee must be independent.	The Articles of Association and ELSA's CGC highlight the existence of this committee (Nomination and Remuneration Committee - NRC), its members and responsibilities. The NRC composition is reviewed annually, in accordance with the NRC organization and functioning regulation (Charter) and at the beginning of each new mandate of a new member of the BoD. In May 2021, its structure was revised according to the changes that occurred in the board structure. According to the NRC's Charter, in December 2021 the current structure of the NRC was established, two of the members being independent. In 2023, the RNC component established in 2022 was squared. Following the election of new members in BoD Electrica in January 2024, starting February 12, 2024, NRC has a new component. Details of the composition of the RNC are given in Chapter 4.4. of the Annual Report for 2023.
<b>Section B Risk management and internal control system</b>		
B.1.	The Board must set up an audit committee in which at least one member must be an independent non-executive director. A majority of members, including the Chair, must have proven that they are adequately qualified relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience. In the case of Premium Companies, the audit committee must consist of at least three members and the majority of the audit committee must be independent.	The Articles of Association and ELSA's CGC highlight the existence of this committee (Audit and Risk Committee - ARC), its structure and responsibilities. The ARC structure is reviewed annually, according to ARC Charter and at the beginning of each new mandate of the BoD. In May 2021, its structure was revised according to changes in the BoD structure. In accordance with the ARC Charter, the current composition of the ARC was voted in December 2021, in which two of the members are independent, and was held until 1 August 2023. Starting 1 August 2023 a new composition of the ARC started its mandate until 26 January 2024. Following the election of new members in BoD Electrica in January 2024, starting February 12, 2024, ARC has a new component. Details are presented in chapter 4.4..
B.2.	The Chair of the audit committee must be an independent non-executive member.	On the 6 May 2021 and subsequently, on 15 December 2021 and on 20 December 2022, Mr. Radu Mircea Florescu, independent non-executive board member was elected and respectively re-elected as Chair of the Audit and Risk Committee. Mr. Florescu was Chair until 26 January 2024. At the date of this Report, the Chair of the Audit and Risk Committee is Ms. Valetina Elena Siclovan starting with 12 February 2024.

No.	Provisions of the BSE Corporate Governance Code	Other remarks
B.3.	Among its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	<p>According to the organization and functioning regulation, the Audit and Risk Committee (ARC) has the following responsibilities on internal control issues:</p> <ul style="list-style-type: none"> <li>(i) regularly review the adequacy and implementation of key internal control policies, including fraud detection and bribery prevention policies;</li> <li>(ii) reviewing related parties transactions in accordance with a policy developed by the Committee and approved by the Board;</li> <li>(iii) analysis of the annual report prepared by the Internal Audit Department and/or Risk Management Department assessing the effectiveness of the internal control system within the Group.</li> </ul>
B.4.	The assessment must consider the effectiveness and purpose of the internal audit function, the adequacy of risk management and internal control reports submitted to the audit committee of the Board, the promptness and effectiveness with which the executive management solves the deficiencies or weaknesses identified as a result of the internal control and the submission of relevant reports to the Board's attention.	<p>Such reports are annually presented. The assessment report for 2022 specified in the CGC was presented and discussed by the Audit and Risk Committee in the meeting on 28 February 2023.</p> <p>The 2023 report will be discussed during the meeting on 29 April 2024.</p>
B.5.	The audit committee must assess conflicts of interests in connection with the transactions of the company and its subsidiaries with related parties.	<p>The assessment is carried out annually. The assessment report for 2022 specified in the CGC will be presented and discussed by the Audit and Risk Committee during at its meeting on 24 March 2023.</p> <p>The date of analysis of the report in question has not been set for the 2023 Report.</p>
B.6.	The audit committee must assess the effectiveness of the internal control system and risk management system.	<p>The ARC has at least the following responsibilities on risk management issues:</p> <ul style="list-style-type: none"> <li>(i) regularly review of the main risks to which the company and the Group are exposed, recommending to the Board appropriate policies for identifying, mapping, management and risk reduction;</li> <li>(ii) annual analysis of a management report that assesses the effectiveness of the risk management system within the Group.</li> </ul> <p>Based on the ARC Charter's provisions, the evaluation report for the year 2022 was presented and discussed by the Audit and Risk Committee at its meeting on 27 February 2023.</p> <p>Based on the ARC Charter's provisions, the evaluation report for the year 2023 was presented and discussed by the Audit and Risk Committee at its meeting on 28 February 2024.</p> <p>Details regarding the ARC activity for year 2023 are presented in chapter 4.5 of the Annual Report.</p>

No.	Provisions of the BSE Corporate Governance Code	Other remarks
B.7.	The audit committee must monitor the application of legal standards and generally accepted internal audit standards. The audit committee must receive and assess the reports of the internal audit team.	<p>The ARC has the following responsibilities on internal audit issues:</p> <ul style="list-style-type: none"> <li>(i) approval of an annual audit plan at Group level, based on an annual risk assessment, as well as any significant changes to the plan and receipt of periodic reports on activities, key findings and follow up of internal audit reports;</li> <li>(ii) advising the Board on the appointment, revocation and remuneration of the Head of Internal Audit Department;</li> <li>(iii) monitoring the adequacy, effectiveness, and independence of the internal audit function.</li> </ul> <p>Details regarding the ARC activity are presented in chapter 4.5 of the Annual Report.</p>
B.8.	Whenever the Code mentions reports or analysis initiated by the Audit Committee, these must be followed by regular (at least annual) or ad-hoc reports to be submitted to the Board afterwards.	ARC reports periodically to the BoD.
B.9.	No shareholder may be granted preferential treatment over other shareholders with regards to transactions and agreements concluded by the company with shareholders and their related parties.	Provisions on this matter are included in ELSA's CGC and in the Policy on Transactions with Related Parties.
B.10.		
B.10.	The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations whose value is equal to or more than 5% of the net assets of the company (according to the latest financial report), is approved by the Board following a mandatory opinion of the Board's audit committee and fairly disclosed to shareholders and potential investors, to the extent that these transactions fall under the category of events subject to reporting requirements.	The Policy regarding the transactions with Related Parties, has been updated in July 2020 and covers all the required aspects.
B.11.	Internal audits must be carried out by a separate structural division (internal audit department) within the company or by hiring an independent third-party entity.	The internal audit is carried out by the Internal Audit Department, a structurally separate entity.
B.12.	In order to ensure the performance of the main functions of the internal audit department, it must report functionally to the Board through the audit committee. For administrative purposes and within the framework of management's obligations to monitor and reduce risks it must report directly to the chief executive officer.	The Internal Audit Department reports functionally to the BoD through the ARC, while administratively reports to the CEO.



No.	Provisions of the BSE Corporate Governance Code	Other remarks
<b>Section C</b>	<b>Fair rewards and motivation</b>	
C.1.	<p>The company must publish on its website the remuneration policy, and include in its annual report a statement of the remuneration policy during the annual period under review. The remuneration policy must be formulated in such a way as to allow shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and the CEO, as well as the members of the Management Board in two-tier board systems. It should describe how the process is managed and decision-making on remuneration, detail the components of executive management remuneration (such as salaries, annual bonus, long term incentives related to the value of shares, benefits in kind, pensions, and others) and describe the purpose, principles and assumptions underlying each component (including general performance criteria for any form of variable remuneration). In addition, the remuneration policy must specify the duration of the executive manager's contract and the notice period provided for in the contract as well as any compensation for revocation without just cause. The remuneration report must present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review.</p> <p>Any essential change in the remuneration policy must be published in a timely manner on the company's website.</p>	<p>In accordance with Law 24/2017, as amended and subsequently supplemented by Law no. 158/2020 (Art.92 ^ 1), on 28 April 2021, ELSA GMS approved the updated Remuneration Policy for Directors and Executive Managers, in which all the aspects stipulated by this statement are detailed. This policy was subsequently updated and approved by the OGMS on 20 April 2022.</p> <p>The Remuneration Policy for Directors and Executive Managers is available on ELSA website, under Investors &gt; Corporate Governance &gt; Corporate Policies and other documents.</p> <p>In previous years, issues related to the implementation of the Remuneration Policy were presented in the annual report. For the year 2021 ELSA has prepared a report on the remuneration of the administrators and executive directors to be submitted to the consultative vote of the ELSA GMS, according to the applicable legislative provisions. Also, for 2022, this report will be submitted for the consultative vote of the OGMS on 27 April 2023. Also, for 2023, this report will be submitted to the consultative vote of the GSM on 25 April 2024.</p>

No.	Provisions of the BSE Corporate Governance Code	Other remarks
<b>Section D</b>	<b>Building value through investors' relations</b>	
D.1.	<p>The company must have an Investor Relations function – indicating to the public the person(s) responsible or the organizational unit. In addition to the information required by legal provisions, the company must include on its website a section dedicated to Investor Relations, both in Romanian and English, with all relevant information of interest to investors, including:</p> <p>D.1.1. Main corporate regulations: the articles of association, the procedures regarding the general meetings of shareholders.</p> <p>D.1.2. Professional CVs of members of the company's management bodies, other professional commitments of the board members, including executive and non-executive positions on board of directors of companies or non-profit institutions</p> <p>D.1.3. Current and periodic reports (quarterly, semi - annual and annual reports);</p> <p>D.1.4. Information related to general meetings of shareholders; D.1.5. Information on corporate events;</p> <p>D.1.6. The name and contact details of a person who should be able to provide relevant information upon request;</p> <p>D.1.7. Corporate presentations (e.g. investors presentations, quarterly results presentations, etc.), financial statements (quarterly, semi - annual, annual), audit reports and annual reports.</p>	<p>The company has both an Investor Relations department and a section dedicated to Investor Relations on its website (in both Romanian and English). All relevant information for investors is published under the Investors section on ELSA's website.</p> <p>Electrica was appreciated for the third consecutive year in 2022 with the maximum grade in the Vektor evaluation, Vektor being the indicator of the communication with investors for listed companies</p>
D.2.	<p>The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the CEO or the Management Board and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.</p>	<p>The BoD last revised the Dividends Policy at its meeting on 24 May 2022. It is published on ELSA's website, in the <i>Investors &gt; Corporate Governance &gt; Corporate Policies and other documents section.</i></p>

No.	Provisions of the BSE Corporate Governance Code	Other remarks
D.3.	<p>The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the overall impact of a number of factors for a future period (so called assumptions): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly from the forecasts initially presented. The forecast policy will determine the frequency, period envisaged and the content of the forecasts. Forecasts, if published, may only be part of annual, semi -annual or quarterly reports. The forecast policy should be published on the company's website.</p>	<p>The BoD last revised the Forecasts Policy in its meeting on 14 February 2018. It is published on ELSA website, in the <i>Investors &gt; Corporate Governance &gt; Corporate Policies and other documents section</i>.</p>
D.4.	<p>The rules of general meetings of shareholders should not limit the participation of shareholders in general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next general meeting of shareholders</p>	<p>ELSA rules and procedures that establish the framework for the organization and conduct of general meetings of shareholders are part of ELSA's Policy on organizing and running the General Meetings of Shareholders, available from the beginning of 2020 and in its most updated form from August 2020, in electronic form on ELSA website in the section <i>Investors &gt; Corporate Governance &gt; Corporate Policies and other documents</i>.</p> <p>Also, the rules of general meetings of shareholders are mentioned in each convening notice, published in accordance with the legal and statutory requirements approximately 45 days before each meeting.</p> <p>Additionally, to facilitate the non-discriminatory participation of all shareholders to the GMS meetings, including remotely, Electrica implemented, starting with 2022, a platform for participating and voting online for the GMS (for the shareholders that are present in the meeting room or remotely, through electronic means), system used in meetings.</p>
D.5.	<p>The external auditors should attend the general meetings of shareholders when their reports are presented.</p>	<p>External auditors attend each OGMS in which the financial situations and annual reports are approved.</p>
D.6.	<p>The Board will present to the annual general meeting of shareholders a brief assessment of the systems of internal control and significant risks management, as well as opinions on issues subject to the decision of the general meeting.</p>	<p>The directors' annual report, presented to the annual general meeting of shareholders together with the financial statements, contains the BoD's assessments on the systems of internal controls and significant risk management.</p> <p>As a practice, all the documents subject of the GSM approval are endorsed by the BoD; this is clearly stated in the documents presented to the shareholders.</p>

No.	Provisions of the BSE Corporate Governance Code	Other remarks
D.7.	Any professional, consultant, expert or financial analyst may attend the shareholders' meeting on the bases of a prior invitation from the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chair of the Board decides otherwise.	In this respect, the agreement of the shareholders present at the General Meetings was requested each time it was the case.
D.8.	The quarterly and semi-annual financial reports will include information in both Romanian and English on key factors influencing changes in sales levels, operating profit, net profit and other relevant financial indicators, both from quarter to quarter as well as from one year to another.	The quarterly and half-yearly financial reports can be consulted on the company's website in the section <i>Investors &gt; Results and Reports &gt; Financial results</i> and fulfil all the requirements.
D.9.	A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings/teleconferences.	ELSA organizes quarterly teleconferences with analysts and investors and publishes presentations and audio recordings of the teleconference on the ELSA website, in the section <i>Investors &gt; Results and Reports &gt; Presentations and other information</i> .
D.10.	If a company supports different forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers that their impact on the innovative character and competitiveness of the company part of its mission and development strategy, it will publish the policy regarding its activity in this area.	Information regarding the CSR activities can be found online on the company's website, in the CSR section.  The projects and activities supported each year are presented in ELSA's annual Sustainability Reports, available on the ELSA website, in the section <i>CSR &gt; Non-financial Reporting</i> .

Source: Electrica

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

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

the sustainability principles at Group level.

As for the development of a culture of integrity and compliance at Electrica Group level, in line with the EBRD standards, the year 2023 meant maintaining the compliance framework from an ethical perspective and updating it in accordance with the evolutions of the social and legal context in

which the organization operates, through concerted actions on the following main directions:

- maintaining the organizational structures dedicated to ethics and compliance;
- monitoring the compliance in relation to the framework defined by the *Code of Ethics and Professional Conduct* and subsequent policies and procedures.

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

The information and awareness activities regarding the provisions of the compliance framework from the ethical perspective of the organization's staff were carried out exclusively through the online environment.

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

### **The action plan regarding corporate governance**

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

### **Selection of independent directors**

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

members and the election of its members, please see chapter 4.4.

### **Nomination and Remuneration Policies**

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

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

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

In the year 2023, no changes were made to the Policy; the remuneration limits previously established by the General Shareholders' Meeting (GMS) for Administrators and Executive Directors remain unchanged.

Starting from 2023, the company has published the Remuneration Report for Administrators and Executive Directors for the year 2022, in accordance with the provisions of Law 24/2017 regarding issuers of financial instruments and market operations. The report was approved during the Ordinary General Shareholders' Meeting (OGMS) Electrica on 27 April 2023 and can be accessed at the following link: [[Remuneration Report for Directors and Executive Managers of Electrica, for 2022](#)]. The purpose of the report is to provide an overview of the remuneration

and benefits granted and/or due during the last financial year to the executives individually, including newly recruited and former executives, in accordance with the company's Policy.

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

#### **Advisory Committees of the Board of Directors**

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

#### **Internal Control and Audit Framework**

During 2022, the documentation governing the internal audit activity at Electrica Group level approved in November 2019 was maintained and applied. This documentation was approved in its first version by the BoD at the beginning of 2015 and includes the Internal Audit Charter, the Audit Manual and the Auditor's Code of Ethics, its last update dating from 2019. The documents are available on ELSA's website in the section The group > Internal Audit. For details about the internal audit please see chapter 4.10. and for more details on the internal control, please see chapter 6.10.

#### **ELSA's Articles of Association**

EBRD guidelines were included in the Articles of Association of ELSA adopted on 4 July 2014. In 2023, ELSA's Articles of Association were updated according to ELSA Board of Directors' decisions from 22 November 2023. All versions of the ELSA Articles of Association adopted since the listing of the company are available on its website in the section The group > About > Articles of Association.

#### **Clear lines of competence and responsibility**

In the documentation of our own IMS (Integrated Management System) developed at the level of ELSA and its subsidiaries, which documents the

processes, subprocesses, and activities conducted, the workflow for reporting, and the establishment of responsibilities and dedicated competencies are described.

#### **Code of Conduct**

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

During 2023, follow-up actions were carried out in relation to the provisions of the Code at group level, or to prevent the occurrence of any forms of conduct contrary to the provisions of the Code and subsequent policies applicable at Group level.

#### **Compliance with BSE Corporate Governance Code**

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

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

For details, please consider chapters 4.8 and 4.1. At the same time, at the level of the Electrica Group, a *Market Abuse Policy* was developed, adopted by all subsidiaries.

#### **The Environmental and Social Action Plan (ESAP)**

During 2022 the Environmental and Social Action Plan was updated by SAP as part of the Loan Agreement signed by DEER with EBRD and

guaranteed by Electrica S.A. for financing DEER's CAPEX Plan 2021 – 2023. The revised ESAP includes the following actions, their status of implementation being also mentioned in the following section.

### **Organogram of EHS management structure and update certification**

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

In the course of the year 2023, the organizational structure of DEER included the Health and Safety Department, with Zonal Health and Safety Offices (MN, TN, and TS), and the Quality and Environment Management Office.

The certification of DEER's Environmental Management System in accordance with the ISO 14001:2015 standard was obtained in April 2021.

Throughout the year 2023, the Company maintained its certification in accordance with the requirements of the ISO 14001:2015 and ISO 45001:2018 reference standards, granted by the external certification body SRAC Cert.

### **Project-Specific Risk Assessments**

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

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

### **Environmental impact studies**

*Continue to implement the legal requirements in the field of environment regarding the impact*

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

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

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

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

### **Permits**

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

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

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

### **Stunting environmental and social requirements**

Environmental management plans for the works must be developed by contractors before starting work, based on the risk assessments carried out at the level of Electrica group and the specific

instructions of the group companies. These plans must be stunned by the contractor (general contractor) to all sub-contractors.

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

### Ensuring the accommodation of workers

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

*The accommodation conditions for its staff are checked and controlled at the time of the accommodation.*

*In the year 2023, at the DEER level, the procedure regarding the On-site Environmental Control was revised, introducing the mandatory verification of accommodation conditions in the control activities for contracted investment works. .*

### Restructuring with reduced personnel

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

*The provisions on restructuring/reorganisation with*

*staff reduction at group level are included in the Collective Labour Agreement signed with the trade unions and renegotiated every two years.*

*In the case of reorganisation decisions, such initiatives will be designed in accordance with best practice and in compliance with national legislation. In 2023 there were NO restructurings and NO collective redundancies.*

### Analysis of greenhouse gas emissions

The development of a study on greenhouse gas (GHG) emissions at the level of Electrica Group's operations and the identification of areas with potential emission reduction, with the publication of results in the Electrica Group's Sustainability Report. An annual presentation of the implementation status of measures and progress made in reducing emissions is included in the Sustainability Report.

The determination of the level of greenhouse gas (GHG) emissions for the activities of the Electrica Group in the year 2022 and the identification of areas with potential emission reduction were carried out at the level of each company within the Group. The results are published in the Electrica Group's Sustainability Report for the year 2023.

At the DEER level, the measures taken aimed at reducing both direct and indirect emissions include:

- *Analysis and increase in the percentage of distributed electrical energy purchased from renewable sources.*
- *Modernization of energy facilities.*
- *Implementation of a program to reduce Specific Energy Consumption (NL).*
- *Installation of own renewable energy sources (photovoltaic panels).*
- *Application/adherence to regulations for optimizing and improving energy consumption in DEER's administrative and technological spaces.*
- *Reduction of operating time through the appropriate use of ITC equipment.*



- *Increased selective collection and recovery of recyclable waste.*
- *Installation of GPS, GPS monitoring (via the SafeFleet platform), route optimization, fuel consumption monitoring, periodic technical maintenance of the vehicle fleet.*
- *Reduction in the number of business-related trips.*
- *Staff awareness through the inclusion of carbon footprint reduction aspects in the topics covered in the IMS - Environmental Protection training.*

### Energy management

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

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

### PCB

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

*The process of eliminating Polychlorinated Biphenyls (PCBs) from the operating electrical installations continued throughout the year 2023, ensuring the company's compliance with the national elimination program within the established timeframe (2028), as per Government Decision 1497/2008. In 2023, a total of 400 capacitors with PCB content and 1 transformer with PCB content were removed from operation.*

*As of the end of the year, there were still 1089*

*capacitors with PCB content in operation. The process is monitored annually through reporting, and the results are published in the Electrica Group's Sustainability Report.*

### Health and Safety System and Policy

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

*The certification of the Occupational Health and Safety Management System in accordance with the ISO 45001:2018 standard was maintained at the DEER level in the year 2023, with no major non-conformities recorded by the external certification body SRAC Cert.*

### Azbestos

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

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

### Community Health & Safety

After the implementation of the CAPEX Plan, the

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

*Throughout the year 2023, DEER continued monitoring the degradation status of asbestos-cement roof coverings associated with posts, transformer stations, and administrative buildings. Replacement with other materials was arranged by third-party companies during refurbishment/modernization works.*

### **Working at Height and Lockout/Grounding Instruction**

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

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

### **Visual Impacts**

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

*At the design stage DEER adopts technical solutions taking into account the visual impact of its future distribution installations (replacement of*

*overhead power lines with underground cables), in accordance with the applicable legal provisions, especially at the community level.*

### **Emergency Preparedness and Response**

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

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

### **Noise monitoring**

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

*At DEER level, in the year 2023, the instruction 'DEER-13-PS-06 - Environmental Protection Control' was developed, including Annex 1.1 - 'Noise Measurement Program.' The instruction pertains to environmental control, incorporating the activity of monitoring noise levels for DEER installations.*

*At the level of each branch, sound level meters are available, and during the year 2023, the noise measurement program was planned and implemented. Records of these noise measurements are documented in the 'Noise Level Monitoring Register,' which is maintained at the branch level..*

## Electromagnetic Fields

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

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

## Land Acquisition Framework

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

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

## Bird death monitoring

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

*DEER has developed and approved the instruction DEER-I5-PS-06 regarding 'Monitoring Bird Mortality Resulting from Interaction with Electrical Installations,' based on alerts from SCADA systems and field inspections to identify carcasses. According to the provisions of Annex 1 of the instruction, the 'Bird Mortality Monitoring Register Resulting from Interaction with Electrical Installations' was developed at the level of each*

*branch for the year 2023.*

*The bird mortality situation in 2023 at the DEER level is as follows:*

- 145 incidents resulting from bird interaction with electrical installations (collision/electrocution)*
- 161 deceased birds (mostly crows, storks, rooks).*

## Avoiding and mitigating against bird deaths

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

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

## The procedure for random discoveries (cultural values)

Adoption of a **Protocol on random discoveries** in order to identify and effectively manage any discoveries with cultural value that occurred during the implementation of the projects. This

protocol should define the internal communication/escalation chain, the notification of relevant institutions with regard to discovered objects/sites, the information of the personnel involved in the projects on the possibility of such discoveries and the way of surrounding the area in order to protect against destruction or alteration of the discoveries, where necessary. The protocol will be aligned with the rules for the application of Law 50/1991 on the authorization of construction works.

*The accidental Discovery Protocol is part of all DEER contracts as a separate section/clause.*

### **Update Stakeholder Engagement Policy (SEP)**

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

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

### **Stakeholder Engagement for the 2021–2023 CAPEX Plan**

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

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

### **A unitary mechanism for monitoring complaints/complaints**

Development and implementation of a unitary system at DEER level of registration, analysis,

resolution in their legal framework in accordance with the legal requirements (ANRE). The complaints registered directly with DEER will be recognized and resolved in accordance with the regulations in force (ANRE) (between 15 days and 30 days to respond, depending on the nature of the complaint/complaint).

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

### **Community Guide to Security**

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

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

*The Electrica Group publishes its annual sustainability report in accordance with the provisions of the EU Directive on non-financial reporting.*

## 4.10 Internal audit activity report for 2023

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

The Internal Audit Squad performs its activity based on an annual audit plan, which is endorsed by the Audit and Risk Committee, and subsequently approved by the Board of Directors. The 2023 Audit Plan included assurance and operational missions, as well as ad-hoc audit missions started after their validation by the Audit and Risk Committee. The Audit Plan is aligned with the risk register at Group level and prioritizes the main risks identified for the major business areas.

During 2023, assurance audit missions were carried out, as well as various ad-hoc missions on the most important business activities. The audit missions were performed on major projects or events within the Group, but also on procurement activity, activity of the squad Investor Relations and Project Management. The Audit and Risk Committee together with the Board of Directors analyzed the audit reports regarding the findings identified, as well as the action plans established to remedy them.

Throughout 2023, the Internal Audit Squad team consisted of one person with management role, one person with a full – time and two persons with part time work (2h/week).

Among the most important audit missions carried out in 2023 are:

- 1. Evaluation and audit of procurement activity. The audit report contains 4 findings of which 0 with high impact;
- 2. Evaluation and auditing of the activity of the squad Investor Relations. The audit report contains 5 findings of which 0 with high impact;
- 3. Evaluation and auditing of Project Management. The audit report contains 3 findings of which 0 with high impact;
- 4. Three "follow-up" missions were carried out, which were aimed to identify and monitor

the implementation degree of the audit recommendations related to the issued reports;

- 5. At the request of Management Board three ad-hoc missions were carried out in a mixed team ELSA-EFSA, missions accomplished at EFSA level;
- 6. Based on the integrity warning analysis procedure, 13 warnings were received through the „whistleblower“ system. Out of the total number of warnings received in 2023, 10 warnings have been assessed, and 3 of those received towards the end of the year are still under analysis, with only one of them undergoing analysis at the Internal Audit Squad ELSA level.

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





**5. OPERATING  
ACTIVITY  
OF ELECTRICA IN 2023**



## 5.1 Operating segments

The operations of each reportable segment are summarized below.

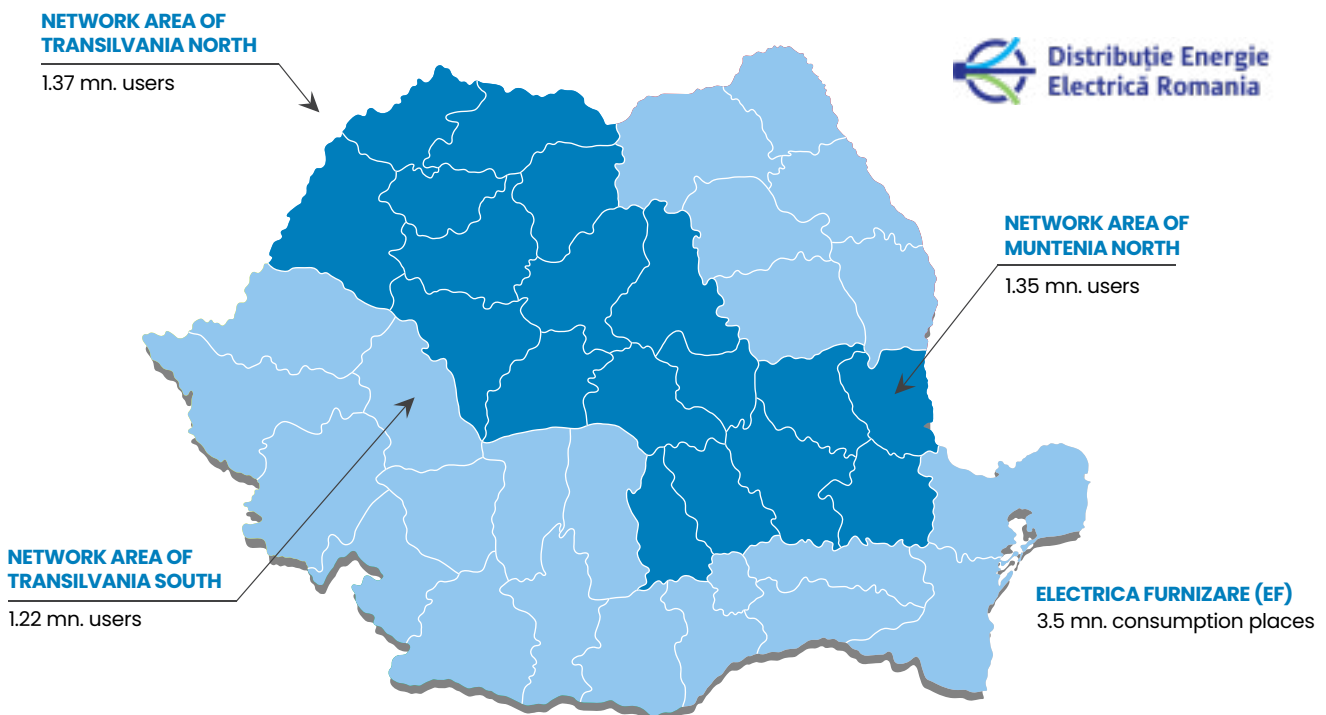
Table 14. Operating segments

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

Source: Electrica

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

Figure 29: The geographical coverage of the companies in the Electrica Group in 2023



Source: Electrica

Note: The figure refers to the company's number of consumption places/users at 31 December 2023



## 5.1.1 DISTRIBUTION SEGMENT

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

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

DEER holds the exclusive electricity distribution license in these regions of network areas valid until the year 2027, with an extension clause for another 25 years. Within its service for distribution activity, SERV provides maintenance, repair and various services to group companies (car rental, rental of buildings etc.) as well as repairs and other related services to third parties.

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

The regulatory method "tariff basket cap" aims to avoid significant fluctuations in the tariffs applied to the users for electricity distribution. The model for determining the regulated income is based

on the principle of remunerating in tariffs the justifiable costs recorded by the distribution system operator, the main source of profit of the distribution company being the rate of return of capital invested in the distribution activity.

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

On 31 December 2023, the Group was in a surplus position, estimated at about RON 150 mn. (representing corrections related to the year 2023), which will be recovered through the distribution tariffs of the following years.

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

ANRE determines the annual regulated revenue required for each year of the regulatory period on the basis of the projections submitted by the distribution operators in accordance with the methodological requirements at the beginning of the regulatory period.

The year 2024 represents the transition period from the fourth period (RP4) to the fifth regulatory period

(RP5), the target income of the DSO for the year 2024 is established according to the Methodological Norms approved by ANRE Order no. 79/2023 that complete the Methodology. In 2024, ANRE approved

for DEER regional distribution tariffs established on the basis of a single regulated income and a single NL target.

The electricity distribution tariffs approved by ANRE starting with 1 April 2023 are as follows (RON/MWh):

**Table 15. The electricity distribution tariffs approved by ANRE starting with 1 April 2023**

RON/MWh	DEER area	Applicable starting with 01 April 2023			
		ANRE Order no.	High Voltage	Medium Voltage	Low Voltage
<b>The specific tariff, composed of:</b>	MN		31.23	69.44	229.96
	TN		29.09	71.38	182.24
	TS		28.48	62.32	171.97
<b>The main component</b>	MN	27/29 March 2023	29.20	58.33	198.81
	TN		26.94	60.90	157.27
	TS		26.85	55.74	150.17
<b>The component related to additional costs with NL</b>	MN		2.03	11.11	31.15
	TN		2.15	10.48	24.97
	TS		1.63	6.58	21.80

Source: ANRE

## 5.1.2 SUPPLY SEGMENT

The Electrica Group operates on electricity supply segment through its subsidiary, EFSA, both on the regulated electricity market (Supplier of Last Resort) and in the competitive market, at national level. EFSA detains an electricity supply license that covers the entire territory of Romania, which was extended in 2021 for a period of 10 years. It also holds a license for carrying out the activity of supplying natural gas, valid until 2032.

The **electricity market** is divided into the market of

last resort suppliers and the competitive market. On both markets, electricity can be sold/acquired gross or retail.

### **The market for universal service and providers of last resort**

Currently, EFSA supplies approximately 1.6 mn. clients with 1.8 mn. places of consumption under universal service and last resort.

### Competitive market

In 2023, electricity trading in the gross market was carried out on the basis of directly negotiated bilateral contracts, of transactions carried out transparently on the centralized markets administered by OPCOM as well as on the spot markets also administered by OPCOM.

The Emergency Ordinances issued by the Government with the aim of implementing measures to protect the end customer in the sense of establishing cap prices as well as the over taxation of revenues from the sale of electricity on the gross market, have generated extremely low liquidity in this market.

### PRE Electrica – The Party Responsible for Balancing

The representation activity in the Balancing Market as the Party Responsible for Balancing (PRE) was carried out by EFSA.

Starting with 2023, the client portfolio is diversified, being made up of producers (hydro, thermal, wind, photovoltaic, biogas, biomass), suppliers and distribution operators, ensuring the balancing service of over 21% of the total electricity consumption in Romania.

At the end of 2023, a number of 97 licensed participants had transferred responsibility to PRE EFSA, of which:

- 14 suppliers representing 14.43% of the total PRE;
- 5 distribution operators representing 5.15% of the total PRE;
- 78 producers representing 80.42% of the total PRE.

The distribution companies of the Electrica Group have delegated their responsibility to PRE EFSA.

The Balancing Market, the component of the gross energy market, is a market for which each license holder must either assume balancing responsibility or transfer balancing responsibility to a PRE. By transferring the responsibility to a party responsible for balancing, there is the advantage of aggregating imbalances, in the sense of reducing costs on the Balancing Market compared to the situation where the producer/supplier/distributor would constitute itself as the Party Responsible for Balancing.

## 5.1.3 ENERGY SERVICES SEGMENT

The Group's portfolio also includes the energy services segment (equipment maintenance, repairs and other ancillary services related to the grid), mainly provided to distribution companies outside the Group.

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

Electrica Serv will multiply its efforts to develop the market for green energy power generation solutions – photovoltaic power plants and reactive energy compensators – by strengthening its partnership with Electrica Furnizare in finding solutions and opportunities for customer efficiency through the

installation of photovoltaic panels and reactive energy compensators, smart lighting solutions, backup power, smart metering.

SERV's main objectives for the coming period are:

- Expansion of the activity on the service market outside the ELSA group and consolidation in the business lines of new activities simultaneously with reactivation of old activities for which there is accumulated experience;
- Adapting the business and staff structure to make the activity more efficient and compensate for the losses incurred in the last fiscal years;
- Consolidation of the current financial situation and reinvestment of resources for the development of the company in new directions.

## 5.1.4 ELECTRICITY PRODUCTION

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

- Final development on the final process of obtaining all necessary permits to start construction for renewable projects;
- Continuing the planning and construction of start-up activities for projects that have reached the ready to build stage during 2023, respectively:
  - Conduct a competitive procedure for the selection of the EPC Contractor, sign the EPC Contract and start the implementation phase for the Vulturur project;
  - Start the competitive procedure for the selection of the EPC Contractor for the implementation of the Satu Mare 2 project.

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

- Evaluation of opportunities for the acquisition of new RES projects and/or the establishment of partnerships through the acquisition of majority stakes in RES projects (already developed by potential partners);
- Project development activities started for: natural gas generation, energy storage in batteries;
- Start of planning activities for the operationalisation of the production segment phased both in line with the development and implementation timetable for energy generation and storage projects, as well as the merger process and absorption into ELSA of the subsidiaries EPE, EVEI and GECl.

### *Green certificates*

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

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

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

The green certificates can be traded on the OPCOM spot, forward or combined markets. The selling price must be between the minimum and maximum values established by Law no. 220/2008 for the establishment of the system for the promotion of electricity production from renewable energy sources, republished, with subsequent amendments. Revenues from the sale of green certificates are recognised as profit or loss at the time of their sale on the market.

## 5.2 Fixed assets

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

The number of users and volume of installations as of 31 December 2023 at the level of the three distribution regions (North Transylvania area - TN area, South Transylvania area - TS area and North Muntenia area - MN area) and total DEER (Romania Electrical Energy Distribution) are quantified as follows:

**Table 16. Number of users and volume of installations as of 31 December 2023**

	UM	TN	MN	TS	Total
Geographical coverage	km <sup>2</sup>	<b>34,162</b>	<b>28,962</b>	<b>34,072</b>	<b>97,196</b>
<b>Number of users, of which:</b>	no.	<b>1,366,852</b>	<b>1,347,725</b>	<b>1,217,704</b>	<b>3,932,281</b>
high voltage (HV – 110 Kv)	no.	34	42	45	121
medium voltage (MV)	no.	4,573	4,614	3,152	12,339
low voltage (LV)	no.	1,362,245	1,343,069	1,214,507	3,919,821
<b>Overhead power lines length, out of which:</b>	km	<b>53,288</b>	<b>59,767</b>	<b>46,081</b>	<b>159,136</b>
high voltage (HV – 110 Kv)	km	2,191	2,146	3,150	7,487
medium voltage (MV)	km	11,874	12,664	10,530	35,067
low voltage (LV)	km	39,223	44,958	32,401	116,582
<i>out of which connections</i>	<i>km</i>	<i>18,377</i>	<i>24,482</i>	<i>17,596</i>	<i>60,455</i>
<b>Underground power lines length, out of which:</b>	km	<b>18,183</b>	<b>12,615</b>	<b>13,458</b>	<b>44,255</b>
high voltage (HV – 110 Kv)	km	37	17	63	117
medium voltage (MV)	km	4,486	3,596	3,791	11,874
low voltage (LV)	km	13,659	9,001	9,603	32,264
<i>out of which connections</i>	<i>km</i>	<i>8,052</i>	<i>2,543</i>	<i>3,199</i>	<i>13,793</i>

	UM	TN	MN	TS	Total
<b>Cumulative power of transformers/ power AT</b>	MVA	<b>6,339</b>	<b>8,943</b>	<b>6,892</b>	<b>22,174</b>
in power stations (HV/MV + MV/MV), out of which:	MVA	3,776	5,898	4,167	13,841
<i>in HV/MV power stations</i>	MVA	3,728	5,545	4,161	13,434
<i>in MV/MV power stations</i>	MVA	48	353	6	407
Switching stations/Transformer stations	MVA	2,564	3,045	2,725	8,333
<b>No. of substations, out of which:</b>	pcs	<b>122</b>	<b>215</b>	<b>105</b>	<b>442</b>
HV/MV power stations	pcs	93	127	101	321
MV/MV power stations	pcs	29	88	4	121
<b>Number of switching stations and transformer stations</b>	pcs	<b>9,527</b>	<b>10,731</b>	<b>9,802</b>	<b>30,060</b>

Source: Electrica

## 5.2.2 Tangible assets – summarize key aspects of their attrition

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

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

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

**Table 17. Degree of attrition of the installations**

		TN	MN	TS
High voltage power lines (110 kV)	Underground power lines	25%	45%	50%
	Overhead power lines	74%	64%	75%
Medium voltage power lines	Underground power lines	46%	62%	62%
	Overhead power lines	56%	57%	59%
Low voltage power lines	Underground power lines	51%	67%	73%
	Overhead power lines	56%	63%	67%
Substations		69%	73%	60%
Transformers	Pole - mounted	44%	48%	50%
	Concrete enclosure	50%	65%	75%
	Pad - mounted	70%	76%	20%
	Underground	15%	95%	85%
	Concrete base	10%	8%	12%

Source: DEER

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

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

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

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

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

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

## 5.2.3 Investments

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

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

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

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

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

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

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

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

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

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

Source: ANRE



In 2023, Electrica Group companies realized the following investments, compared to the planned values.

**Table 19. Investments planned 2023 vs achieved 2023 (RON mn.)**

<b>Electrica Group subsidiary (RON mn.)</b>	<b>Planned 2023</b>	<b>Achieved 2023</b>
DEER zone TN	240.0	273.6
DEER zone TS	303.0	329.0
DEER zone MN	282.0	345.9
EFSA	65.2	32.4
ELSA	19.4	2.8
SERV	10.5	2.1
EPE	16.3	-
GEC&I	52.0	1.1
SWE	94.8	1.5
<b>Total</b>	<b>1,0832.2</b>	<b>988.4</b>

Source: Electrica

At Electrica Group level, in 2023, the consolidated CAPEX plan was achieved at a rate of 91.2% compared to the plan approved by the Board of Directors of ELSA in April 2023, and for the distribution subsidiary DEER, the average degree of achievement is of 114.9% compared to the approved plan.

The synthetic structure of investments achieved (CAPEX) by the distribution subsidiary in 2023 is presented in the table below (for details of the most important investments see Appendix 2).

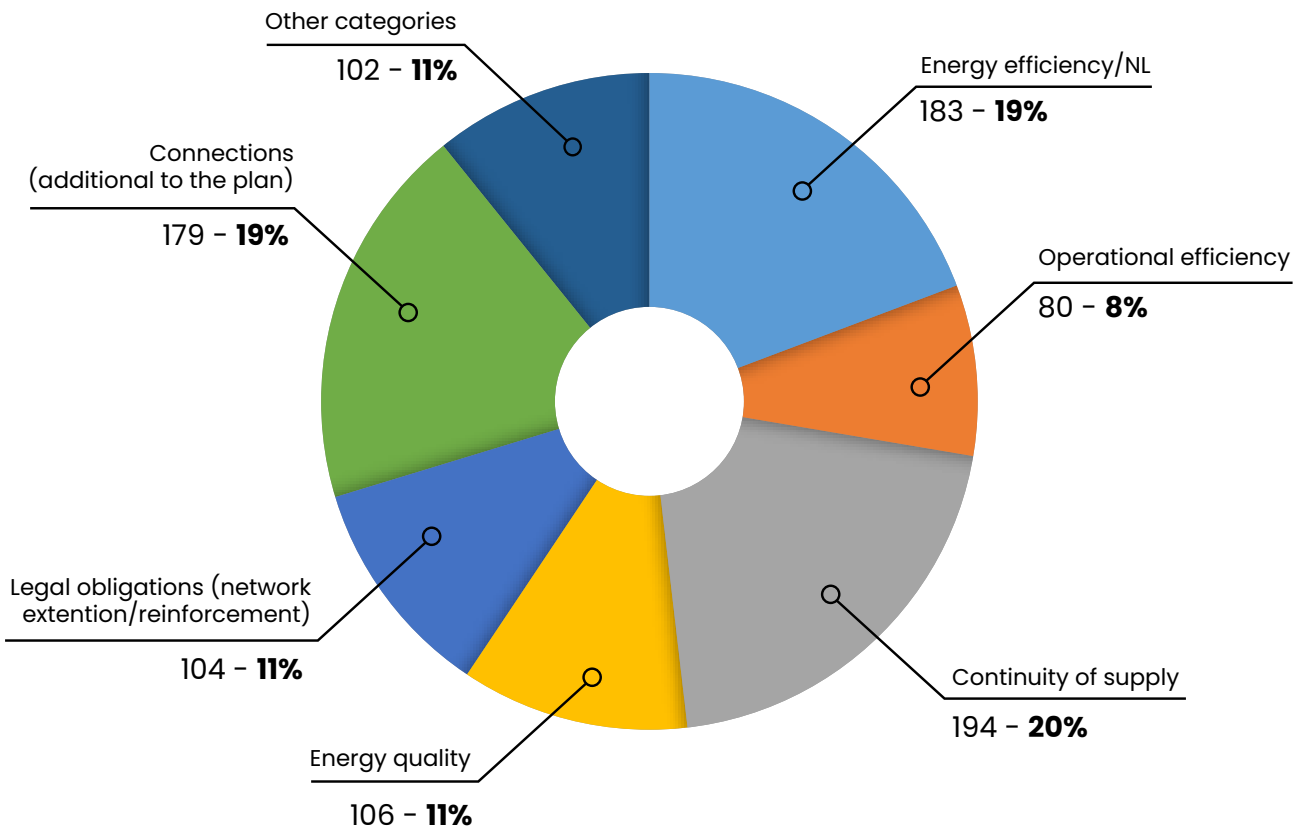
**Table 20. The synthetic structure of investments achieved by distribution subsidiary in 2023 (RON mn.)**

<b>Category of works (RON mn.)</b>	<b>Total</b>	<b>%</b>
<b>Efficiency, out of which:</b>	<b>262</b>	<b>28%</b>
Energy efficiency/NL	183	19%
Operational efficiency	80	8%
<b>Quality of distribution service, out of which:</b>	<b>583</b>	<b>62%</b>
Continuity of supply	194	20%
Energy quality	106	11%
Legal obligations (network extention/reinforcement)	104	11%
Connections (additional to the plan)	179	19%
<b>Other categories, from which</b>	<b>102</b>	<b>11%</b>
Endowments (including auto)	57	6%
Projects and studies	6	1%
Modernization of buildings, premises	39	4%
<b>Total</b>	<b>948</b>	<b>100%</b>

Source: Electrica

The main investments of the Electrica Group were focused in 2023 on improving the quality of the distribution service, as well as on increasing the energy and operational efficiency.

**Figure 30: The structure of CAPEX achievements for distribution operator within the Group, in 2023 (RON mn.)**



Source: Electrica

The approved plan of investments to be commissioned in 2023 for Societatea Distributie Energie Electrica (DEER), the distribution company within Electrica group, was in total amount of RON 764.1 mn., this value also including investments carried forward, for the year 2022 (RON 135.6 mn.).

The total value of the investments carried out and commissioned in 2023 by DEER is RON 777.1 mn. representing an average percentage of 102% compared to the total planned value.

From the total of RON 777.1 mn. investments carried out and commissioned, RON 559.7 mn. are related to 2023 plan, RON 121.9 mn. are additional works from legal obligations and RON 95.5 mn. represent investments carried forward from 2022 plan.

**Table 21. PIF plan vs achieved 2023 (RON mn.)**

DEER (RON mn.)	Total 2023 plan	Total achieved 2023	Total percentage of achievement %
MN area	249.8	257.3	103%
TS area	278.9	266.7	96%
TN area	235.3	253.1	108%
<b>Total DEER</b>	<b>764.0</b>	<b>777.1</b>	<b>102%</b>

Source: Electrica

As a result of investments made during 2014–2023, the value of the Regulated Assets Base (RAB) of the Group's distribution operators has progressively changed, with an increasing evolution, and is as follows:

**Table 22. RAB evolution 2014–2023 (RON mn.)**

RAB (RON mn.)	2014 <sup>6</sup>	2015	2016	2017	2018	2019*	2020*	2021*	2022*	2023**
SDTN	1,331	1,420	1,519	1,624	1,728	1,851	1,938	2,016	2,098	2,443
SDTS	1,333	1,377	1,388	1,475	1,521	1,679	1,772	1,838	1,889	2,235
SDMN	1,486	1,543	1,581	1,679	1,769	1,909	2,030	2,094	2,150	2,501
<b>Total</b>	<b>4,150</b>	<b>4,340</b>	<b>4,488</b>	<b>4,779</b>	<b>5,019</b>	<b>5,440</b>	<b>5,739</b>	<b>5,948</b>	<b>6,137</b>	<b>7,179</b>

Source: Electrica

Considering the significant volume of investments required for the next period, efforts have been intensified to access the non-reimbursable financing schemes: Large Infrastructure Operational Program (POIM), Modernization Fund, National Recovery and Resilience Plan (PNRR).

In 2023, DEER developed five projects with an eligible value of RON 231 mn. within the Large Infrastructure Operational Program (POIM) 2014–2020.

30 projects were submitted for financing from the Modernization Fund (FM), total amounting ~ EUR 1.2 bn. (without VAT), of which the eligible amount is ~ EUR 0.9 bn.. At the end of 2023, six of these had financing contracts signed and are ongoing. The projects aim at increasing the reliability and capacity of the distribution network, the quality of the distribution service and energy efficiency, ensuring the safety of electricity supply for existing users as well as ensuring the possibility of connecting future consumers and producers.

DEER also submitted within the competitive call of National Recovery and Resilience Plan (PNRR/2022/C6/M ENERGIE/II), projects for installing photovoltaic systems to cover the own consumption in substations and headquarter, eight of these being in pre-contracting stage at the end of 2023.

<sup>6</sup> In 2018, ANRE communicated the final value of the investments recognised for 2014, due to this reason starting with 2014 the RAB values have been modified.

\* Modified value as a result of unused FA and exits from RAB between 2019 and 2022

\*\* The value may change as a result of the final closing of 2023 and the analysis carried out by ANRE.

## 5.2.4 Aspects of ownership of tangible assets

The operation of assets is realized:

- i) under the concession contract, by which the Concendent (Ministry of Energy) has transmitted to the concessionaire (distribution operator) the right and obligation to operate the activities and service of electricity distribution;
- ii) based on the distribution license - ANRE Order 73/2014 - regarding the approval of the general conditions associated with the licenses for the provision of the electricity distribution service.

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

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

Obligations of the distribution license holder:

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

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

- Development of the electrical distribution network.

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

## 5.3 Procurement

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

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

In some cases, the acquisitions are carried out and centralized by delegating the coordination of the acquisition to a group company, with the primary objective of reducing costs, optimizing the acquisition and ensuring a unitary policy within the Group. Among the purchases made centrally, we mention D&O insurance services, the purchase of services to determine the carbon footprint of the Electrica Group for the year 2022 and the purchase of Communications Services, voice and data, fixed and mobile.

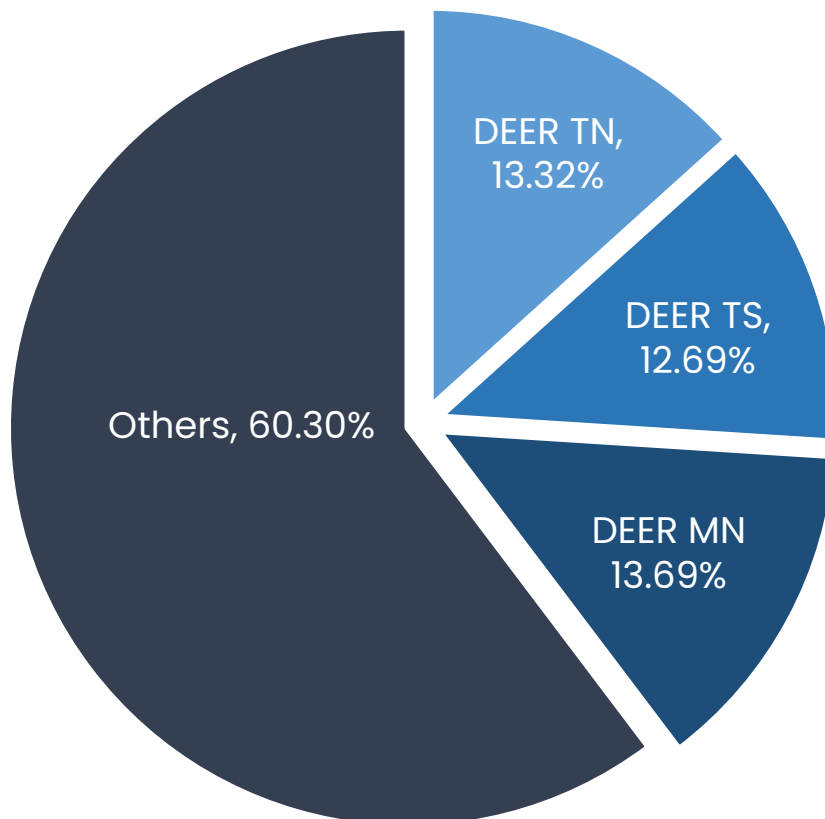
## 5.4 Sales activity

Electrica Group's revenues are influenced mainly by the distribution and supply segments. The contribution of the distribution segment to the total revenues was 25.9% in 2023, while the contribution of the supply segment was 74.2%.

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

The following figure shows the national market share (based on the quantities of distributed electricity) held by the Group's subsidiaries in the electricity distribution segment, according to the 2022 ANRE report for performance indicators' monitoring.

**Figure 31: Market share of distribution segment in 2022**

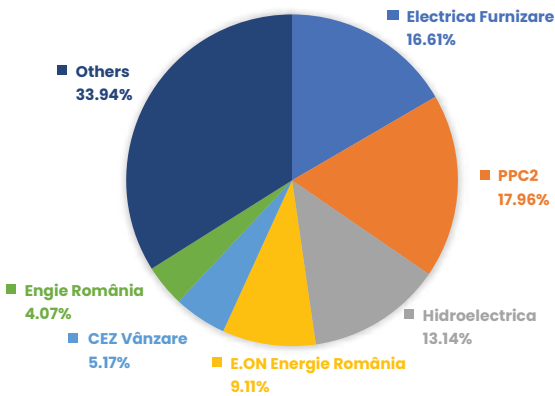


Source: ANRE Report for performance indicators' monitoring 2022

Regarding the supply segment, although it holds an important position on the electricity supply market, EFSA faces strengthening competition on the market it operates on.

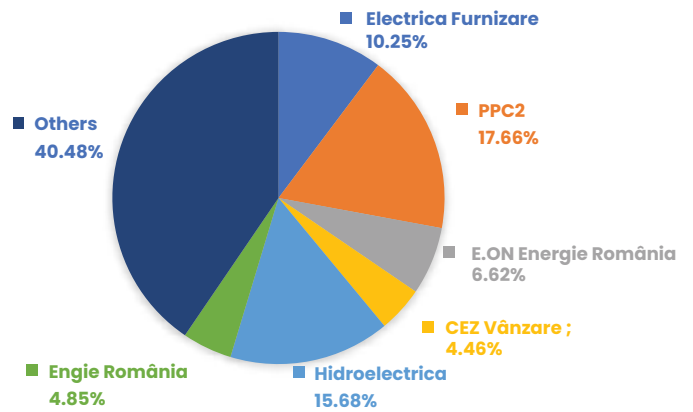
The figures below show the market shares of Electrica Group for the supply activity on 30 November 2023 (based on supplied volumes):

**Figure 32: Total market shares, 2023**



Source: ANRE monthly report (November 2023)

**Figure 33: Competitive Market, 2023**

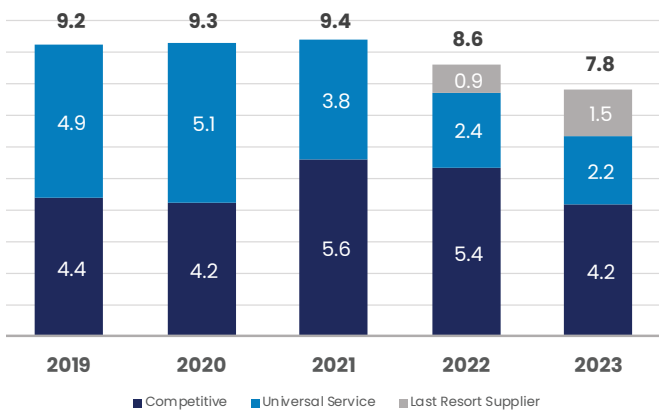


Source: ANRE report (November 2023)

Notes: \*\*Others\*\* segment includes suppliers with individual market share under 4%

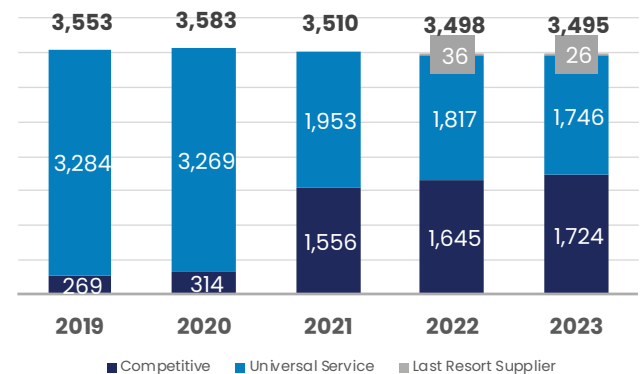
\*\*PPC includes PPC ENERGIE and PPC ENERGIE MUNTENIA

**Figure 34: Volume of electricity supplied on the retail market (TWh)**



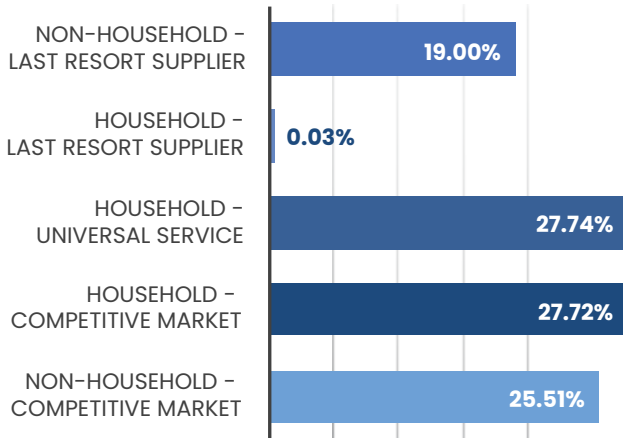
Source: Electrica

**Figure 35: Evolution of consumer numbers (ths.)**



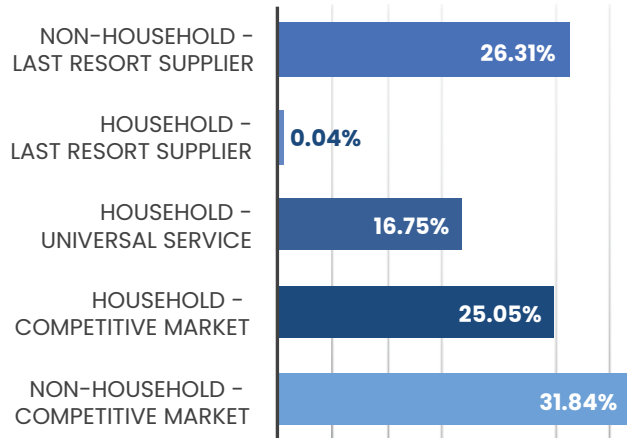
Source: Electrica

**Figure 36: Consumers structure with split on electricity volumes supplied in 2023**



Source: Electrica

**Figure 37: Consumers structure with split on revenues in 2023**



Source: Electrica

**Major client exposure**

EFSA does not have a significant exposure to a certain industrial sector that could have major influence on company’s activity. The position of market leader gives the essential advantage of having a very large portfolio of customers and thus the effect of risk dispersion is obtained and therefore the risk of its concentration does not emerge. This advantage was confirmed during the pandemic, proving that the economic sectors affected by the pandemic, although they generate significant exposures, cannot represent sources of systemic risks at the level of company’s entire portfolio. Another advantage held by EFSA is the possession of a considerable portfolio of household clients.

However, certain consumers such as hospitals, ambulance stations, schools, nurseries and kindergartens, air or naval traffic services are considered to be of special importance and cannot be disconnected by the electricity distributor, as they are considered vulnerable consumers. Customers who come under the incidence of insolvency law can benefit from its protection against creditors and therefore possibly also from electricity suppliers for the supply contracts in force at the time of insolvency proceedings opening.

**PRE Electrica – the Party Responsible for Balancing**

The activity of representation in the Balancing Market as the Party Responsible for Balancing (Electrica Furnizare PRE) is carried out by Electrica Furnizare SA based on the electricity supply license no. 2279/04.08.2021.

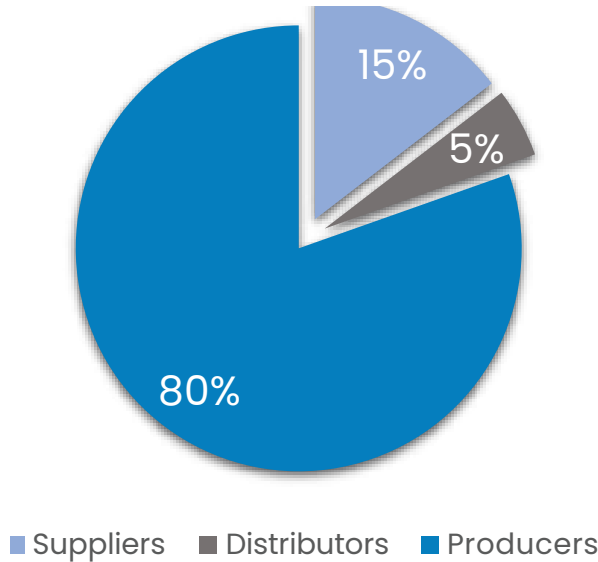
PRE EFSA’s client portfolio is diversified, consisting of producers (hydro, thermal, wind, photovoltaic, biogas, biomass), suppliers and distribution operators.

At the end of 2023, a number of 97 licensed participants had transferred responsibility to PRE EFSA, of which:



- 14 suppliers representing 14.43% of the total PRE;
- 5 distribution operators representing 5.15% of the total PRE and
- 78 producers representing 80.41% of the total PRE.

**Figure 38: PRE Electrica Furnizare Members**



Source: Electrica

In 2023, more than 300 bilateral contracts, exchanges with OPCOM respectively, were notified to Transelectrica (OTS).

Starting from February 2021, settlement in PE is carried out at 15-minute intervals using the single-price methodology according to ANRE Order no. 213/2020. The single price turns into a dual, excess and loss price, in the intervals where the conditions in the Order are met.

EFSA's PRE uses the internal unbalance allocation method in settlement, so that PRE members benefit from cost reduction/increase in revenue for dual price ranges (single price ranges do not allow compensation).

During January - November 2023, out of a total number of 32,064 intervals, the dual price was applied to a number of 2,558 intervals (7.98%). As a result of the internal allocation of unbalances, within the PRE EFSA there was an improvement in excess and loss prices by 29.03 RON/MWh compared to the unbalance prices calculated by OPCOM/OTS (a degree of compensation of approximately 49%).

## January–November 2023

Excess Average Price OPCOM/OTS	Excess Average Price EFSA PRE
353.91	382.94
Loss Average Price OPCOM/OTS	Loss Average Price EFSA PRE
473.03	444.000

Source: Electrica

Electrica Furnizare SA, through the PRE Service, operates on the Intraday Market (IM) starting from February 2021 to buy/sell the electricity volumes not traded on the Day-Ahead Market (DAM).

For 2023, the Intraday Market trading results are as follows:

- On purchase - the quantity of 39,342.45 MWh at an average price of 618.25 RON/MWh;
- For sale - the quantity of 15,166.80 MWh at an average price of 870.44 RON/MWh.

Out of a total traded for purchase on IM OPCOM of 128,014.35 MWh (at an average price of 642.92 RON/MWh), EFSA traded a volume of 39,342.45 MWh representing a percentage of about 31%, and of the total traded for sale on IM OPCOM of 152,180.43 MWh (at an average price of 753.17 RON/MWh). EFSA traded a quantity of 15,166.80 MWh representing a percentage of about 10%.

## 5.5 Personnel

On 31 December 2023, Electrica Group had 7,945 employees. The table below provides an overview of the employment in the Group, by business segments, at the end of the specified years. Starting with 2020, the figures include also the mandate contracts.

**Table 23. Number of employees evolution 2019 – 2023**

Organizational entity/year	2023*	2022	2021	2020	2019
Electricity distribution segment - DEER	6,589	6,555	6,454	7,213	6,972
DEER - MN	2,186	2,211	2,156	2,184	2,191
DEER - TN	2,301	2,262	2,259	2,248	2,233
DEER - TS	2,102	2,082	2,039	2,087	2,085
Services segment - SERV	473	469	612	694	463
Supply segment - EFSA	796	816	838	793	896
Services related to other distribution networks - SEM (included in SERV starting December 2020)	-	-	-	-	296
Headquarters - ELSA	87	71	109	120	128
<b>Total</b>	<b>7,945</b>	<b>7,911</b>	<b>8,013</b>	<b>8,126</b>	<b>8,292</b>

Source: Electrica

\*According to the modified reporting methodology to INS, the employees number from 31.12.2023 also includes 29 persons who worked based on a mandate agreement.

Ensuring the necessary human resources for the key business areas, staff training and capitalizing on their potential, expertise and skills, in order to increase work productivity and individual performance, are treated as priority topics.

As of 31 December 2023, approximately 71% of the Group's employees represent directly productive staff, and 29% represent indirectly productive staff, including technical, economic, social and administrative personnel.

**Table 24. Group's employment by age, 2021 - 2023**

Age category	31 December 2023	31 December 2022	31 December 2021
under 18	0.01%	0.00%	0.00%
18-30	6.03%	5.10%	4.76%
31-40	14.27%	14.70%	16.06%
41-50	33.58%	34.30%	34.96%
51-60	42.94%	43.30%	41.44%
over 60 years old	3.17%	2.60%	2.85%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Electrica

As of 31 December 2023, about 98% of the Group's employees are Union members and their employment conditions are governed by the Collective Labor Agreement, which will expire on 17 May 2024 for ELSA and between February- June 2024 for the Group's subsidiaries. The Electrica Group did not face Union actions in 2023.

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

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

depending on the workforce need.

The improvement and continuous development of the performance management system have contributed to the achievement of Electrica Group key objectives, set for the 2019-2023.

The long-term strategic objectives, set at the end of 2023, outlined a broad framework for business development and viability, covering areas such as renewable energy, service diversification, ESG integration in business concepts, digitization and organizational excellence. In line with these objectives, we focus our efforts on attracting, motivating and retaining a qualified and diverse workforce, necessary to support the initiatives for the next period, in the conditions of an accentuated dynamics of the labor market.

To ensure a work environment where employees feel valued and fulfilled, we focus on continuous professional development, including the acquisition of skills and competences in the "green" and digital fields. In light of the sharp increase in interest in renewable energy, energy efficiency, digitization and ESG principles, we are committed to implementing

training and development programs to improve existing skills and attract new talent with the necessary expertise.

To support the fulfilment of these objectives and to attract talented young people, we aim to develop internship programs, participate in innovation projects, establish educational partnerships and launch mentoring programs. These initiatives will contribute not only to attracting and developing talent, but also to promoting a culture of innovation, sustainability and social responsibility.

We continue to promote diversity and inclusion at every level of the organization and leverage modern technologies to streamline human resource management and encourage innovation and sustainable development.

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

In 2023, it was continued the methodological and conceptual framework for the application

## HEALTH AND SAFETY AT WORK

In 2023, all the companies of the Electrica Group maintained their Integrated Quality-Environment Management System certification, which ensures the compliance of the companies with the legal requirements in the field of occupational health

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

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

and safety and with those of the SR ISO 45001:2018 referential. There is thus a guarantee that services and processes are provided and carried out in safe conditions for the company's own staff and contractors, as well as for customers.

## **The work accidents situation and specific indicators at Electrica Group level**

In 2023 there were 9 work related accidents within Electrica Group, increasing compared to 2022, but there were no fatal accidents.

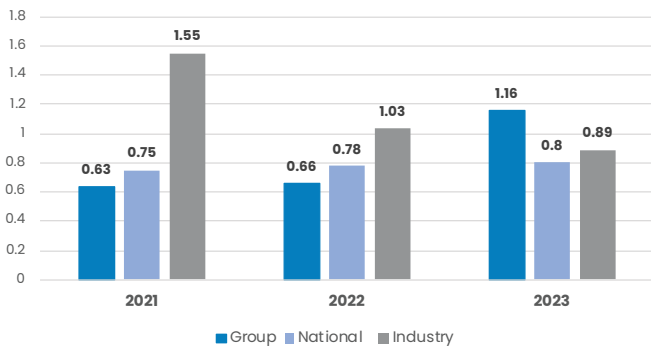
The complex of complementary causes and contributing factors that led to the occurrence of each of these accidents was analysed at DEER level by the legally constituted committees, and the investigation files include the measures to prevent

similar situations that need to be implemented by the company.

The frequency index (FI), expressed as the number of accidents per 1,000 employees is for 2023 at the Group level 1.17‰, registering an increase compared to 2022, correlated with the increase in the number of accidents at the Group level.

These accidents were caused by failure to comply with the instructions on health and safety at work, due to the carelessness of workers, one of which was a road accident. There were no fatalities during the reporting period.

**Figure 39: Frequency index 2021–2023**



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

Source: Electrica

\*the year 2023, the data published by the Ministry of Labor and Social Solidarity is as of September 30, 2023, with the final figures set to be published on April 15, 2024.

Starting from the year 2021 and continuing in the following years, IF for Electrica Group’s performance has consistently remained below both the industry average in which it operates and the national average.

**Aspects regarding the employees health**

The Electrica Group’s field of activity does not involve a risk of developing diseases caused exclusively by working conditions, so no occupational diseases have been recorded in 2023 or in previous years.

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

**Actions to improve safety and health of employees at work place**

At the company level, training and control activities in the field of occupational health and safety (SSM) have been maintained. The conducted controls are primarily oriented towards ensuring compliance with current instructions and regulations, the violation of which was identified as the main cause for accidents in 2023. These controls target both internal and contractor personnel, with the long-term objective of achieving ,zero’ accidents for both groups.

The shift in organizational culture and focus on values such as safety, responsibility, discipline, and collaboration is a lengthy process that requires sustained human and financial effort. This is achieved through the implementation of the following actions:

- Development and implementation of a dedicated policy and programs to promote responsibility and compliance with occupational

health and safety rules, as well as accident prevention measures;

- Consultation of workers from all workplaces in the process of improving the work environment and conditions;
- Development of a communication system for events/near misses in the field of SSM through IT&C platforms, ensuring quick and easy communication with the option of anonymity, if desired, for electricians, coupled with encouragement for reporting;
- Provision of entry-level devices and minimal voice and data subscriptions for directly productive workers to extend and operationalize reporting platforms;
- Communication of occupational health and safety objectives to all contractors of Electrica Group companies, as well as monitoring them regarding compliance with legal requirements and specific instructions in the field. Establishment of a working group with representatives from all Group companies to develop the necessary tools for better SSM management in relation to contractors;
- Communication to users and communities of the risks associated with unauthorized access to facilities managed by Electrica Group companies, both physical risks (such as electric shock, fall hazards) and legal risks.

In 2023 the total number of SSM - SU training hours reached 333,792 compared to 315,295 SSM - SU training hours in 2022, motivated by the increase in personnel numbers in 2023 compared to 2022.

At the Group level, a number of 902 OSH controls were carried out, to identify deficiencies that could generate risks for the safety and health at work of employees, followed by immediate treatment of the non-compliances found.

In 2023 a total of 2,435 controls in the field of occupational health and safety were conducted by certified personnel, compared to 1,999 controls in 2022. Following these controls, preventive and corrective measures were established with the aim of reducing the incidence of workplace accidents and mitigating associated risks.

Despite numerous inspections by Territorial Labor Inspectorates and Emergency Situations Inspectorates during the reference period, none of the Electrica Group companies faced sanctions.

## 5.6 Environmental considerations

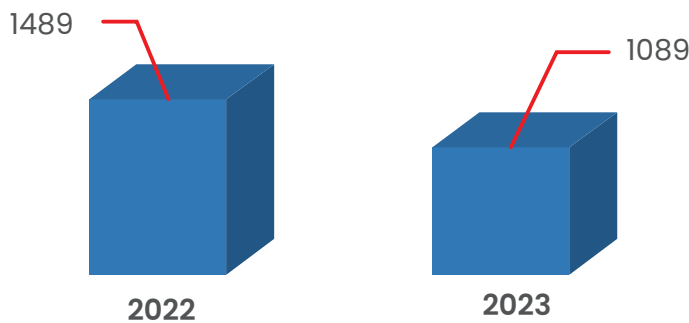
The amount of expenses in the environmental protection domain within the Electrica Group in the year 2023 was RON 17.8 mn.. These expenses continued to be allocated primarily for the prevention and protection against forest fires, waste collection and disposal, protection and conservation of flora and fauna species, land protection, etc.

At the Electrica Group level, efforts are made to obtain a detailed understanding of the environmental impact of our activities and to identify optimal solutions for their management. In 2023, monitoring of greenhouse gas emissions (GHG) levels within the companies of the Electrica Group continued, along with their evaluation.

The calculation of emissions for all companies within the Group was conducted with the support of an external specialized consultant, using the GHG Protocol standard. The result indicates that a significant source of GHG emissions continues to be the own technological consumption (OTC) from distribution networks (results can be analyzed in the Sustainability Report for the year 2022, published in June 2023, available on the website [www.electrica.ro](http://www.electrica.ro)).

At the level of the distribution operator DEER within the Group, the PCB (polychlorinated biphenyls) elimination program from operating electrical installations continued in 2023, complying with the legally established national deadline of 2028 for their total elimination (cf. Government Decision no. 1497/2008), with a considerable reduction observed.

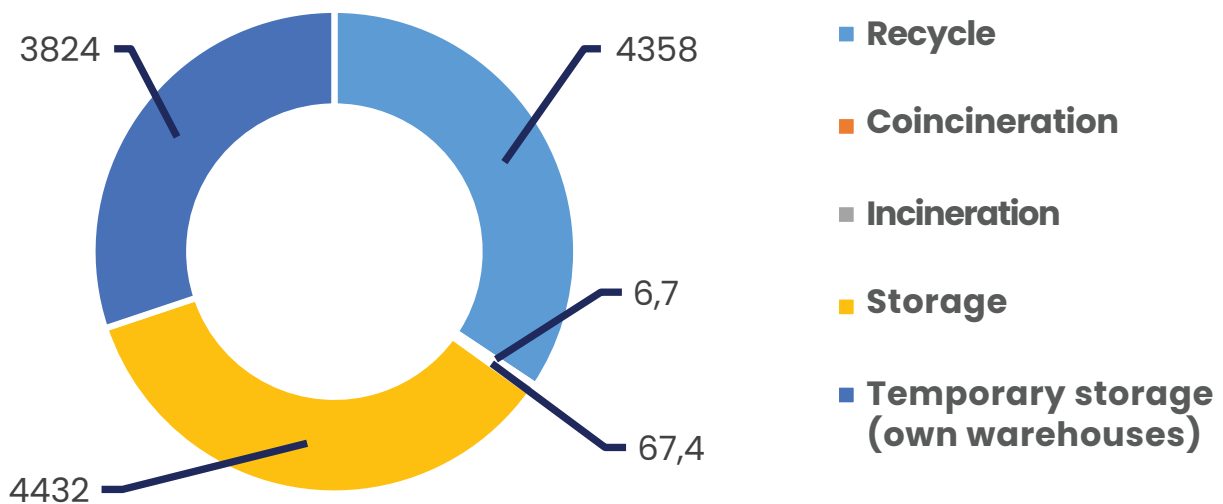
**Figure 40: PCB capacitors in operation at the end of 2023 compared to 2022**



Source: Electrica

And throughout the year 2023, the principles of selective waste collection and recycling of waste categories generated at the Group level were maintained—whenever the requirements for this are met—or their destruction with authorized operators. This effort aims to contribute to the reduction of environmental pollution and the maintenance of the health of both humans and animals.

**Figure 41: The quantity of waste (in tons) generated and the treatment methods**



Source: Electrica

Following external certification/surveillance audits conducted by the certification body SRAC Cert throughout the year 2023, the companies within the Electrica Group have maintained the certifications for their own Integrated Quality - Environment - Health and Safety Management Systems. These systems are managed responsibly and efficiently, addressing the environmental aspects specific to the activities carried out, in accordance with legal requirements and the provisions of the reference standard SR EN ISO 14001:2015.

## 5.7 Research and development activities

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

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

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

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

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

The project is carried out by a consortium of 34

organizations (companies, universities, etc.), coordinated by Intrasoft International, Belgium, with a duration of 36 months starting from October 2021.

In 2023, Electrica, in cooperation with University POLITEHNICA of Bucharest (UPB), created a test laboratory for various countermeasure scenarios of possible cyber attacks on electricity distribution networks.

Electrica achievements:

- Use case 4 defining - Proactive islanding, that fulfills an efficient detection of cyber threats: addressing and mitigating cyber-attacks in the Romanian Energy Chain - in the 1st year of the project;
- Implementation of Security and confidentiality requirements for users according to the legislation - in the 2nd year of the project;
- Analysis of the opportunity to implement the platforms proposed in the project - in the 2nd year of the project;
- Vulnerability and impact analysis: estimating the severity of a vulnerability on a certain asset - in the 2nd year of the project;
- Threat level and types of attackers - in the 2nd year of the project;
- Testing of ELECTRON components - to ensure increased resistance of the energy system, while ensuring business continuity and critical operations of the energy community - in the 3rd year of the project.



## 5.8 Significant aspects of the impact of subsidies on the capitalization of additional costs related to technological consumption (NL)

### Distribution segment

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

- ANRE order no. 129/2022 for the approval of the methodological norms regarding the recognition in tariffs of the additional costs with the acquisition of electricity to cover the own technological consumption compared to the costs included in the regulated tariffs; Modified by ANRE Order no. 104/2023, which modifies the application period until March 31, 2025, according to the changes approved by Law no. 357/2022.
- Emergency Ordinance no. 119/2022 amending and supplementing the Government Emergency Ordinance no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market during 1 April 2022- 31 March 2023, as well as amending and supplementing some normative acts in the field of energy. GEO no. 119/2022 was approved and amended by Law no. 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 end customers in the electricity and natural gas market in the period 1 April 2022 – 31 March 2023, as well as for the modification and completion of some normative acts in the field of energy: for the period 1 January 2023 – 31 March 2025, it is established the mechanism of centralized purchase of electric energy. GEO no. 153/2022 was approved and amended by Law 206/2023.
- Transposing the provisions of the normative acts from the primary and secondary legislation into the financial accounting area by MF order no. 3900/2022 regarding the approval of accounting specifications in the application of the provisions of art. III of Government Emergency Ordinance no. 119/2022 amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market between 1 April 2022 - 31 March 2023, as well as for the modification and completion of some normative acts in the field of energy. MF order no. 5378/2023 regarding the approval of some accounting clarifications in application of the provisions of art. III paragraph (1) from GEO no. 119/2022 for the amendment and completion of the GEO no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market during the period 1 April 2022 – 31 March 2023, as well as for the amendment and completion of some normative acts in the field of energy, adds the period 1 January 2024 - 31 March 2025.

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

## 5.9 Principle of business continuity – substantiation and working hypothesis

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

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

- A continuation of the support scheme until 31 March 2025 according to the applicable legislation but with a more stable flow of repayments of the reimbursement requests for subsidies as compared with last year, as the mechanism has been operationally improved;
- It is planned to renew confirmed financing facilities up to RON 4,961.5 mn., including overdraft limits of RON 2,736.4 mn. and RON 2,225.1 mn. limit on long-term loans.
- The use of the as yet unconfirmed facilities in the form of overdrafts amounting to RON 574.1 mn. will be drawn down, of which RON 250.0 mn. will be repaid during the forecast period.

At the date of issuance of this report the regulatory position may be further amended and there may be further laws enacted which could adversely impact the Group's 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 distributor 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 17.72 % (according

to the latest ANRE report October 2022 for the supply segment) as market share on the electricity supply market and having as main shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from market uncertainty and Group will be able to meet its obligations as they fall due.

Based upon the above projections and other information, given the measures already implemented and the strategies to reduce the risks which may occur due to the instability of the economic environment, the Board of Directors has, at the time of approving this report, 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 this report and the consolidated financial statements published by the Group.







**6. ELECTRICA  
FINANCIAL REPORTING  
FOR 2023**

**ELECTRICA FINANCIAL REPORTING FOR 2023**

The presentation of the Group's consolidated financial information in chapters 6.1.1, 6.2.1, 6.3.1 and 6.7 is based on the consolidated financial statements that have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union ("IFRS-EU"). These consolidated financial statements are presented in RON, which is the functional currency of all companies within the Group.

The presentation of the Group's consolidated financial information in chapters 6.1.2, 6.2.2, 6.3.2 is based on the consolidated financial statements prepared in accordance with OMFP no. 2844/2016. These consolidated financial statements are presented in RON, which is the functional currency of all companies within the Group.

## 6.1 Consolidated statement of the financial position

### 6.1.1 Consolidated statement of the financial position – S-IFRS-EU

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

**Table 25. Consolidated statement of the financial position 2023–2021 (RON. mn) – S-IFRS-EU**

	31 December 2023	31 December 2022*	Variation 2023/2022 abs	31 December 2021
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets related to concession agreements	6,220.5	5,675.9	544.7	5,514.6
Goodwill	24.7	12.0	12.7	-
Other intangible assets	27.8	12.9	15.0	9.0
Property, plant and equipment	595.0	499.4	95.6	505.4
Investments in associates	16.6	18.8	(2.2)	25.8
Other investments	7.0	7.0	-	-
Deferred tax assets	32.4	30.2	2.2	83.5
Other non-current assets	52.0	2.4	49.6	1.7
Right of use assets	41.0	52.2	(11.2)	20.9
<b>Total non-current assets</b>	<b>7,017.0</b>	<b>6,310.7</b>	<b>706.3</b>	<b>6,160.9</b>
<b>Current assets</b>				
Trade receivables	2,540.4	2,466.0	74.4	1,344.6
Other receivables	93.8	127.3	(33.4)	48.6

	31 December 2023	31 December 2022*	Variation 2023/2022 abs	31 December 2021
Cash and cash equivalents	377.2	334.9	42.3	221.8
Subsidies receivables	2,614.5	1,280.8	1,333.7	-
Inventories	115.7	114.0	1.7	73.0
Prepayments	12.9	13.9	(1.0)	5.0
Current income tax receivable	-	24.0	(24.0)	23.8
Assets held for sale	0.3	0.3	(0.0)	5.4
<b>Total current assets</b>	<b>5,754.9</b>	<b>4,361.1</b>	<b>1,393.7</b>	<b>1,722.2</b>
<b>Total assets</b>	<b>12,771.9</b>	<b>10,671.8</b>	<b>2,100.1</b>	<b>7,883.1</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	3,464.4	3,464.4	-	3,464.4
Share premium	103.0	103.0	-	103.0
Treasury shares reserves	(75.4)	(75.4)	-	(75.4)
Pre-paid capital contributions in kind from shareholders	0.0	0.0		0.0
Revaluation reserve	159.5	92.1	67.4	102.8
Legal reserves	449.4	429.6	19.8	408.4
Retained earnings	1,259.4	554.6	704.8	950.2
<b>Total equity attributable to shareholders of the Company</b>	<b>5,360.4</b>	<b>4,568.5</b>	<b>792.0</b>	<b>4,953.6</b>
Non-controlling interests	(0.5)	(0.5)	0.0	-
<b>Total equity attributable to shareholders of the Company</b>	<b>5,360.0</b>	<b>4,567.9</b>	<b>792.0</b>	<b>4,953.6</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Lease liability – long term	29.1	34.5	(5.3)	12.1
Deferred tax liabilities	121.3	60.3	61.0	161.9
Employee benefits	151.4	117.3	34.1	149.2
Other liabilities	37.2	72.4	(35.3)	32.7
Long-term bank borrowings	794.3	647.2	147.2	118.8

## ELECTRICA FINANCIAL REPORTING FOR 2023

	31 December 2023	31 December 2022*	Variation 2023/2022 abs	31 December 2021
<b>Total non-current liabilities</b>	<b>1,133.3</b>	<b>931.7</b>	<b>201.7</b>	<b>474.7</b>
<b>Current liabilities</b>				
Lease liability – short term	14.1	19.2	(5.2)	9.4
Bank overdrafts	2,851.2	2,571.0	280.2	627.4
Trade payables	1,671.5	1,407.1	264.4	891.3
Other payables	1,035.1	867.5	167.6	271.3
Deferred revenue	7.8	24.8	(16.9)	9.7
Employee benefits	120.5	114.2	6.4	101.1
Provisions	41.2	53.7	(12.5)	34.9
Current income tax liability	13.9	1.1	12.8	-
Current portion of long-term bank borrowings	523.3	113.5	409.8	509.7
<b>Total current liabilities</b>	<b>6,278.6</b>	<b>5,172.2</b>	<b>1,106.5</b>	<b>2,454.9</b>
<b>Total liabilities</b>	<b>7,411.9</b>	<b>6,103.8</b>	<b>1,308.1</b>	<b>2,929.6</b>
<b>Total equity and liabilities</b>	<b>12,771.9</b>	<b>10,671.8</b>	<b>2,100.1</b>	<b>7,883.1</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

\*The amounts for 2022 have been restated, detailed in sub-chapter 6.7 of this report

*The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 85.7 mn., representing 5% of EBITDA.*

### Fixed assets

Fixed assets increased by RON 706.3 mn. in 2023, or 11.2%, from RON 6,310.7 mn. at 31 December 2022 to RON 7,017.0 mn. at 31 December 2023, this change being mainly the cumulative effect of:

- RON 544.7 mn. increase in network investments made by the distribution subsidiaries (the most relevant values of investments and start-ups are shown in Appendix 2);
- increase of RON 95.6 mn. in property, plant and equipment, mainly as a result of the revaluation of property, plant and equipment at fair value on 31 December 2023.

### Current assets

In 2023, current assets increased by RON 1,393.8 mn. compared to 2022, or 32.0%, from RON 4,361.1 mn. to RON 5,754.9 mn., mainly due to an increase of RON 1,333.8 mn. in subsidies receivable in 2023.



Trade receivables

Trade receivables mainly include unpaid invoices issued up to the reporting date for the supply and distribution of electricity and services, penalties for late payment and estimated receivables relating to electricity delivered and services rendered up to the year-end but invoiced after the year-end.

Trade receivables increased by RON 74.4 mn. in 2023, or 3%, from RON 2,466.0 mn. to RON 2,540.4 mn. at 31 December 2023.

Cash and cash equivalents

Cash and cash equivalents include cash balances, demand deposits and current accounts with banks.

Cash and cash equivalents increased by RON 42.3 mn., or 12.6%, to RON 377.2 mn. from RON 334.9 mn. in 2022.

**Table 26. Cash and cash equivalents 2023–2021 – S-IFRS-EU**

(RON mn.)	31 December 2023	31 December 2022	31 December 2021
Bank current accounts	223.2	141.7	167.8
Call deposits	154.0	193.2	53.9
Cash in hand	-	-	0.1
<b>Total cash and cash equivalents in the consolidated statement of financial position</b>	<b>377.2</b>	<b>334.9</b>	<b>221.8</b>
Overdrafts used for cash management purposes	-	-	(627.4)
<b>Total cash and cash equivalents in the consolidated statement of cash flows</b>	<b>377.2</b>	<b>334.9</b>	<b>(405.6)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares at 31 December 2023 and 2022 with a nominal value of RON 10 per share.

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

There were no changes in the number of shares in 2023.

## ELECTRICA FINANCIAL REPORTING FOR 2023

Table 27. Number of shares 2023 – 2021 – S-IFRS-EU

	Number of ordinary shares		
	2023	2022	2021
Number of shares at 1 January	346,443,597	346,443,597	346,443,597
Shares issued during the year	-	-	-
<b>Number of shares at 31 December</b>	<b>346,443,597</b>	<b>346,443,597</b>	<b>346,443,597</b>

Source: Electrica

Revaluation reserves

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

Table 28. Revaluation reserves 2023-2021 (RON mn.) – S-IFRS-EU

	2023	2022	2021
<b>Balance at 1 January</b>	<b>92.1</b>	<b>102.8</b>	<b>116.4</b>
Revaluation surplus of land, land improvements and buildings	85.5	-	-
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(4.4)	(10.7)	(13.5)
Deferred tax liability arising on revaluation of land, land improvements and buildings	(13.7)	-	-
<b>Balance at 31 December</b>	<b>159.5</b>	<b>92.1</b>	<b>102.8</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

Legal reserves

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

**Table 29. Legal reserves 2023-2021 (RON mn.) – S-IFRS-EU**

	<b>Legal reserves</b>
<b>Balance at 1 January 2021</b>	<b>392.3</b>
Set-up of legal reserves	16.1
<b>Balance at 31 December 2021</b>	<b>408.4</b>
Set-up of legal reserves	21.2
<b>Balance at 31 December 2022</b>	<b>429.6</b>
Set-up of legal reserves	19.8
<b>Balance at 31 December 2023</b>	<b>449.4</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

### **Non-current liabilities**

Non-current liabilities increased from RON 931.7 mn. as at 31 December 2022 to RON 1,133.3 mn. as at 31 December 2023.

This evolution is a net effect of the variation of the main categories of long-term debts, the most significant of which is the increase in the balances of long-term loans (CEC Bank and Exim Bank), through drawings made in 2023 mainly to finance the Group's investments.

### **Current liabilities**

In 2023, current liabilities increased by RON 1,106.4 mn. to RON 6,278.6 mn. from RON 5,172.2 mn. at the end of 2022, mainly due to the evolution of the categories listed below.

#### Current portion of long-term bank borrowings

The current portion of long-term bank loans recorded an increase of 409.8 mn. RON, as a result of the short-term loan with ERSTE Group Bank, Raiffeisen Bank and the maturity of the loan with Vista Bank under 12 months..

#### Overdrafts

The overdrafts increased in 2023 by RON 280.2 mn.

to RON 2,851.2 mn., from RON 2,571.0 mn. at the end of 2022, to cover the financing needs of current activities.

#### Trade payables

As of 31 December 2023, trade payables increased by approximately RON 264.4 mn. to RON 1,671.5 mn. from RON 1,407.1 mn. as at 31 December 2022 mainly due to the increase in the balance of energy suppliers as a result of changes in the energy market as well as the increase in the balance of suppliers in relation to capital expenditure. Electricity suppliers are mainly state-owned electricity producers.

#### Other payables

As of 31 December 2023, other liabilities increased by approximately RON 167.5 mn. to RON 1,035.1 mn. from RON 867.5 mn. as of 31 December 2022, of which VAT payable increased in 2023 by RON 23.7 mn. and other liabilities increased by RON 122.2 mn.. Other payables mainly include guarantees, sundry creditors, connection fee, habitat tax and cogeneration contributions.

## 6.1.2 Consolidated statement of the financial position – S-OMFP 2844/2016

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

**Table 30. Consolidated statement of the financial position 2023–2021 (RON. mn) – S-OMFP 2844/2016**

	31 December 2023	31 December 2022	Variation 2023/2022 abs	31 December 2021
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets related to concession agreements	6,220.5	5,675.9	544.7	5,514.6
Intangible assets related to NL capitalization	770.9	951.6	(180.7)	-
Goodwill	24.7	12.0	12.7	-
Other intangible assets	27.8	12.9	14.9	9.0
Property, plant and equipment	595.0	499.4	95.6	505.4
Investments in associates	16.6	18.8	(2.2)	25.8
Other investments	7.0	7.0	-	-
Deferred tax assets	32.4	30.2	2.2	83.5
Other non-current assets	52.0	2.4	49.6	1.7
Right of use assets	41.0	52.2	(11.2)	20.9
<b>Total non-current assets</b>	<b>7,787.9</b>	<b>7,262.3</b>	<b>525.7</b>	<b>6,160.9</b>
<b>Current assets</b>				
Trade receivables	2,540.4	2,466.0	74.4	1,344.6
Other receivables	93.8	127.3	(33.5)	48.6
Cash and cash equivalents	377.2	334.9	42.3	221.8
Subsidies receivables	2,614.5	1,280.8	1,333.7	-
Inventories	115.7	114.0	1.7	73.0
Prepayments	12.9	13.9	(1.0)	5.0
Current income tax receivable	-	24.0	(24.0)	23.8
Assets held for sale	0.3	0.3	(0.0)	5.4
<b>Total current assets</b>	<b>5,754.9</b>	<b>4,361.1</b>	<b>1,393.7</b>	<b>1,722.2</b>
<b>Total assets</b>	<b>13,542.8</b>	<b>11,623.3</b>	<b>1,919.5</b>	<b>7,883.1</b>

	31 December 2023	31 December 2022	Variation 2023/2022 abs	31 December 2021
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	3,464.4	3,464.4	0.0	3,464.4
Share premium	103.0	103.0	0.0	103.0
Treasury shares reserves	(75.4)	(75.4)	0.0	(75.4)
Revaluation reserve	159.5	92.1	67.4	102.8
Legal reserves	449.4	429.6	19.8	408.4
Retained earnings	1,907.0	1,353.9	553.1	950.2
<b>Total equity attributable to shareholders of the Company</b>	<b>6,008.0</b>	<b>5,367.8</b>	<b>640.2</b>	<b>4,953.6</b>
Non-controlling interests	(0.5)	(0.5)	0.0	-
<b>Total equity attributable to shareholders of the Company</b>	<b>6,007.5</b>	<b>5,367.2</b>	<b>640.3</b>	<b>4,953.6</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Lease liability – long term	29.1	34.5	(5.4)	12.1
Deferred tax liabilities	244.7	212.6	32.1	161.9
Employee benefits	151.4	117.3	34.1	149.2
Other liabilities	37.2	72.4	(35.2)	32.7
Long-term bank borrowings	794.3	647.2	147.1	118.8
<b>Total non-current liabilities</b>	<b>1,256.7</b>	<b>1,083.9</b>	<b>172.8</b>	<b>474.7</b>
<b>Current liabilities</b>				
Lease liability – short term	14.1	19.2	(5.1)	9.4
Bank overdrafts	2,851.2	2,571.0	280.2	627.4
Trade payables	1,671.5	1,407.1	264.4	891.3
Other payables	1,035.1	867.5	167.6	271.3
Deferred revenue	7.8	24.8	(17.0)	9.7
Employee benefits	120.5	114.2	6.3	101.1
Provisions	41.2	53.7	(12.5)	34.9

## ELECTRICA FINANCIAL REPORTING FOR 2023

	31 December 2023	31 December 2022	Variation 2023/2022 abs	31 December 2021
Current income tax liability	13.9	1.1	12.8	-
Current portion of long-term bank borrowings	523.3	113.5	409.8	509.7
<b>Total current liabilities</b>	<b>6,278.6</b>	<b>5,172.2</b>	<b>1,106.4</b>	<b>2,454.9</b>
<b>Total liabilities</b>	<b>7,535.3</b>	<b>6,256.1</b>	<b>1,279.2</b>	<b>2,929.6</b>
<b>Total equity and liabilities</b>	<b>13,542.8</b>	<b>11,623.3</b>	<b>1,919.5</b>	<b>7,883.1</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 86.6 mn., representing 5% of EBITDA.

### Fixed assets

Fixed assets increased by RON 525.7 mn. in 2023, or 7%, from RON 7,262.3 mn. at 31 December 2022 to RON 7,787.9 mn. at 31 December 2023, this change being mainly the cumulative effect of:

- RON 544.7 mn. increase in network investments made by the distribution subsidiaries (the most relevant values of investments and start-ups are shown in Appendix 2);
- decrease of 180.6 mn. RON in the capitalization of additional costs with NL;
- increase of RON 95.6 mn. in property, plant and equipment, mainly as a result of the revaluation of property, plant and equipment at fair value on 31 December 2023.

### Current assets

In 2023, current assets increased by RON 1,393.8 mn. compared to 2022, or 32.0%, from RON 4,361.1 mn. to RON 5,754.9 mn., mainly due to an increase of RON 1,333.8 mn. in subsidies receivable in 2023.

#### Trade receivables

Trade receivables mainly include unpaid invoices issued up to the reporting date for the supply and distribution of electricity and services, penalties for late payment and estimated receivables relating to electricity delivered and services rendered up to the year-end but invoiced after the year-end.

Trade receivables increased by RON 74.4 mn. in 2023, or 3%, from RON 2,466.0 mn. to RON 2,540.4 mn. at 31 December 2023.

Cash and cash equivalents

Cash and cash equivalents include cash balances, demand deposits and current accounts with banks. Cash and cash equivalents increased by RON 42.3 mn., or 12.6%, to RON 377.2 mn. from RON 334.9 mn. in 2022

**Table 31. Cash and cash equivalents 2023–2021 – S-OMFP 2844/2016**

(RON mn.)	31 December 2023	31 December 2022	31 December 2021
Bank current accounts	223.2	141.7	167.8
Call deposits	154.0	193.2	53.9
Cash in hand	0.0	-	0.1
<b>Total cash and cash equivalents in the consolidated statement of financial position</b>	<b>377.2</b>	<b>334.9</b>	<b>221.8</b>
Overdrafts used for cash management purposes	-	-	(627.4)
<b>Total cash and cash equivalents in the consolidated statement of cash flows</b>	<b>377.2</b>	<b>334.9</b>	<b>(405.6)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares at 31 December 2023 and 2022 with a nominal value of RON 10 per share.

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

There were no changes in the number of shares in 2023.

**Table 32. Number of shares 2023 - 2021 – S-OMFP 2844/2016**

	Number of ordinary shares		
	2023	2022	2021
Number of shares at 1 January	346,443,597	346,443,597	346,443,597
Shares issued during the year	-	-	-
<b>Number of shares at 31 December</b>	<b>346,443,597</b>	<b>346,443,597</b>	<b>346,443,597</b>

Source: Electrica

**ELECTRICA FINANCIAL REPORTING FOR 2023***Revaluation reserves*

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

**Table 33. Revaluation reserves 2023–2021 (RON mn.) – S-OMFP 2844/2016**

	2023	2022	2021
<b>Balance at 1 January</b>	<b>92.1</b>	<b>102.8</b>	<b>116.4</b>
Revaluation surplus of land, land improvements and buildings	85.5	-	-
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(4.4)	(10.7)	(13.5)
Deferred tax liability arising on revaluation of land, land improvements and buildings	(13.7)	-	-
<b>Balance at 31 December</b>	<b>159.5</b>	<b>92.1</b>	<b>102.8</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

*Legal reserves*

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



**Table 34. Legal reserves 2023–2021 (RON mn.) – S-OMFP 2844/2016**

	<b>Legal reserves</b>
<b>Balance at 1 January 2021</b>	<b>392.3</b>
Set-up of legal reserves	16.1
<b>Balance at 31 December 2021</b>	<b>408.4</b>
Set-up of legal reserves	21.2
<b>Balance at 31 December 2022</b>	<b>429.6</b>
Set-up of legal reserves	19.8
<b>Balance at 31 December 2023</b>	<b>449.4</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

### **Non-current liabilities**

Non-current liabilities increased from RON 1,083.9 mn. as at 31 December 2022 to RON 1,256.7 mn. as at 31 December 2023.

This evolution is a net effect of the variation of the main categories of long-term debts, the most significant of which is the increase in the balances of long-term loans (CEC Bank and Exim Bank), through drawings made in 2023 mainly to finance the Group's investments.

### **Current liabilities**

In 2023, current liabilities increased by RON 1,106.4 mn. to RON 6,278.6 mn. from RON 5,172.2 mn. at the end of 2022, mainly due to the evolution of the categories listed below.

#### Current portion of long-term bank borrowings

The current portion of long-term bank loans recorded an increase of 409.8 mn. RON, as a result of the short-term loan with ERSTE Group Bank, Raiffeisen Bank and the maturity of the loan with Vista Bank under 12 months.

#### Overdrafts

The overdrafts increased in 2023 by RON 280.2 mn. to RON 2,851.2 mn., from RON 2,571.0 mn. at the end of 2022, to cover the financing needs of current activities.

#### Trade payables

As of 31 December 2023, trade payables increased by approximately RON 264.4 mn. to RON 1,671.5 mn. from RON 1,407.1 mn. as at 31 December 2022 mainly due to the increase in the balance of energy suppliers as a result of changes in the energy market as well as the increase in the balance of suppliers in relation to capital expenditure. Electricity suppliers are mainly state-owned electricity producers.

#### Other payables

As of 31 December 2023, other liabilities increased by approximately RON 167.5 mn. to RON 1,035.1 mn. from RON 867.5 mn. as of 31 December 2022, of which VAT payable increased in 2023 by RON 23.7 mn. and other liabilities increased by RON 122.2 mn.. Other payables mainly include guarantees, sundry creditors, connection fee, habitat tax and cogeneration contributions.

## 6.2 Consolidated statement of profit or loss

### 6.2.1 Consolidated statement of profit or loss – S-IFRS-EU

The following table presents the consolidated statement of profit or loss of Electrica Group for 2023, 2022 and 2021.

**Table 35. Consolidated statement of profit or loss (RON mn.) – S-IFRS-EU**

	2023	2022*	Variation 2023/2022	2021
Revenue	9,816.8	10,009.9	(496.1)	7,178.9
Other income	3,498.6	2,841.0	657.6	195.8
Electricity and natural gas purchased	(9,058.0)	(10,506.8)	1,448.8	(5,694.7)
Construction costs related to concession arrangements	(976.4)	(593.5)	(382.9)	(485.8)
Employee benefits	(962.1)	(823.4)	(138.7)	(802.7)
Repairs, maintenance and materials	(95.2)	(88.2)	(7.0)	(102.4)
Depreciation and amortization	(524.5)	(496.3)	(28.2)	(480.8)
Impairment for trade and other receivables, net	(75.8)	(112.3)	36.5	(70.6)
Other operating expenses	(431.4)	(353.0)	(78.4)	(343.1)
<b>Operating profit</b>	<b>1,191.8</b>	<b>(122.6)</b>	<b>1,314.4</b>	<b>(605.5)</b>
Finance income	3.4	9.7	6.3	2.6
Finance costs	(297.2)	(174.7)	(122.5)	(29.5)
<b>Net finance cost</b>	<b>(293.8)</b>	<b>(165.0)</b>	<b>(128.8)</b>	<b>(26.9)</b>
<b>Profit before tax</b>	<b>897.9</b>	<b>(287.6)</b>	<b>1,185.6</b>	<b>(632.4)</b>
Income tax expense	(125.8)	47.2	(173.0)	79.5
<b>Profit for the year</b>	<b>772.1</b>	<b>(240.5)</b>	<b>1,012.6</b>	<b>(552.9)</b>
<b>Earnings per share</b>				
<b>Basic and diluted earnings per share (RON)</b>	<b>2.27</b>	<b>(0.71)</b>	<b>2.98</b>	<b>(1.63)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

\*The amounts for 2022 have been restated, detailed in sub-chapter 6.7 of this report

The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 85.7 mn., representing 5% of EBITDA.

**Key financial indicators for 2023 and their evolution compared to 2022:**

- **Revenues: RON 9,816.6 mn.,** down **RON 193.3 mn.,** or **1.9%;**
- **EBITDA: positive RON 1,714.1 mn.,** up **RON 1,340.5 mn. or 358.8%;**
- **EBIT: positive RON 1,191.8 mn.,** up **RON 1,314.4 mn.;**
- **EBT: positive RON 897,9 mn.,** up **RON 1,185.6 mn.;**
- **Net result: net profit of 772.1 mn. RON,** up **by 1,012.6 mn. RON.**

Revenues and other income

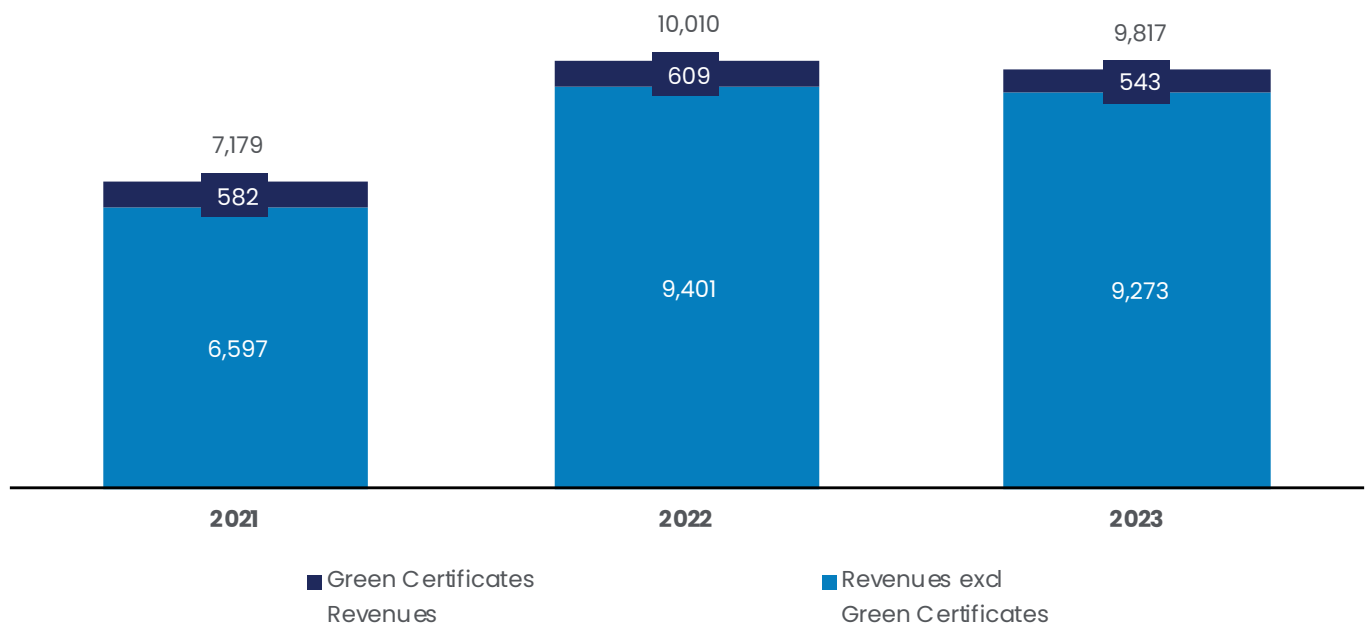
In 2023, Electrica recorded total revenues (including other operating revenues) of RON 13,315.1 mn., an increase of RON 464.3 mn., or 3.6%, from RON 12,850.9 mn. in 2022; the variation is generated by the evolution of other operating revenues, which mainly represent subsidies for the supply segment.

Revenues

As at 31 December 2023, Electrica recorded revenues of RON 9,816.6 mn., a decrease of RON 193.3 mn. compared to 31 December 2022, being the net effect of the following main factors:

- RON 926.5 mn. decrease in the supply segment;
- the increase of RON 725.9 mn. in revenues from the distribution segment.

**Figure 42: Revenue for 2023 and comparative information (RON mn.) – S-IFRS-EU**



Source: Electrica

Electricity and natural gas purchased

In 2023, purchased electricity expenditure decreased by RON 1,448.8 mn., or 13.8%, to RON 9,058.0 mn. from RON 10,506.8 mn. in the comparative period.

This variation is mainly generated by the significant decrease in the cost of electricity and natural gas purchased for the supply activity and for the NL hedging, as well as the cost of green certificates (re-invoiced cost).

Electricity purchase prices fell in 2023 as a result of the implementation of the MACEE centralised purchase mechanism, under which generators are obliged to sell 80% of available energy at a price of 450 RON/MWh, an impact mitigated by the increase in electricity volumes needed to cover grid losses.

**Table 36. Electricity, natural gas and goods purchased 2023-2021 (RON mn.) – S-IFRS-EU**

(RON mn.)	2023	2022	Variation 2023/2022	2021
Electricity purchased to cover network losses	1,039.9	1,987.2	(947.3)	1,087.1
Electricity, natural gas and goods and purchased for supply	7,202.1	7,613.1	(411.0)	3,750.0
Transmission and system services related to supply activities	272.6	297.4	(24.8)	275.9
Green certificates	543.4	609.1	(65.7)	581.7
<b>Total electricity and natural gas purchased</b>	<b>9,058.0</b>	<b>10,506.8</b>	<b>(1,448.8)</b>	<b>5,694.7</b>

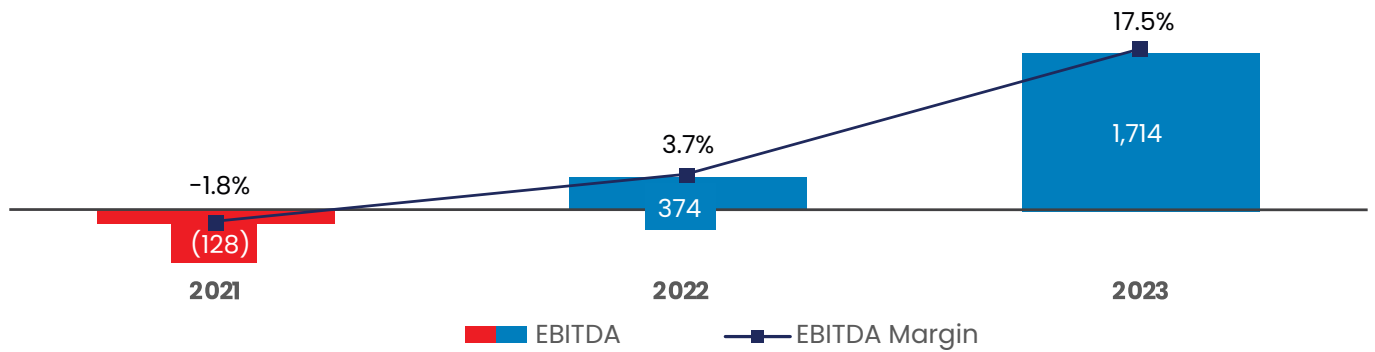
Source: Electrica

Construction costs

In 2023, the costs for the construction of electricity grids in connection with concession agreements increased by RON 382.9 mn. or 64.5% to RON 976.4 mn. from RON 593.5 mn. recorded in 2022, correlating with the evolution of the investments recognizable in RAB made in 2023, which were at a higher level than in 2022.

*EBITDA and EBITDA margin*

**Figure 43: EBITDA and EBITDA margin for 2023 and comparative information (RON mn. and %) – S-IFRS-EU**

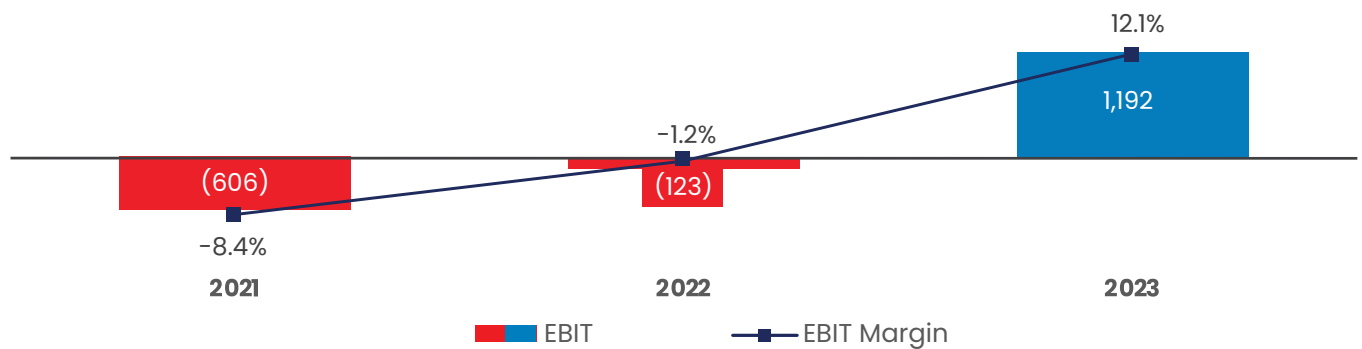


Source: Electrica

*Operating profit*

The Group Operating profit (EBIT) increased by approximately RON 1,314.4 mn., compared to the same period last year, with the EBIT evolution mainly due to the favourable impact of lower purchased electricity and natural gas costs.

**Figure 44: EBIT and EBIT margin for 2023 and comparative information (RON mn. and %) – S-IFRS-EU**



Source: Electrica

**ELECTRICA FINANCIAL REPORTING FOR 2023**

Net finance cost

Net financial expenses (loss from net financial activity) at group level increased by RON 128.8 mn. in 2023 compared to 2022, as a result of the increase in financial expenses, correlated with the increase in external financing.

Profit before tax

The Group recorded a gross profit in the amount of RON 897.9 mn. compared to loss of RON 287.6 mn. in 2022 as a result of the factors mentioned above.

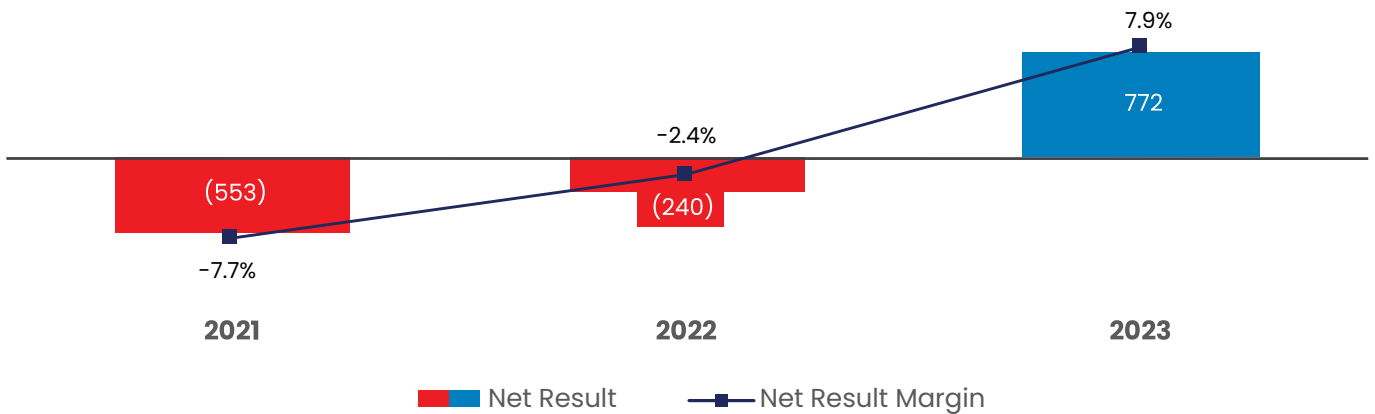
Income tax expense

The tax on income was an expense of RON 125.8 mn. in 2023, generated by the incurred gross profit.

Net result for the year

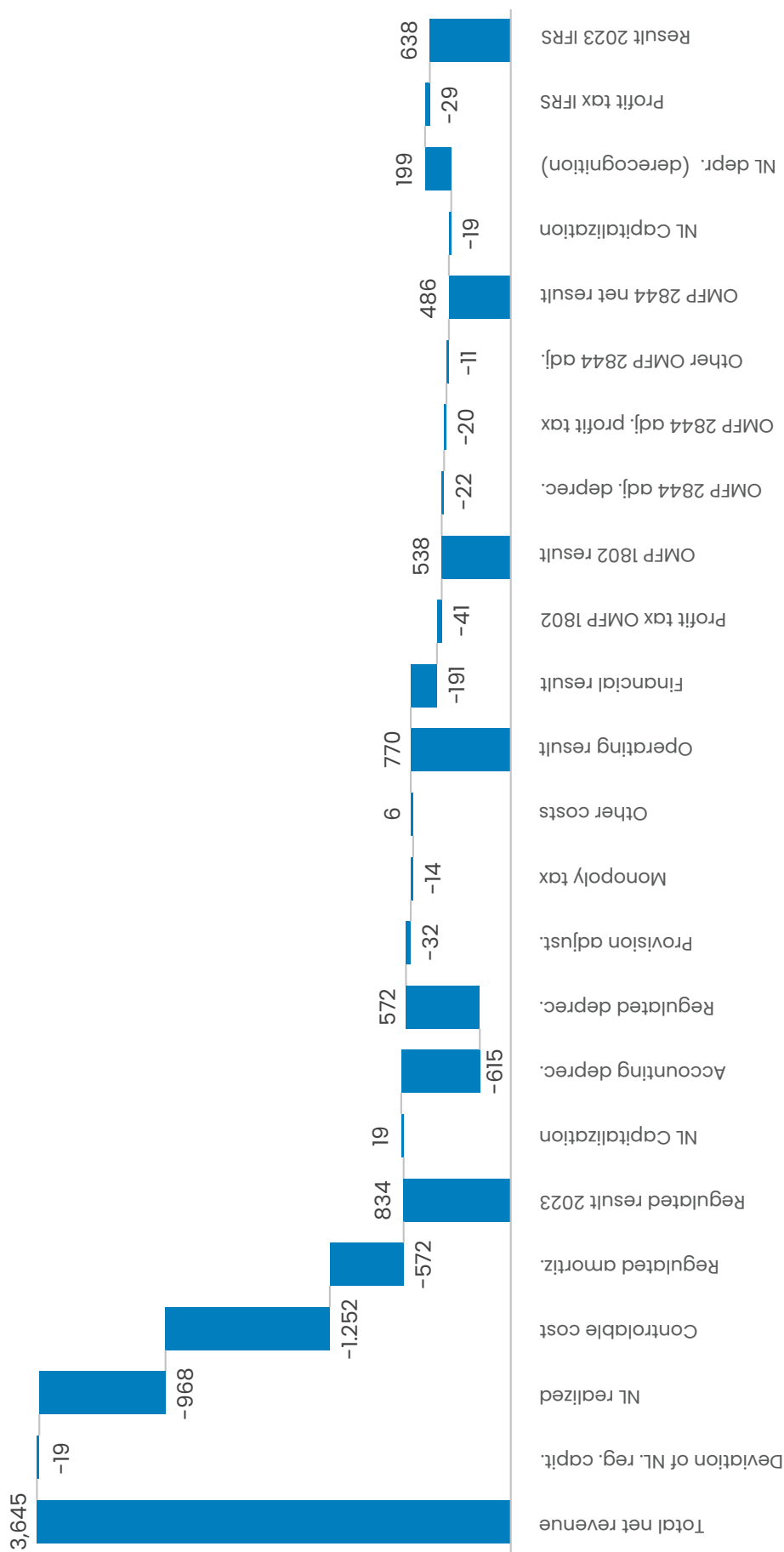
As a result of the factors presented above, in 2023 the net result of the exercise materialized in a profit of RON 772.1 mn., having an increase of RON 1,012.6 mn. compared to the loss of RON 240.5 mn. recorded in 2022.

**Figure 45: Net profit and Net profit margin for 2023 and comparative information (RON mn. and %) – S-IFRS-EU**



Source: Electrica

**Figure 46: Analysis of net regulated result – OMFP 1802/2014 – OMFP 2844/2016 – IFRS-EU for distribution segment 2023 (RON mn.)**  
 – S-IFRS-EU



Source: Electrica

The regulated result of RON 834 mn., does not include the effect of the capitalization of the negative deviation of the NL cost - in realized values this was RON 19 mn., determined for the amount of NL realized in 2023. Additionally, for IFRS-EU reporting, additional capitalized NL, amortization of intangible assets recognized in OMFP 1802/2014 – OMFP 2844/2016 and related deferred tax are derecognized.

## 6.2.2 Consolidated statement of profit or loss – S-OMFP 2844/2016

The following table presents the consolidated statement of profit or loss of Electrica Group for 2023, 2022 and 2021.

**Table 37. Consolidated statement of profit or loss (RON mn.) – S-OMFP 2844/2016**

	2023	2022	Variation 2023/2022	2021
Revenue	9,816.6	10,009.9	(193.3)	7,178.9
Other income	3,498.6	2,841.0	657.6	195.8
Capitalised costs of intangible non-current assets	18.6	989.3	(970.7)	-
Electricity and natural gas purchased	(9,058.0)	(10,506.8)	1,448.8	(5,694.7)
Construction costs related to concession arrangements	(976.4)	(593.5)	(382.9)	(485.8)
Employee benefits	(962.1)	(823.4)	(138.7)	(802.7)
Repairs, maintenance and materials	(95.2)	(88.2)	(7.0)	(102.4)
Depreciation and amortization	(723.7)	(534.0)	(189.7)	(480.8)
Reversal of impairment/(Impairment) for trade and other receivables, net	(75.8)	(112.3)	36.5	(70.6)
Other operating expenses	(431.4)	(353.0)	(78.4)	(343.1)
<b>Operating profit</b>	<b>1,011.1</b>	<b>828.9</b>	<b>182.2</b>	<b>(605.5)</b>
<b>Gain from bargain purchase of subsidiaries*</b>	-	-	-	-
Finance income	3.4	9.7	(6.3)	2.6
Finance costs	(297.2)	(174.7)	(122.5)	(29.5)
<b>Net finance cost</b>	<b>(293.8)</b>	<b>(165.0)</b>	<b>(128.8)</b>	<b>(26.9)</b>
	-	-	-	-
<b>Profit before tax</b>	<b>717.3</b>	<b>663.9</b>	<b>53.4</b>	<b>(632.4)</b>
Income tax expense	(96.9)	(105.1)	8.2	79.5
<b>Profit for the year</b>	<b>620.4</b>	<b>558.8</b>	<b>61.6</b>	<b>(552.9)</b>
<b>Earnings per share</b>				
<b>Basic and diluted earnings per share (RON)</b>	<b>1.83</b>	<b>1.65</b>	<b>0.18</b>	<b>(1.63)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

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



The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 86.6 mn., representing 5% of EBITDA.

**Key financial indicators for 2023 and their evolution compared to 2022:**

- **Revenues: RON 9,816.6 mn.,** down RON 193.3 mn., or 1.9%;
- **EBITDA: positive RON 1,732.7 mn.,** up RON 369.8 mn. or 27.1%;
- **EBIT: positive RON 1,011.1 mn.,** up RON 182.2 mn.;
- **EBT: positive RON 717.3 mn.,** up RON 53.4 mn.;
- **Net result: net profit of 620.4 mn. RON,** up by 61.6 mn. RON.

Revenues and other income

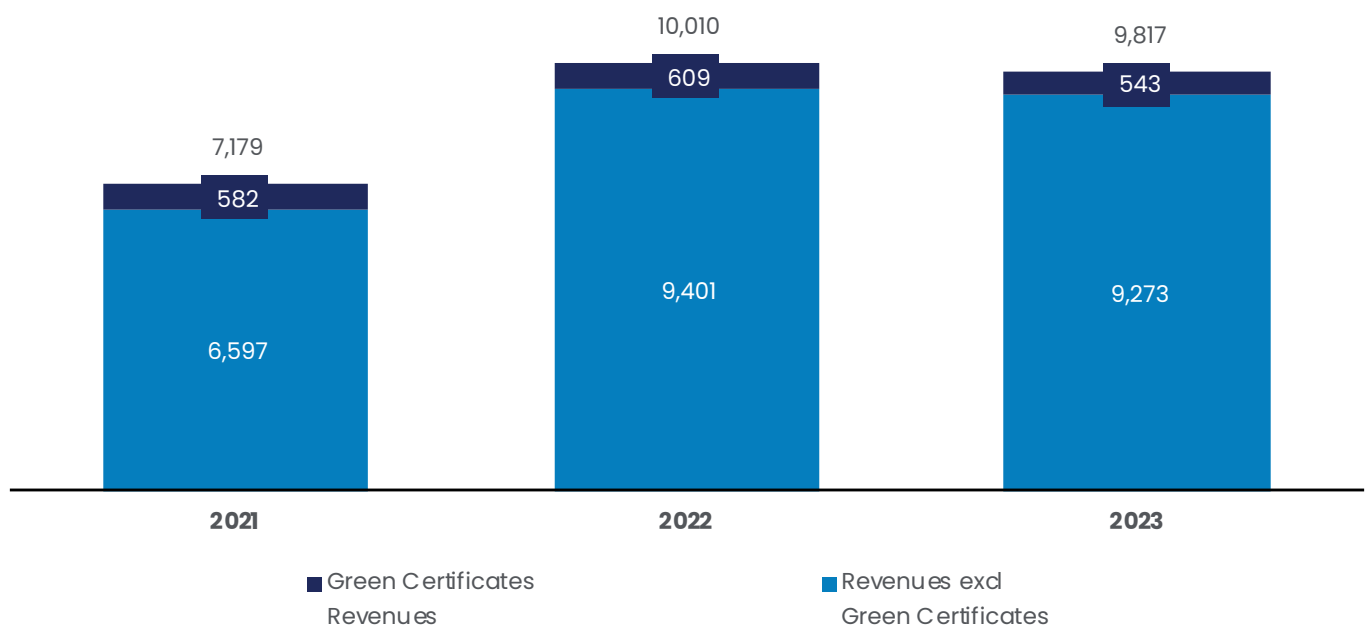
In 2023, Electrica recorded total revenues (including other operating revenues) of RON 13,315.2 mn., an increase of RON 464.3 mn., or 3.6%, from RON 12,850.9 mn. in 2022; the variation is generated by the evolution of other operating revenues, which mainly represent subsidies for the supply segment.

Revenues

As at 31 December 2023, Electrica recorded revenues of RON 9,816.6 mn., a decrease of RON 193.3 mn. compared to 31 December 2022, being the net effect of the following main factors:

- RON 269.5 mn. decrease in the supply segment;
- the increase of RON 39.6 mn. in revenues from the distribution segment.

**Figure 47: Revenue for 2023 and comparative information (RON mn.) – S-OMFP 2844/2016**



Source: Electrica

**ELECTRICA FINANCIAL REPORTING FOR 2023***Income from the production of intangible assets*

In the distribution segment, it is recognized the capitalization of additional costs with the purchase of electricity as income from the production of intangible assets in the amount of RON 18.6 mn. in 2023, compared to RON 989.3 mn. realized in 2022.

The capitalization of the additional cost with the purchase of electricity realized in the period April 1, 2022 to March 31, 2025 in order to cover NL compared to the costs included in the tariffs approved for this period is provided for by GEO 119/2022, for the amendment and completion of GEO no. 27/2022, approved and amended by Law no. 357/16 December 2022, and ANRE Order No. 129/2022 approving the Methodological Rules for the recognition in tariffs of additional costs for the purchase of electricity to cover own technological consumption compared to the costs included in the regulated tariffs published in MO 1019/19.10.2022, as amended and supplemented by ANRE Order No. 104. /2023.

Capitalised costs are amortised over a period of 5 years from the date of capitalisation and are reimbursed at 50% of the regulated rate of return (RRR) approved by ANRE, applicable during the period of amortisation of these costs. These are recognised as a separate component in the regulated tariffs, referred to as the component related to additional costs with NL.

In both 2022 and 2023, the difference between the actual energy purchase costs and the ex-ante ANRE prices recognised in the distribution tariffs are capitalised as intangible assets. These costs will be recovered in tariffs in 5 years.

In 2023 ANRE amended the Methodology for setting tariffs for the electricity distribution service, by ANRE Order no. 79/2023 (Order) and defined 2024 as the transition period from the fourth regulatory period (RP4) to the fifth regulatory period (PR5). Thus, for DEER, in 2024 the zonal distribution tariffs established on the basis of a single regulated revenue and single NL targets for the total DEER are maintained.

Capitalised costs with own technological consumption are recognised for each distribution zone, during 2023 they were 18.6 mn. RON, related to the Muntenia Nord distribution zone, as shown in the table below:

**Table 38. NL - intangible assets 2023 (RON mn.) – S-OMFP 2844/2016**

<b>Network distribution areas</b>	<b>Net carrying amount at 31 December 2022</b>	<b>Capitalisation cost with NL Intangible asset 01 Jan-31 Dec 2023 (gross value)</b>	<b>Amortisation during 2023</b>	<b>Net carrying amount at 31 December 2023</b>
Muntenia Nord area	374.6	18.6	78.0	315.2
Transilvania Nord area	329.9	-	66.0	264.0
Transilvania Sud area	247.0	-	55.2	191.8
<b>Total</b>	<b>951.6</b>	<b>18.6</b>	<b>199.2</b>	<b>770.9</b>

Source: Electrica

MF Order No. 5378/2023 approving certain accounting specifications in application of the provisions of Article III para. (1) of GEO no. 119/2022 amending and supplementing GEO no. 27/2022 on measures applicable to end customers in the electricity and natural gas market during the period from 1 April 2022 to

31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy - in force since 20 December 2023.

Correlation of the period of application of GEO 27/2022: The amounts capitalised under Art. III para. (1) of GEO no. 119/2022 amending and supplementing GEO no. 27/2022 on measures applicable to final customers in the electricity and natural gas market for the period from 1 April 2022 to 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy, with subsequent additions, shall be recorded in the accounts under accounting article 208 "Other intangible assets"/separate item = 721 "Income from the production of intangible assets", as follows:

- (f) as at 31 December 2023, for amounts relating to the period 1 September 2023 to 31 December 2023;
- (g) quarterly, on the last day of each quarter, for the corresponding amounts for the period from 1 January 2024 to 31 March 2025.

#### Electricity and natural gas purchased

In 2023, purchased electricity expenditure decreased by RON 1,448.8 mn., or 13.8%, to RON 9,058.0 mn. from RON 10,506.8 mn. in the comparative period.

This variation is mainly generated by the significant decrease in the cost of electricity and natural gas purchased for the supply activity and for the NL hedging, as well as the cost of green certificates (re-invoiced cost).

Electricity purchase prices fell in 2023 as a result of the implementation of the MACEE centralised purchase mechanism, under which generators are obliged to sell 80% of available energy at a price of 450 RON/MWh, an impact mitigated by the increase in electricity volumes needed to cover grid losses.

**Table 39. Electricity, natural gas and goods purchased 2023-2021 (RON mn.) – S-OMFP 2844/2016**

(RON mn.)	2023	2022	Variation 2023/2022	2021
Electricity purchased to cover network losses	1,039.9	1,987.2	(947.3)	1,087.1
Electricity, natural gas and goods and purchased for supply	7,202.1	7,613.1	(411.0)	3,750.0
Transmission and system services related to supply activities	272.6	297.4	(24.8)	275.9
Green certificates	543.4	609.1	(65.7)	581.7
<b>Total electricity and natural gas purchased</b>	<b>9,058.0</b>	<b>10,506.8</b>	<b>(1,448.8)</b>	<b>5,694.7</b>

Source: Electrica

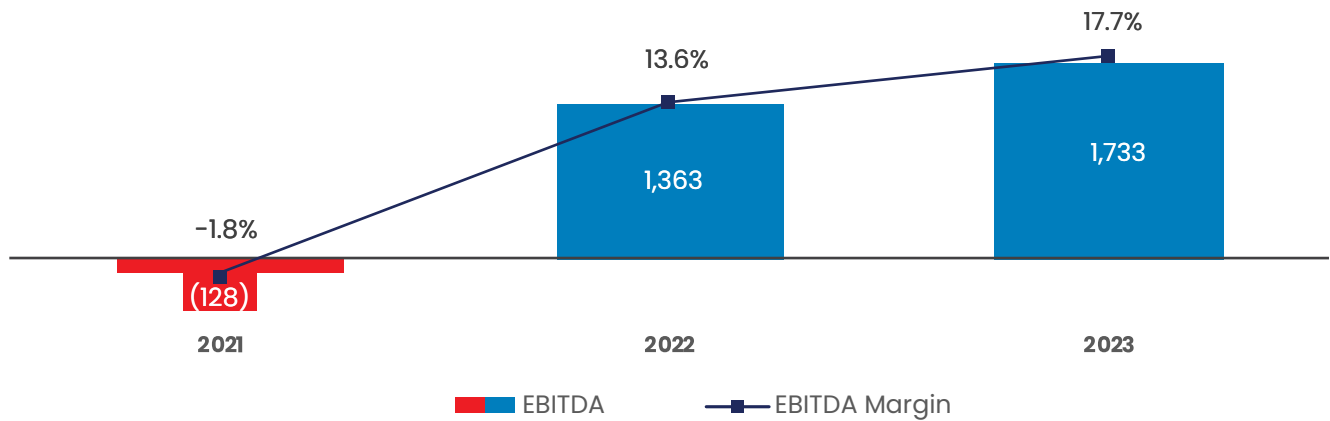
#### Construction costs

In 2023, the costs for the construction of electricity grids in connection with concession agreements increased by RON 382.9 mn. or 64.5% to RON 976.4 mn. from RON 593.5 mn. recorded in 2022, correlating with the evolution of the investments recognizable in RAB made in 2023, which were at a higher level than in 2022.

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*EBITDA and EBITDA margin*

**Figure 48: EBITDA and EBITDA margin for 2023 and comparative information (RON mn. and %) – S-OMFP 2844/2016**

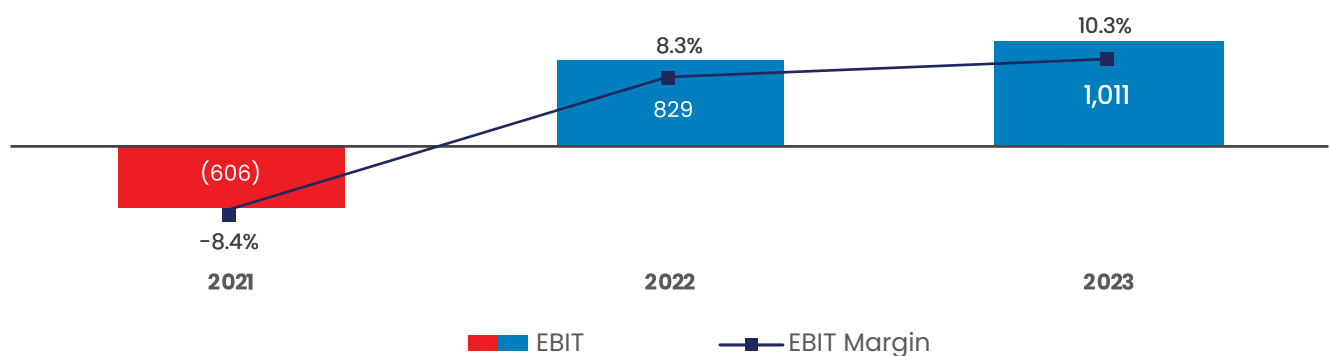


Source: Electrica

*Operating profit*

The Group Operating profit (EBIT) increased by approximately RON 182.2 mn., compared to the same period last year, with the EBIT evolution mainly due to the favourable impact of lower purchased electricity and natural gas costs.

**Figure 49: EBIT and EBIT margin for 2023 and comparative information (RON mn. and %) – S-OMFP 2844/2016**



Source: Electrica

*Net finance cost*

Net financial expenses (loss from net financial activity) at group level increased by RON 128.8 mn. in 2023 compared to 2022, as a result of the increase in financial expenses, correlated with the increase in external

financing, but also of the reduction in financial income, following the decrease in deposits.

Profit before tax

The Group recorded a gross profit in the amount of RON 717.3 mn. compared to RON 663.9 mn. in 2022 as a result of the factors mentioned above.

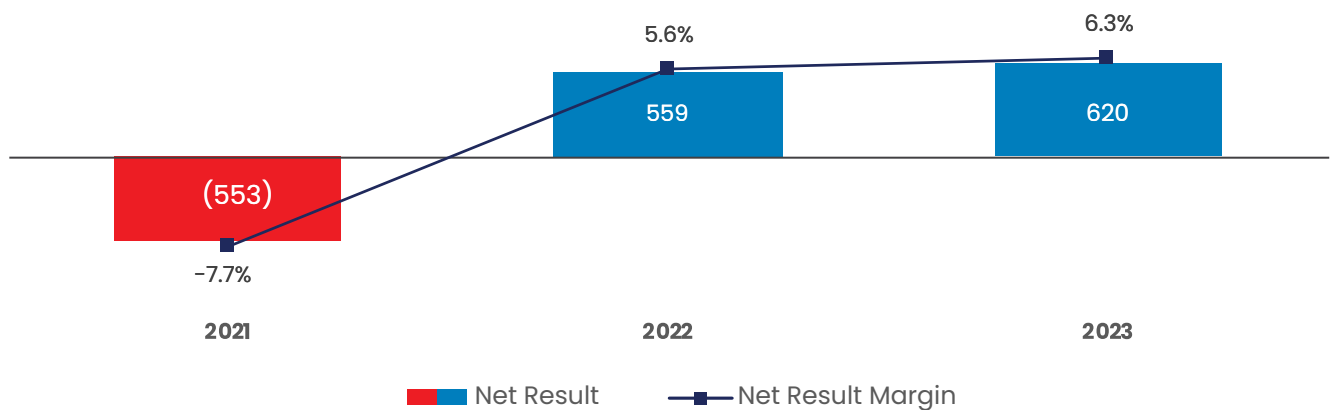
Income tax expense

The tax on income was an expense of RON 96.9 mn. in 2023, generated by the incurred gross profit.

Net result for the year

As a result of the factors presented above, in 2023 the net result of the exercise materialized in a profit of RON 620.4 mn., having an increase of RON 61.6 mn. compared to the profit of RON 558.8 mn. recorded in the period comparison of the year 2022..

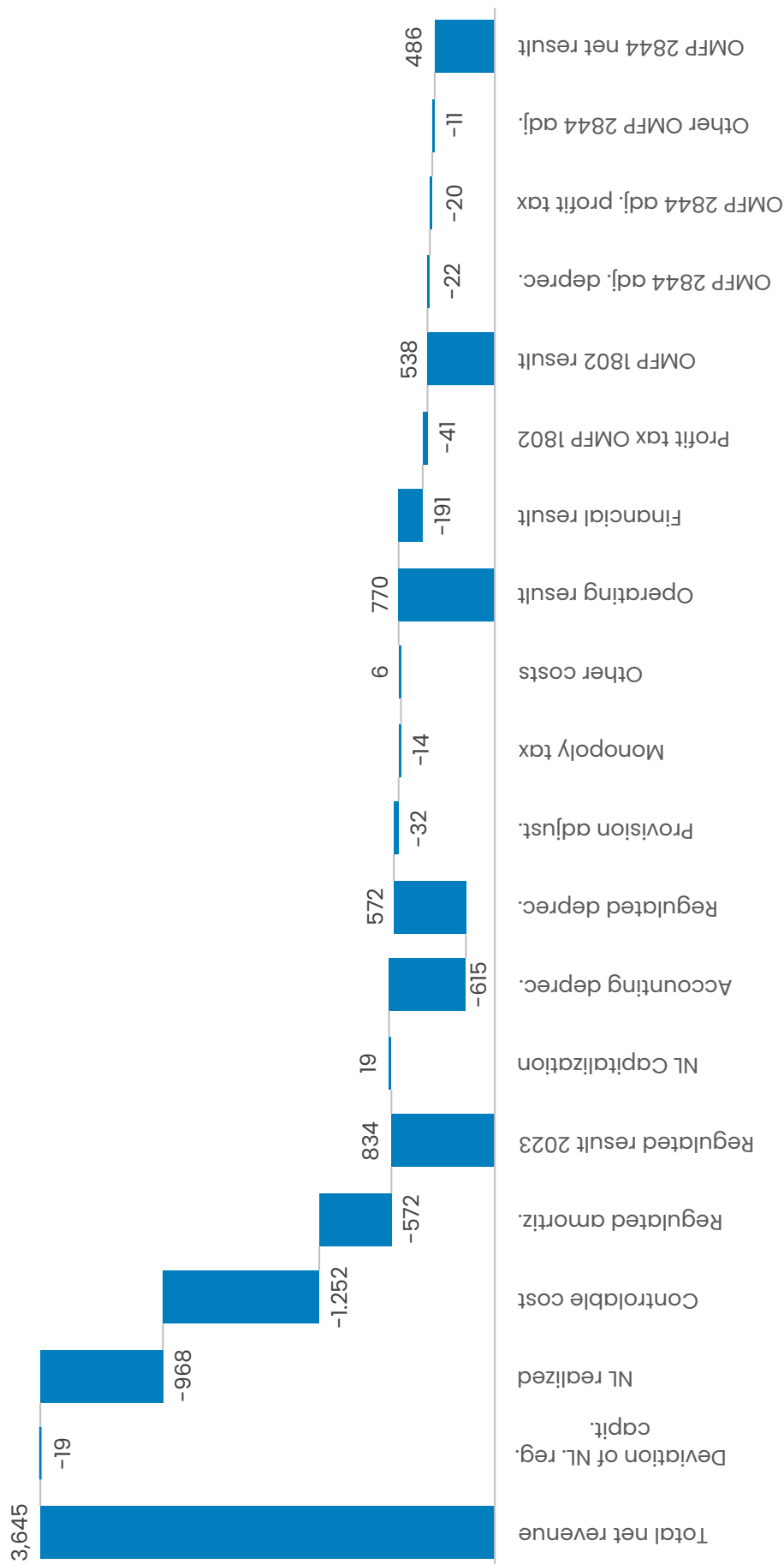
**Figure 50: Net profit and Net profit margin for 2023 and comparative information (RON mn. and %) – S-OMFP 2844/2016**



Source: Electrica

ELECTRICA FINANCIAL REPORTING FOR 2023

Figure 5i: Analysis of net regulated result – OMFP 1802/2014 – OMFP 2844/2016 – for distribution segment 2023 (RON mn.) – S-OMFP 2844/2016



Source: Electrica

The regulated result of RON 834 mn., does not include the effect of the capitalization of the negative deviation of the NL cost - in realized values this was RON 19 mn., determined for the amount of NL realized in 2023.

## 6.3 Consolidated cash flow statement

### 6.3.1 Consolidated cash flow statement –S-IFRS–EU

The following table presents the consolidated statement of cash flows of Electrica Group for 2023, 2022 and 2021.

**Table 40. Consolidated cash flow statement (RON mn.) –S-IFRS–EU**

	2023	2022*	Variation 2023/2022	2021
<b>Cash flows from operating activities</b>				
<b>Profit for the year</b>	<b>772.1</b>	<b>(240.5)</b>	<b>1,012.6</b>	<b>(552.9)</b>
<b>Adjustments for:</b>				
Depreciation	16.4	19.9	(3.5)	21.1
Amortization	508.1	476.5	31.6	459.7
Impairment of property, plant and equipment and intangible assets, net	-	-	-	(3.9)
Loss on disposal of property, plant and equipment and intangible assets	(0.1)	(0.4)	0.3	2.7
Evaluation of fixed assets recognized in profit, net	(2.1)	-	(2.1)	-
(Reversal of impairment)/Impairment of trade and other receivables, net	75.8	112.3	(36.5)	70.6
(Reversal of impairment)/Impairment of assets held for sale	-	-	-	0.6
Change in provisions, net	(12.5)	18.8	(31.3)	15.7
Net finance cost	293.8	165.0	128.8	26.9
Changes in employee benefits obligations	-	(4.4)	4.4	5.1
Corporate income tax expense	125.8	(47.2)	173.0	(79.5)
	<b>1,777.4</b>	<b>500.1</b>	<b>1,277.3</b>	<b>(33.9)</b>
<b>Changes in:</b>				
Trade receivables	(309.2)	(1,286.7)	977.5	(391.4)
Other receivables	5.6	(13.9)	(8.3)	(22.9)
Prepayments	0.9	(8.8)	9.7	(2.2)
Inventories	(1.7)	(41.0)	39.3	(2.9)
Trade payables	244.4	494.6	(250.2)	274.8
Other payables	110.4	570.2	(459.8)	32.5

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	2023	2022*	Variation 2023/2022	2021
Employee benefits	28.5	(6.5)	35.0	3.2
Deferred revenue	(16.9)	15.1	(32.0)	4.0
Subsidies receivables	(1,333.7)	(1,280.8)	(52.9)	-
<b>Cash generated from operating activities</b>	<b>505.7</b>	<b>(1,030.0)</b>	<b>1,535.7</b>	<b>(138.9)</b>
Interest paid	(278.5)	(149.4)	(129.1)	(24.1)
Income tax paid	(59.0)	(1.2)	(57.8)	(31.4)
<b>Net cash from operating activities</b>	<b>168.3</b>	<b>(1,180.6)</b>	<b>1,348.9</b>	<b>(194.4)</b>
<b>Cash flows from investing activities</b>				
Payments for purchases of property, plant and equipment	(10.4)	(8.3)	(2.1)	(10.5)
Payments for network construction related to concession agreements	(845.3)	(537.8)	(307.6)	(483.8)
Payments for purchase of other intangible assets	(21.3)	(7.8)	(13.5)	(6.3)
Proceeds from sale of property, plant and equipment	0.2	0.6	(0.4)	1.5
Interest received	3.3	2.8	0.5	1.8
Restricted cash	-	-	-	320.0
Net cash effect from gain of control over the acquired subsidiary	(1.9)	-	(1.9)	-
Payment for acquisition of associated	(4.1)	(0.0)	(4.1)	(25.8)
Payment for acquisition of subsidiaries	(6.3)	(4.5)	(1.8)	-
<b>Net cash used in investing activities</b>	<b>(885.9)</b>	<b>(554.9)</b>	<b>(331.0)</b>	<b>(203.2)</b>
<b>Cash flows from financing activities</b>				
Proceeds from long term bank borrowings	742.7	217.6	525.1	234.7
Proceeds from overdrafts	271.9	1,900.4	(1,628.5)	-
Repayment of long term bank loans	(187.7)	(92.9)	(94.8)	(385.9)
Payment of lease liabilities	(26.8)	(24.2)	(2.6)	(15.2)
Dividends paid	(40.1)	(152.3)	112.2	(247.6)



	2023	2022*	Variation 2023/2022	2021
<b>Net cash from/(used in) financing activities</b>	<b>760.0</b>	<b>1,848.6</b>	<b>(1,088.6)</b>	<b>(414.0)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>42.3</b>	<b>113.1</b>	<b>(70.7)</b>	<b>(811.5)</b>
Cash and cash equivalents at 1 January	334.9	(405.6)	740.5	406.0
Overdrafts used for cash management purposes	-	627.4	(627.4)	-
<b>Cash and cash equivalents at 31 December</b>	<b>377.2</b>	<b>334.9</b>	<b>42.3</b>	<b>(405.6)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

\*The amounts for 2022 have been restated, detailed in sub-chapter 6.7 of this report

*The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 85.7 mn., representing 5% of EBITDA.*

**In 2023**, the net increase in cash and cash equivalents amounted to RON 42.3 mn.

The net cash generated by the operating activity was RON 168.3 mn.. The net profit for the period was RON 772.1 mn.; the main adjustments for non-monetary elements of the net profit were: the addition of depreciation of tangible and intangible assets in the amount of RON 508.1 mn., the elimination of the impact of value adjustments for trade receivables of RON 75.8 mn., the addition of the profit tax expense of RON 125.8 mn. and the net financial loss of RON 293.8 mn..

The changes in working capital had a positive effect of RON 505.7 mn.. This impact was generated by the negative impact of changes in subsidies receivable in the amount of RON 1,333.7 mn., trade and other receivables in the amount of RON 303.5 mn. and the positive impact of changes in trade and other payables in the amount of RON 354.8 mn., thus decreasing the cash flow from operations (FFO) in the amount of RON 1,777.4 mn.. Income tax paid and interest paid totalled RON 337.5 mn..

For the investment activity, cash was used in the amount of RON 885.9 mn., the highest values being related to payments for the construction of networks in connection with the concession agreements of RON 845.3 mn., these registering an increase in payments for investments of RON 307.5 mn. compared to the comparative period, and as a result of a larger investment plan made in 2023 vs. 2022 in the distribution segment.

The financing activity generated a decrease in cash and cash equivalents of RON 1,088.6 mn. (positive impact due to lower borrowed cash than in 2022), the main factors being withdrawals from long-term bank loans of RON 742.7 mn., withdrawals from overdrafts in the amount of RON 271.9 mn., but also loan repayments of RON 187.7 mn.. Dividends were paid to shareholders, amounting to RON 40.1 mn..

**In 2022**, the net increase in cash and cash equivalents amounted to RON 113.1 mn.

The net cash generated by the operating activity was loss of RON (1,180.6) mn. The net loss of the period was RON 240.5 mn.; main adjustments for the depreciation and amortization of RON 476.5 mn., eliminating the impact of the impairment of trade receivables of RON 112.3 mn. and the net finance cost of RON 165.0 mn..

Changes in working capital had a negative effect, of RON 1,030.0 mn., the most significant impact being generated by the negative change in trade and other receivables, in the amount of RON 1,272.8 mn., in trade and other payables of RON 1,064.8 mn. (out of which, the change in employee benefits of RON 6.5 mn., having a negative impact) and in subsidies receivables in amount of RON 1,280.8 mn.. Income tax paid and interest paid amounted to RON 150.6 mn..

For the investment activity, the cash used was of

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RON 554.9 mn., the most significant values being related to the payments for the construction and rehabilitation of RON 537.8 mn., these being increased y-o-y with RON 54.0 mn..

The financing activity generated a decrease in cash and cash equivalents of RON 2,262.6 mn., the main factors being the proceeds from long term bank borrowings of RON 217.6 mn., proceeds from overdrafts of RON 1,900.4 mn., reimbursement of loans of RON 92.9 mn. and the dividends paid to the shareholders, of RON 152.3 mn..

## 6.3.2 Consolidated cash flow statement- S-OMFP 2844/2016

The following table presents the consolidated statement of cash flows of Electrica Group for 2023, 2022 and 2021.

**Table 41. Consolidated cash flow statement (RON mn.) –S-IFRS-EU**

	2023	2022	Variation 2023/2022	2021
<b>Cash flows from operating activities</b>				
<b>Profit for the year</b>	<b>620.4</b>	<b>558.8</b>	<b>61.5</b>	<b>(552.9)</b>
<b>Adjustments for:</b>				
Depreciation	16.4	19.9	(3.5)	21.1
Amortization	707.3	514.2	193.1	459.7
Capitalised costs of intangible non-current assets	(18.6)	(989.3)	970.7	-
Impairment of property, plant and equipment and intangible assets, net	(0.0)	(0.0)	(0.0)	(3.9)
Loss on disposal of property, plant and equipment and intangible assets	(0.1)	(0.4)	0.3	2.7
Evaluation of fixed assets recognized in profit, net	(2.1)	-	(2.1)	-
(Reversal of impairment)/Impairment of trade and other receivables, net	75.8	112.3	(36.5)	70.6
(Reversal of impairment)/Impairment of assets held for sale	-	-	-	0.6
Change in provisions, net	(12.5)	18.8	(31.3)	15.7
Net finance cost	293.8	165.0	128.8	26.9
Changes in employee benefits obligations	-	(4.4)	4.4	5.1
Corporate income tax expense	96.9	105.1	-	(79.5)
	<b>1,777.4</b>	<b>500.1</b>	<b>1,277.3</b>	<b>(33.9)</b>
<b>Changes in:</b>				
Trade receivables	(309.2)	(1,286.7)	977.5	(391.4)
Other receivables	5.6	(138.3)	144.0	(22.9)
Prepayments	0.9	(8.8)	9.7	(2.2)
Inventories	(1.7)	(41.0)	39.3	(2.9)
Trade payables	244.4	494.6	(250.2)	274.8
Other payables	110.4	722.4	(612.0)	32.5
Employee benefits	28.5	(6.5)	35.0	3.2

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	2023	2022	Variation 2023/2022	2021
Deferred revenue	(16.9)	15.1	(32.0)	4.0
Subsidies receivables	(1,333.7)	(1,280.8)	(52.9)	-
<b>Cash generated from operating activities</b>	<b>505.7</b>	<b>(1,030.0)</b>	<b>1,535.7</b>	<b>(138.9)</b>
Interest paid	(278.5)	(149.4)	(129.1)	(24.1)
Income tax paid	(59.0)	(1.2)	(57.8)	(31.4)
<b>Net cash from operating activities</b>	<b>168.3</b>	<b>(1,180.6)</b>	<b>1,348.9</b>	<b>(194.4)</b>
<b>Cash flows from investing activities</b>				
Payments for purchases of property, plant and equipment	(10.4)	(8.3)	(2.1)	(10.5)
Payments for network construction related to concession agreements	(845.3)	(537.8)	(307.6)	(483.8)
Payments for purchase of other intangible assets	(21.3)	(7.8)	(13.5)	(6.3)
Proceeds from sale of property, plant and equipment	0.2	0.6	(0.4)	1.5
Interest received	3.3	2.8	0.5	1.8
Restricted cash	-	-	-	320.0
Net cash effect from gain of control over the acquired subsidiary	(1.9)	-	(1.9)	-
Payment for acquisition of associated	(4.1)	(0.0)	(4.1)	(25.8)
Payment for acquisition of subsidiaries	(6.3)	(4.5)	(1.8)	-
<b>Net cash used in investing activities</b>	<b>(885.9)</b>	<b>(554.9)</b>	<b>(331.0)</b>	<b>(203.2)</b>
<b>Cash flows from financing activities</b>				
Proceeds from long term bank borrowings	742.7	217.6	525.1	234.7
Proceeds from overdrafts	271.9	1,900.4	(1,628.5)	-
Repayment of long term bank loans	(187.7)	(92.9)	(94.8)	(385.9)
Payment of lease liabilities	(26.8)	(24.2)	(2.6)	(15.2)
Dividends paid	(40.1)	(152.3)	112.2	(247.6)
<b>Net cash from/(used in) financing activities</b>	<b>760.0</b>	<b>1,848.6</b>	<b>(1,088.6)</b>	<b>(414.0)</b>

	2023	2022	Variation 2023/2022	2021
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>42.3</b>	<b>113.1</b>	<b>(70.8)</b>	<b>(811.5)</b>
Cash and cash equivalents at 1 January	334.9	(405.6)	740.5	406.0
Overdrafts used for cash management purposes	-	627.4	(627.4)	-
<b>Cash and cash equivalents at 31 December</b>	<b>377.2</b>	<b>334.9</b>	<b>42.3</b>	<b>(405.6)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

*The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 86.6 mn., representing 5% of EBITDA.*

**In 2023**, the net increase in cash and cash equivalents amounted to RON 42.3 mn.

The net cash generated by the operating activity was RON 168.3 mn.. The net profit for the period was RON 620.4 mn.; the main adjustments for non-monetary elements of the net profit were: the addition of depreciation of tangible and intangible assets in the amount of RON 723.7 mn., the elimination of the impact of value adjustments for trade receivables of RON 75.8 mn., the addition of the profit tax expense of RON 96.9 mn. and the net financial loss of RON 293.8 mn..

The changes in working capital had a positive effect of RON 505.7 mn.. This impact was generated by the negative impact of changes in subsidies receivable in the amount of RON 1,333.7 mn., trade and other receivables in the amount of RON 303.5 mn. and the positive impact of changes in trade and other payables in the amount of RON 383.3 mn., thus decreasing the cash flow from operations (FFO) in the amount of RON 1,777.4 mn.. Income tax paid and interest paid totalled RON 337.5 mn..

For the investment activity, cash was used in the amount of RON 885.9 mn., the highest values being related to payments for the construction of networks in connection with the concession agreements of RON 845.3 mn., these registering an increase in payments for investments of RON 307.5 mn. compared to the comparative period, and as a

result of a larger investment plan made in 2023 vs. 2022 in the distribution segment.

The financing activity generated a decrease in cash and cash equivalents of RON 1,088.6 mn. (positive impact due to lower borrowed cash than in 2022), the main factors being withdrawals from long-term bank loans of RON 742.7 mn., withdrawals from overdrafts in the amount of RON 271.9 mn., but also loan repayments of RON 187.7 mn.. Dividends were paid to shareholders, amounting to RON 40.1 mn..

**In 2022**, the net increase in cash and cash equivalents amounted to RON 113.1 mn.

The net cash generated by the operating activity was loss of RON (1,180.6) mn. The net profit of the period was RON 558.8 mn.; the main net profit's adjustments for non-monetary elements were: eliminating the NL additional costs amounting to RON 989.3 mn., adding the depreciation and amortization of RON 534.1 mn., eliminating the impact of the impairment of trade receivables of RON 112.3 mn., adding the income tax of RON 105.1 mn. and the net finance cost of RON 165.0 mn.

Changes in working capital had a negative effect, of RON 1,030.0 mn., the most significant impact being generated by the negative change in trade and other receivables, in the amount of RON 1,425.1 mn., in trade and other payables of RON 1,210.6 mn. (out of which, the change in employee benefits of RON

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6.5 mn., having a negative impact) and in subsidies receivables in amount of RON 1,280.8 mn.. Income tax paid and interest paid amounted to RON 150.6 mn.

For the investment activity, the cash used was of RON 554.9 mn., the most significant values being related to the payments for the construction and rehabilitation of RON 537.8 mn., these being increased y-o-y with RON 54.0 mn..

The financing activity generated a decrease in cash and cash equivalents of RON 2,262.6 mn., the main factors being the proceeds from long term bank borrowings of RON 217.6 mn., proceeds from overdrafts of RON 1,900.4 mn., reimbursement of loans of RON 92.9 mn. and the dividends paid to the shareholders, of RON 152.3 mn..

## 6.4 Separate statement of the financial position

Financial information selected from company's separate statement of financial position.

**Table 42. Separate statement of the financial position (RON mn.)**

	31 December 2023	31 December 2022	Variation 2023/2022	31 December 2021
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	145.1	98.9	46.1	100.1
Intangible assets	1.1	0.1	1.0	0.1
Goodwill	1.4	-	1.4	-
Investments in subsidiaries	2,309.9	2,298.1	11.8	2,285.2
Investments in associates	16.6	18.8	(2.2)	25.8
Other investments	7.0	7.0	-	-
Loans granted to subsidiaries – long term	1,279.3	1,276.3	2.9	1,276.3
Right of use assets	4.0	0.3	3.8	0.5
<b>Total non-current assets</b>	<b>3,764.5</b>	<b>3,699.6</b>	<b>64.9</b>	<b>3,688.0</b>
<b>Current assets</b>				
Cash and cash equivalents	19.2	105.6	(86.5)	5.8
Trade receivables	1.7	0.8	(0.9)	0.9
Other receivables	597.8	501.5	96.4	584.8
Inventories	-	-	-	-
Prepayments	1.0	1.0	-	0.8
Assets held for sale	0.3	0.3	-	0.3
Loans granted to subsidiaries – short term	89.7	45.0	44.6	30.0
<b>Total current assets</b>	<b>709.7</b>	<b>654.3</b>	<b>55.4</b>	<b>622.5</b>
<b>TOTAL ASSETS</b>	<b>4,474.2</b>	<b>4,353.8</b>	<b>120.3</b>	<b>4,310.5</b>

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	31 December 2023	31 December 2022	Variation 2023/2022	31 December 2021
<b>EQUITY AND LIABILITIES</b>				
Share capital	3,464.4	3,464.4	-	3,464.4
Share premium	103.1	103.1	-	103.1
Treasury shares reserve	(75.4)	(75.4)	-	(75.4)
Revaluation reserves	20.3	11.8	8.5	12.4
Legal reserves	231.6	229.4	2.2	228.2
Other reserves	224.1	224.1	-	71.2
Retained earnings	12.4	38.9	(26.5)	319.6
<b>Total equity</b>	<b>3,980.5</b>	<b>3,996.4</b>	<b>(15.9)</b>	<b>4,123.5</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Bank borrowings – long term	-	100	(100)	-
Lease liability – long term	3.3	0.0	3.2	0.1
Employee benefits	1.3	1.1	0.2	1.1
<b>Total non-current liabilities</b>	<b>4.6</b>	<b>101.2</b>	<b>(96.6)</b>	<b>1.2</b>
<b>Current liabilities</b>				
Current portion of long-term bank borrowings	216.8		216.8	
Credit lines	205.5	207.8	(2.3)	120.5
Lease liability – short term	0.8	0.2	0.6	0.4
Trade payables	6.6	4.7	1.9	4.0
Other payables	51.1	36.5	14.6	44.0
Deferred revenue	0.3	0.2	0.1	0.4
Employee benefits	7.3	5.8	1.5	12.2
Provisions	0.7	1.0	(0.3)	4.2
<b>Total current liabilities</b>	<b>489.1</b>	<b>256.3</b>	<b>232.8</b>	<b>185.8</b>
<b>Total liabilities</b>	<b>493.7</b>	<b>357.5</b>	<b>136.2</b>	<b>186.9</b>
<b>Total equity and liabilities</b>	<b>4,474.2</b>	<b>4,353.8</b>	<b>120.3</b>	<b>4,310.5</b>

Source: Separate financial statements of ELSA as of 31 December 2023



The materiality threshold established internally at individual level is worth RON 6.0 mn., representing a quarter of the gross profit.

### Non-current assets

As of 31 December 2023, compared to 31 December 2022, fixed assets increased by RON 64.9 mn., from RON 3,699.6 mn. to RON 3,764.5 mn..

At the end of 2023, property, plant and equipment increased by RON 46.1 mn. due to the merger by absorption between Electrica SA as the absorbing company and Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as absorbed companies. As a result of the merger and the revaluation at fair value of tangible fixed assets consisting of land and buildings, the Company's tangible fixed assets increased by RON 44.2 mn., plus the increase in investments in subsidiaries recorded in 2023 amounting to RON 11.8 mn..

### Investments in associates

On 28 July 2021 and 7 December 2021, Electrica SA signed four contracts for the sale - purchase of shares in four project companies, whose main activity is the production of electricity from renewable sources. The sale-purchase contracts mention that in the first stage, the Group receives 30% of the share capital of the three companies, and in subsequent stages, it will acquire the remaining 70% of the share capital, after certain conditions mentioned in the contracts are met. By 31 December 2023, three of the companies in the project have been acquired in a proportion of at least 60%, therefore they are accounted for as subsidiaries, the other one is presented below.

The cost of investment, at the acquisition date, total value of RON 12.5 mn. are detailed below:

	<b>Crucea Power Park S.R.L.</b>
Acquisition date	<b>31.07.2021</b>
Percentage at the acquisition date	<b>30%</b>
Net value at the acquisition date	(0.2)
Percentage of the Group from net (30%)	<b>(0.07)</b>
Goodwill	<b>12.6</b>
<b>Investment cost at acquisition date</b>	<b>12.5</b>

At 31 December 2023, the Company is 40% owned and is accounted for using the asset method in the separate financial statements in accordance with the Company's policies.

### Other receivables

The cash-pooling receivables comprise Electrica SA's receivables as at 31 December 2023 as cash-pool leader in the two cash-pooling systems implemented at Group level. The increase in 2023 is due to the liquidity needs of the subsidiaries placed in cash pooling by the Company.

### Cash, restricted cash and short-term investments

At 31 December 2023, cash and cash equivalents decreased by RON 86.5 mn. to RON 19.2 mn. from RON 105.6 mn. at 31 December 2022..

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**Table 43. Cash, restricted cash and short-term investments 2023–2021 (RON mn.)**

(RON mn.)	31 December 2023	31 December 2022	31 December 2021
Bank current accounts	3.2	3.6	3.0
Cash and cash equivalents transferred on merger	15.4	-	-
Call deposits	0.6	102.0	2.7
<b>Total cash and cash equivalents in the separate statement of financial position and in the separate statement of cash flow</b>	<b>19.2</b>	<b>105.6</b>	<b>5.7</b>

Source: Separate financial statements of ELSA as of 31 December 2023

As of 31 December 2022, the amount of demand deposits consists mainly of Vista Bank's overnight deposit in the amount of RON 99.6 mn., related to the long-term credit drawn for the issuance of bank guarantee letters.

**Table 44. Loans granted to subsidiaries 2023–2021 (RON mn.)**

(RON mn.)	31 December 2023	31 December 2022	31 December 2021
DEER (long term loan granted) *	1,276.3	1,276.3	1,276.3
EFSA	80.0	-	30.0
EPE	-	41.6	-
NTE	7.2	2.4	-
GEC&I	-	0.4	-
SWE	2.5	0.6	-
FOTON	2.9	-	-
<b>Total loans granted to subsidiaries</b>	<b>1,369.0</b>	<b>1,321.4</b>	<b>1,306.3</b>

Source: Separate financial statements of ELSA as of 31 December 2023

(\*)Starting with 31 December 2020 the three distribution companies merged into one single distribution company named Distribuție Energie Electrică România S.A. („DEER”)

## Share Capital

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2023 (346,443,597 ordinary shares as of 31 December 2022) with a nominal value of RON 10 per share. Ordinary shares offer the right to dividends and the right to one vote per share in the company's shareholder meetings, except for the 6,890,593 shares redeemed by the Company in July 2014, for the purpose of prices stabilization. All shares confer equal rights in the company's net assets, except for own shares.

ELSA recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration in the Trade Register.

## Dividends

The company may distribute dividends from the statutory profit, according to the audited individual financial statements prepared in accordance with Romanian accounting regulations.

The dividends distributed by the Company in the years 2023, 2022 and 2021 (from previous years' profits) were as follows:

**Table 45. Dividends 2023-2021 (RON mn.)**

(RON mn.)	2023	2022	2021
Dividends distributed	40.0	152.8	247.8

Source: Separate financial statements of ELSA as of 31 December 2023

On 27 April 2023, the General Meeting of Shareholders of ELSA approved the distribution of dividends in the amount of RON 40.0 mn, legal reserves in amount of RON 1.3 mn. and other reserves in amount of RON 17.0 mn. The value of dividends per share distributed to the shareholders of the Company were: RON 0.1178 per share (2022: RON 0.4500 per share).

Out of the dividends distributed by the Company of RON 40.0 mn (2022: RON 152.8 mn.) the dividends paid were RON 39.9 mn. (2022: RON 152.4 mn.), the difference representing dividends not claimed by shareholders.

## Provisions

**Table 46. 2023 Provisions (RON mn.)**

(RON mn.)	2021
<b>Balance at 1 January 2023</b>	<b>1.0</b>
Provisions made	0.0
Provisions utilized	(0.2)
Provisions reversed	(0.1)
<b>Balance at 31 December 2023</b>	<b>0.7</b>

Source: Separate financial statements of ELSA as of 31 December 2023

The provisions in amount of RON 0.7 mn. as at 31 December 2023 (31 December 2022: RON 1.0 mn.) refer mainly to the benefits granted upon the termination of executive managers' contracts.

## 6.5 Separate statement of profit or loss

Financial information selected from the company's separate statement of profit or loss.

**Table 47. Separate statement of profit or loss (RON mn.)**

	2023	2022	Variation 2023/2022	2021
Revenues	0.2	-	0.2	-
Other income	1.2	5.2	(4.0)	0.8
Employee benefits	(30.3)	(30.2)	0.1	(39.2)
Depreciation and amortization	(1.4)	(1.6)	0.2	(2.3)
Reversal of impairment of trade and other receivables, net	0.6	0.1	0.5	0.1
Impairment of property, plant and equipment, net	0.9	0.0	0.9	3.8
Change in provisions for legal cases and non-compete clauses, net	0.3	3.2	(2.9)	1.6
Other operating expenses	(21.3)	(18.5)	(2.7)	(20.4)
<b>Profit/(loss) before financing result</b>	<b>(49.8)</b>	<b>(41.8)</b>	<b>(8.0)</b>	<b>(55.6)</b>
Finance income	97.6	78.3	19.3	377.7
Finance costs	(29.7)	(12.4)	(17.3)	(0.3)
Share of results of associates	(0.0)	-	(0.0)	-
<b>Net finance income</b>	<b>67.9</b>	<b>65.9</b>	<b>2.0</b>	<b>377.4</b>
<b>Profit before tax</b>	<b>18.1</b>	<b>24.0</b>	<b>(6.0)</b>	<b>321.8</b>
Income tax benefit/(expense)	5.9	0.3	5.6	0.0
<b>Profit for the year</b>	<b>23.9</b>	<b>24.3</b>	<b>(0.4)</b>	<b>321.8</b>
<b>Earnings per share</b>	<b>0.07</b>	<b>0.07</b>	<b>0.0</b>	<b>0.95</b>

Source: Separate financial statements of ELSA as of 31 December 2023

The materiality threshold established internally at individual level is worth RON 6.0 mn., representing a quarter of the gross profit.

**Profit/(loss) before financing result**

As at 31 December 2023 the operating result is a loss of RON 49.8 mn., mainly due to a decrease in other operating income and an increase in other operating expenses.

**Net finance income**

During the financial year ended 31 December 2023, the net financial result increased from RON 65.9 mn. in 2022 to RON 67.9 mn..

Financial income in 2023 amounts to RON 97.6 mn. and represents income from interest received on loans granted to subsidiaries.

The net financial result is negatively impacted by the financial expenses recorded in 2023 in the amount of RON 29.7 mn. representing interest expenses on loans.

**Profit before tax**

In 2023, profit before tax decreased by RON 6.0 mn. to RON 18.1 mn. from RON 24.0 mn. in 2022.

**Income tax benefit/(expense)**

In 2023, the company recorded an income tax benefit of RON 5.9 mn., mainly due to the merger.

**Net profit for the year**

As a result of the above factors, the net profit achieved in 2023 is RON 23.9 mn., slightly lower than in 2022 (RON 24.3 mn.).

## 6.6 Separate cash flow statement

Financial information selected from the cash flow statement of the company.

**Table 48. Separate statement of cash flow (RON mn.)**

Indicator	2023	2022	Variation 2023/2022	2021
<b>Cash flows from operating activities</b>				
<b>Profit for the year</b>	<b>23.9</b>	<b>24.3</b>	<b>(0.4)</b>	<b>321.8</b>
<b>Adjustments for:</b>				
Depreciation	0.9	1.0	(0.1)	1.1
Amortization	0.5	0.6	(0.1)	1.2
Impairment of property, plant and equipment, net	0.0	(0.0)	0.0	(3.8)
Loss/(Gain) from the disposal of tangible assets	-	-	-	3.1
Reversal of impairment of assets held for sale	-	-	-	0.5
Reversal of impairment of trade and other receivables, net	(0.6)	(0.1)	(0.5)	0.1
Net finance income	(67.9)	(65.9)	(2.0)	(377.4)
Changes in employee benefits obligations	0.3	(5.0)	5.2	5.1
Changes in provisions, net	(0.3)	(3.2)	2.9	(1.6)
Income tax expense/(benefit)	(5.9)	(0.3)	(5.6)	(0.0)
Changes in provisions, net	(49.9)	(48.5)	(1.4)	(50.2)
	<b>(49.9)</b>	<b>(48.5)</b>	<b>(1.4)</b>	<b>(50.2)</b>
<b>Changes in:</b>				
Trade receivables	(0.0)	0.2	(0.2)	(0.4)
Other receivables	(12.6)	(0.5)	(12.1)	3.0
Trade payables	1.6	0.4	1.1	(2.9)
Other payables	0.2	0.8	(0.5)	0.3
Employee benefits	1.3	0.1	1.2	(0.3)
<b>Cash generated/(used in) from operating activities</b>	<b>(59.4)</b>	<b>(47.5)</b>	<b>(11.9)</b>	<b>(50.5)</b>
Interest paid	(29.6)	(12.2)	(17.4)	(0.2)
<b>Net cash from/(used in) operating activities</b>	<b>(89.1)</b>	<b>(59.7)</b>	<b>(29.3)</b>	<b>(50.7)</b>

Indicator	2023	2022	Variation 2023/2022	2021
<b>Cash flows from investing activities</b>				
Payments for purchases of property, plant and equipment	(1.8)	(1.9)	0.1	(4.8)
Payments for purchases of intangible assets	(1.0)	(0.2)	(0.8)	-
Proceeds from the sale of property, plant and equipment	-	1.2	(1.2)	0.0
Cash pooling net position	(75.4)	81.3	(156.7)	(393.6)
Loans granted to subsidiaries	(92.3)	(151.0)	58.7	(336.3)
Proceeds from loans given to subsidiaries	-	135.9	(135.9)	60.0
Payments for shares in associates	(0.0)	(0.0)	(0.0)	(25.8)
Payments for acquisition of shares in entities	-	(7.0)	7.0	-
Payments for acquisition of subsidiaries	(12.4)	(4.4)	(7.9)	(0.1)
Restricted cash	-	-	-	320.0
Interest earned	96.3	72.1	24.2	42.2
Dividends received	-	-	-	329.5
<b>Net cash from investing activities</b>	<b>(86.6)</b>	<b>126.0</b>	<b>(212.6)</b>	<b>(8.9)</b>
<b>Cash flows from financing activities</b>				
Proceeds from overdrafts	(2.3)	87.3	(89.6)	-
Dividends paid	(40.1)	(153.2)	113.0	(247.6)
Loans granted	116.8	100.0	16.8	-
Payment of lease liabilities	(0.5)	(0.6)	0.1	(1.0)
<b>Net cash used in financing activities</b>	<b>73.8</b>	<b>33.6</b>	<b>40.2</b>	<b>(248.6)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(101.9)</b>	<b>99.9</b>	<b>(201.7)</b>	<b>(308.3)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>105.6</b>	<b>(114.8)</b>	<b>220.4</b>	<b>193.5</b>
Cash and cash equivalents transferred on merger	15.4	-	15.4	-
Reclassification of overdrafts previously presented as cash and cash equivalents	-	120.5	(120.5)	-
<b>Cash and cash equivalents at 31 December</b>	<b>19.2</b>	<b>105.6</b>	<b>(86.5)</b>	<b>(114.8)</b>

Source: Separate financial statements of ELSA as of 31 December 2023

The materiality threshold established internally at individual level is worth RON 6.0 mn., representing a quarter of the gross profit.

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In **2023**, the net decrease in cash and cash equivalents amounted to RON **86.5** mn.

The net cash generated by operating activity was RON (59.4) mn.. The net profit for the period was RON 23.9 mn.; the main adjustments for non-monetary elements of the net profit were: addition of depreciation of tangible and intangible fixed assets in the amount of RON 1.4 mn., decrease in the impact of employee benefits in the amount of RON 5.2 mn., decrease in the change in provisions of RON 2.9 mn., increase in the impact of income tax by RON 5.6 mn., the impact of value adjustments for trade receivables was insignificant. It was deducted from the net financial result of RON 67.9 mn..

Changes in working capital had an unfavourable impact of RON 9.5 mn., the impact being generated by the positive impact of the change in trade and other payables in the amount of RON 3.1 mn. (of which, positive impact of RON 1.3 mn. from the change in employee benefits), reduced by the negative impact of trade and other receivables in the amount of RON 12.6 mn..

**In 2023, interest paid was RON 17.4 mn. higher than in 2022, mainly representing the interest related to the overdraft facility under the cash pooling system.**

For the investment activity, cash was used in the amount of RON 86.6 mn., the highest amounts being related to interest received in the amount of RON 96.3 mn., loans granted to affiliated entities in the amount of RON 92.3 mn., and the impact of the net cash pooling activity of RON 75.4 mn..

**In 2023 the amount of loans granted to subsidiaries was RON 92.3 mn., RON 58.7 mn. less than in the previous period.**

**The amount of interest received was RON 96.3 mn., as a result of new loans granted to subsidiaries in 2023, the higher amount of utilization by subsidiaries of the cash pooling structure, as well as the increase in the ROBOR rate.**

The financing activity generated an increase in cash and cash equivalents of RON 73.8 mn., mainly

from loans received in the amount of RON 116.8 mn. representing the credit facility for working capital and issuance of bank letters with Vista Bank contract this year, impact reduced by dividends paid to shareholders in the amount of RON 40.1 mn.. RON **(gross dividend value per share decreased from 0.1178 RON/share for dividends related to 2022 to 0.45 RON/share for dividends related to 2021)**.

In **2022**, the net increase in cash and cash equivalents amounted to RON **99.9** mn.

The net cash generated by the operating activity was RON (47.5) mn. The net profit of the period was RON 24.3 mn.; the main adjustments for non-monetary elements of net profit were: the addition of depreciation of tangible and intangible assets in the amount of RON 1.6 mn., the decrease of the impact generated by the employee benefits amounting to RON 5.0 mn., decrease of the change in provisions of RON 3.2 mn., the impact of value adjustments for commercial receivables and the impact of the income tax were insignificant. It was deducted from the net financial result of RON 65.9 mn.

Changes in working capital had a favorable effect of RON 1.0 mn., the impact being generated by the positive impact of the trade payables and other payables in the amount of RON 1.3 mn. (of which, positive impact of RON 0.1 mn. from the change in employee benefits) diminished by the negative impact of trade receivables and other receivables, in the amount of RON 0.3 mn.

In 2022, the interest paid was RON 12.1 mn. higher than in 2021, representing mainly the interest related to the overdraft facility under the cash pooling system. Increase from RON 0.2 mn. at RON 12.2 mn. in 2022 was due to the higher value of the uses compared to the previous period, but also to the increase of the ROBOR rate.

For the investment activity was used cash in the amount of RON 126.0 mn., the highest values being related to the interest collected in the amount of RON 72.1 mn., loans granted to affiliated entities in the amount of RON 151.0 mn., receipts related to loans granted to subsidiaries in the amount of RON 136.0 mn. of net receipts from deposits in the



amount of RON 66.5 mn. and the impact of the cash pooling activity, resulting in a reduction of RON 132.2 mn.

In 2022, the value of loans granted to subsidiaries was RON 151.0 mn., with RON 185.3 mn. less than the previous period. At the same time, the proceeds from loans granted to subsidiaries increased by RON 75.9 mn. compared to the previous period, mainly due to the full reimbursement of the intra-group contract contracted by EFSA during 2021.

The value of the interest collected was RON 72.1 mn., as a result of the new loans granted to subsidiaries in 2022, the higher value of the uses by subsidiaries in the Cash pooling structure, as well as the increase of the ROBOR rate.

Compared to 2021, this year no restricted cash was recorded and no dividends were collected from

subsidiaries, which closed the financial year 2021 with a loss.

The financing activity generated an increase in cash and cash equivalents of RON 33.6 mn., mainly from loans received in the amount of RON 100.0 mn. representing the credit facility for working capital and issuing bank letters with Vista Bank contract this year and the amounts collected in overdrafts of RON 87.3 mn., reduced impact of dividends paid to shareholders in the amount of RON 153.2 mn. (the value of the gross dividend for one share decreased from RON 0.73/share for dividends for 2020 to RON 0.45/share for dividends for 2021).

## 6.7 Restatements – S-IFRS-EU

During 2023, the Group reassessed its previous position with the consolidated financial statements, related to the recognition of financial asset from the amendment of the concession agreements. As of 31 December 2022, the Group recognised a financial asset in the amount of RON 951.6 mn. as a result of such amendment in the balance sheet, representing the difference between the net cost with the purchase of the energy for NL and the NL cost included in the regulatory tariff by ANRE, for the period 1 January – 31 December 2022. An equivalent amount was also recognised in the profit or loss as “Other income”.

The following table summarise the impact on the Group’s consolidated financial statements:

**Table 49. Statement of financial position (RON mn.) – S-IFRS-EU**

Indicator	31 December 2022 as reported previously	31 December 2022 Reclassifications	31 December 2022 as restated
Financial assets related to concession arrangements – non current portion	761.2	(761.2)	–
Financial assets related to concession arrangements – current portion	190.3	(190.3)	–
Retained earnings	1,353.9	(799.3)	554.6
Deferred tax liabilities	212.6	(152.2)	60.3
<b>Total assets</b>	<b>11,623.3</b>	<b>(951.5)</b>	<b>10,671.8</b>
<b>Total equity</b>	<b>5,367.2</b>	<b>(799.3)</b>	<b>4,567.9</b>
<b>Total liabilities</b>	<b>6,256.1</b>	<b>(152.2)</b>	<b>6,103.8</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

**Table 50. Statement of profit or loss (RON mn.) – S-IFRS-EUU**

Indicator	31 December 2022 as reported previously	31 December 2022 Reclassifications	31 December 2022 as restated
Other income	3,792.5	(951.6)	2,841.0
Income tax benefit/(expense)	(105.1)	152.2	47.2
<b>Profit for the year</b>	<b>558.8</b>	<b>(799.3)</b>	<b>(240.5)</b>
<b>Earnings/(Loss) per share</b>			
<b>Basic and diluted earnings/(loss) per share (RON)</b>	<b>1.65</b>	<b>2.35</b>	<b>(0.71)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

Table 51. Statement of cash flow (RON mn.) – S-IFRS-EU

Indicator	31 December 2022 as reported previously	31 December 2022 Reclassifications	31 December 2022 as restated
<b>Cash flows from operating activities</b>			
Profit	558.8	(799.3)	(240.5)
Other income from initial recognition of financial assets arising from concession agreements amendments	(951.6)	951.6	-
Income tax (benefit)/expense	105.1	(152.2)	(47.2)
<b>Changes in:</b>			
Other receivables	(138.3)	152.2	13.9
Other payables	722.4	(152.2)	570.2
<b>Net cash flow used in operating activities</b>	<b>(1,030.0)</b>	<b>-</b>	<b>(1,030.0)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

## 6.8 Risk management

**For the Electrica Group, year 2023, from a risk management perspective was one of consolidation of previous year's initiatives and new projects, initiated on the basis of internal needs or at the request of third parties.**

Thus, as a new project developed and completed in 2023, we mention obtaining certification for the implementation of SR EN ISO 50001:2019 – “Energy management systems. Requirements and user guide” at the ELSA level. An important component of this certification was the alignment of the risk management system with the provisions of the certification standard, meaning to introduce new risks related to the new processes carried out by the company in the ELSA Risk Register, in order to implement the standard.

At the same time, during the annual surveillance audits regarding the quality management of the integrated management system (SMI) at ELSA level, including SR EN ISO 27001 regarding the information security management system, from the perspective of risk management activities, the company continued to meet the requirements of the provisions certification standards.

**Regarding of strengthening the risk management system at the Group level,** the permanent collaboration with the entities in the group, in terms of risk management, has continued by the involvement in the resolution of some issues regarding the management of systemic risks at Group level during the meetings of the Committee for the Supervision of Risks (CpSR). Also, the monitoring of risks within the Group has continued through periodic information regarding the risks' status and evolution within the Group entities.

In 2023, the internal project (ESG Project) has continued to be implemented within the Group regarding the requirements of the new European regulations in terms of sustainability – ESG (Environmental, Social and Governance). Risk analysis from the perspective of ESG scenarios as well as the monitoring of the exposures generated by the group through the current activity become extremely important from the perspective of a way of making business sustainable and sustainable.

Compliance with this new reporting requirements will underpin the reform of risk assessment.

**The challenges of 2023 were multiple from the perspective of risk management, in the sense that the materialization of risks such as liquidity, regulation, operational (IT systems, or electricity thefts) they had multiple causes and unpredictable effects.**

From the perspective of the applicable legal provisions in force in conjunction with the approach imposed by the internal requirements regarding credit and counterparty risk management, the Business Partner knowledge Policy has been changed and implemented, thus ensuring the necessary conditions to know the business partners, be they customers or suppliers, in order to mitigate possible risks of reputation or credit and counterparty.

The acceptance of business partners is made only by applying the measures of knowledge of the client according to the legislation in the field and the internal procedure on combating and preventing money laundering and terrorist financing. Also, specialized platforms for verifying business partners are used in the realization of the client knowledge activity.

### RISK FACTORS

The Group's activity, performance, reputation, financial situation and market value of its shares can be affected by a number of factors of both internal and external nature. These factors can lead to the materialization of risks that negatively influence the Group's activity and performance. Such factors may particularly influence the risks described below that the Group has identified and for which it seeks to manage them.

Risk factors should be viewed from both inside and outside, the latter being harder to control but

both having implications for the manifestation and materialization of risks.

Risk factors can be from the following categories:

- **Macroeconomic and energy industry-specific risks:** Global and regional economic conditions, respectively the economic context at national and regional international level that may negatively influence the Group's activity. These factors can be: inflation, recession, changes in fiscal and monetary policy, tighter lending, higher interest rates, new or rising tariffs, currency fluctuations, raw material price (electricity, natural gas), etc.
- **Risks arising from political events, war and/or other international disputes, international sanctions, natural disasters, industrial accidents,** etc. all of which may cause interruptions in the Group's activities. Such events, as outlined above, may damage or disrupt the international economic context and the global/regional economy and may negatively influence the activity of both the Group and the other counterparties (contractual partners). At the same time, the interruption of the activity due to the above mentioned causes can generate significant expenses and substantial recovery time, which negatively influence the activity and financial results.
- **Regulatory risks, respectively legislative changes** with short time to adapt to new requirements but with significant implications especially the market and counterparty/credit risk area. Regulatory risks may arise as a consequence of international events (e.g. Russia-Ukraine War) that triggers a series of unpredictable market developments, but also restrictions and sanctions at international level that are also reflected at regional and local level. Also, here can be included the risks of non-compliance with international and local sustainability regulations (ESG) and reporting in this regime, with financial impact, meaning possible difficulties in attracting investments but, also, combined with reputational risk.

- **Technical risks caused by inadequate network sizing in relation to energy demand,** meaning meaning the impossibility of ensuring network maintenance and energy supply to customers, which can negatively and significantly affect the Group's business.

- **Strategic risks** and ensuring the financing of projects within the group can be influenced both by internal factors, by keeping a high rating that maintains an attractive share price and implicitly the attention of investors, but also external factors, respectively the difficulty of accessing markets in order to raise capital (availability of capital for financing).

Also as a factor of strategic risk is perceived the volatility of the stock price as a consequence of the company not meeting the expectations regarding profitability, its growth and dividend granting. Thus, the share price can drop significantly, with an impact on investor confidence and reputational implications.

## MANAGEMENT OF NON-FINANCIAL RISKS

### Operational risk management

Operational risk is the largest category of non-financial risks to occur across all entities in the group. The most important and common sub-categories of operational risk are those in the IT area (including cyber and security), risks related to the execution of processes and/or procedures and/or work tasks, but also risks caused in the relationship with customers and/or business processes and/or practices. For these identified risks, measures to mitigate these risks are established at the level of each entity of the Group and periodic assessments to monitor and control them permanently.

### Compliance risk management

The compliance risk, which includes the legal risk, respectively of the legislative changes, is manifested at the level of each entity in the Electrica Group. In 2023, due to the new international regulations regarding sustainability, which will also be followed by local regulations, they will bring the legislative

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risk into view in the next period, due to the possible exposures of non-compliance with these requirements.

**Strategic risk management**

Strategic risk has implications for the entire group due to changes at the organizational and governance level that took place in 2023 within some entities of the Group, but also regarding the market context and adaptation to its requirements. The Group's entities aim to adopt strategies that ensure adequate market positioning and flexibility that ensure timely recalibration in order to achieve the proposed objectives.

**Technical risk management**

The technical risk is manifested at the level of certain entities of the Group and refers to ensuring the appropriate grid size in relation to the energy demand, ensuring its proper functioning and implicitly ensuring continuity in the electricity supply. At the group level there is a permanent concern regarding the exposure to this technical risk and the implementation of measures to mitigate it, the direct implications being customer satisfaction and also the reputation at the group level.

**Risks and uncertainties** present as of 31 December 2023 and issues concerning the main risks and uncertainties that could affect the Group's business and its liquidity are presented in the table below.

**Table 52. Risks and uncertainties as of 31 December 2023**

Risk description	Impact mitigation measures
<b>Poly-crisis</b>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• Until now, there is no system that allows the integrated management of all scenarios that can be taken into consideration for analysis.</li> </ul>	<ul style="list-style-type: none"> <li>• A large part of the mentioned factors have already manifested themselves, independently or together, in recent years, even on the territory of Romania.</li> <li>• 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.</li> </ul>

Risk description	Impact mitigation measures
<b>Market risk</b>	
<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Electrica SA started the process and successfully completed, in Q3, the certification for the implementation of ISO 50001 Energy Management Systems for improving service delivery and resource efficiency.</li> </ul>

Risk description	Impact mitigation measures
------------------	----------------------------

**Credit and counterparty risk**

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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).</li> </ul> | <ul style="list-style-type: none"> <li>• The management monitors and examines the current exposure, credit limits and counterparty ratings, established provisions.</li> <li>• The measures taken by the subsidiaries to mitigate this risk are adapted to the risks identified regarding counterparties.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul> |
|---|---|

**Liquidity risk**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Liquidity risk represents the risk that Electrica will not be able to meet its financial obligations when they are due.</li> </ul> | <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> |
|---|--|



Risk description	Impact mitigation measures
<b>Liquidity risk</b>	
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>For the supply activity (EFSA) cash-flow analysis, projections and forecasts are performed (implementation of SAP Cash Management and Liquidity Planner modules).</li> <li>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.</li> <li>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.</li> </ul>
<b>Conformity (Legal and regulatory) risk</b>	
<ul style="list-style-type: none"> <li>The energy and natural gas markets are regulated by local and European legislation.</li> <li>These regulations may be modified or interpreted differently by the local authorities and may affect the operational profit margins of Electrica SA holdings.</li> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Electrica SA makes efforts to optimize operational efficiency in accordance with current and future regulations.</li> <li>The impact of these regulations is close to the maximum range used in the evaluation with immediate consequences in profitability at the group level.</li> <li>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.</li> </ul>

Risk description	Impact mitigation measures
<b>Operational risk</b>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• The company has implemented an operational monitoring system, documented by policies and procedures, which ensures the escalation and remediation of potential operational problems.</li> <li>• In order to implement the best practices in the field, SE Electrica S.A. SE has certification and implemented the 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.</li> </ul>

Source: Electrica

**FINANCIAL RISK MANAGEMENT**

The Group is exposed to the following risks resulting from the use of financial instruments: credit risk, liquidity risk and market risk.

These risks are further explained and detailed.

**Credit risk**

Credit risk is the risk that the Group will register a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers, cash and cash equivalents, restricted cash and bank deposits.

The Group’s exposure to credit risk is mainly influenced by the individual characteristics of each customer. In the past, the Group had a high credit risk mainly from State-owned companies.

Cash and bank deposits are placed in financial institutions that are considered to have to have low risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

*Trade receivables*

The Group’s credit risk in respect of receivables was concentrated in the past around state-controlled companies and in the recent years refers to clients that are facing financial difficulties in their industries due to specific changes in circumstances in their industry sector. The Group has set up a policy regarding risk management and it has taken into account the insurance of the trade receivables. Also the electricity supply contracts include termination clauses in certain circumstances.

The Group establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

*Impairment*

The following table provides information on the exposure to credit risk and expected credit losses for trade receivables as of 31 December 2023, 2022 and 2021.

**Table 53. Credit risk and expected credit losses for trade receivables as of 31 December 2023**

(RON mn.)	31 December 2023				
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	2,229.3	(35.3)	2,194.0	No
Past due 1-30 days	7%	255.1	(16.9)	238.2	No
Past due 31-60 days	14%	47.6	(6.7)	41.0	No
Past due 61-90 days	37%	25.9	(9.6)	16.3	No
Past due more than 90 days	92%	622.7	(571.7)	51.0	Yes
<b>Total</b>		<b>3,180.6</b>	<b>(640.2)</b>	<b>2,540.5</b>	

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

**Table 54. Credit risk and expected credit losses for trade receivables as of 31 December 2022**

(RON mn.)	31 December 2022				
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	3%	1,951.7	(60.3)	1,891.3	No
Past due 1-30 days	4%	491.0	(19.3)	471.6	No
Past due 31-60 days	16%	66.4	(10.5)	55.9	No
Past due 61-90 days	35%	27.3	(9.7)	17.6	No
Past due more than 90 days	95%	582.4	(552.9)	29.5	Yes
<b>Total</b>		<b>3,118.6</b>	<b>(652.7)</b>	<b>2,466.0</b>	

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

**Table 55. Credit risk and expected credit losses for trade receivables as of 31 December 2021**

(RON mn.)	31 December 2021				
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	1,080.1	(16.6)	1,063.5	No
Past due 1-30 days	5%	228.5	(10.6)	217.9	No
Past due 31-60 days	15%	36.7	(5.3)	31.4	No
Past due 61-90 days	38%	15.4	(5.9)	9.5	No
Past due more than 90 days	98%	964.7	(942.4)	22.3	Yes
<b>Total</b>		<b>2,325.4</b>	<b>(980.8)</b>	<b>1,344.6</b>	

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by transferring cash or another financial asset. The Group's liquidity management policy is to maintain, as far as possible, sufficient liquidity to meet its obligations when they are due, under both normal and stressed conditions, to avoid unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts facilities.

#### *Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

**Table 56. Contractual maturities of financial liabilities (RON mn.)**

Financial liabilities (RON mn.)	Carrying amount	Total	Contractual cash flows			
			less than 1 year	1-2 years	2-5 years	More than 5 years
<b>31 December 2023</b>						
Bank overdrafts	2,851.2	2,851.2	2,851.2	-	-	-
Lease liability	43.2	43.2	14.1	9.9	4.0	15.2
Long term bank borrowings	1,317.6	1,317.6	523.3	258.9	475.9	59.5
Trade payables	1,671.5	1,671.5	1,671.5	-	-	-
<b>Total</b>	<b>5,883.5</b>	<b>5,883.5</b>	<b>5,060.0</b>	<b>268.8</b>	<b>479.9</b>	<b>74.8</b>
<b>31 December 2022</b>						
Bank overdrafts	2,571.0	2,571.0	2,571.0	-	-	-
Lease liability	53.7	53.7	19.2	10.8	10.7	13.0
Long term bank borrowings	760.7	760.7	113.5	354.5	200.5	92.2
Trade payables	1,407.1	1,407.1	1,407.1	-	-	-
<b>Total</b>	<b>4,792.5</b>	<b>4,792.5</b>	<b>4,110.9</b>	<b>365.3</b>	<b>211.2</b>	<b>105.2</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

### Market risk

Market risk is the risk that changes in market prices – foreign exchange rates and interest rates – will affect the Group's income or the value of its financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### *Currency risk*

The Group has exposure to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is RON. Certain liabilities are denominated in foreign currency (EUR). The Group also holds deposits and bank accounts denominated in foreign currency (EUR). The Group's policy is to use the local currency in its transactions as far as practically

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possible. The Group does not use derivative or hedging instruments.

*Exposure to currency risk*

The summary of quantitative information on the Group's exposure to currency risk is given below.

**Table 57. Exposure to currency risk 2023–2021**

(RON mn.)	31 December 2023 Denominated EUR	31 December 2022 Denominated EUR	31 December 2021 Denominated EUR
Cash and cash equivalents	0.3	0.3	0.8
Lease liability	(42.2)	(21.0)	(19.1)
<b>Net statement of financial position exposure</b>	<b>(41.9)</b>	<b>(20.7)</b>	<b>(18.3)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

The following significant exchange rates have been applied during the year.

**Table 58. Average rate and year-end spot rate**

	Average rate		Year-end spot rate	
	2023	2022	2023	2022
<b>EUR/RON</b>	4.9465	4.9315	4.9204	4.9474

Sursa: Situațiile financiare consolidate ale Grupului Electrica la 31 December 2023

*Sensitivity analysis*

A reasonably possible strengthening (weakening) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

**Table 59. Sensitivity analysis**

(RON mn.) Effect	Profit before tax	
	Strengthening	Weakening
31 December 2023 EUR (5% movement)	(2.1)	2.1
31 December 2022 EUR (5% movement)	(1.0)	1.0

Source: Consolidated financial statements of Electrica Group as of 31 December 2023

#### Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is presented below.

**Table 60. Fixed-rate and variable-rate instruments**

(RON mn.)	31 December 2023	31 December 2022	31 December 2021
<b>Fixed-rate instruments</b>			
<b>Financial assets</b>			
Call deposits	154.0	193.2	53.9
<b>Financial liabilities</b>			
Long-term bank borrowings	(1,068.9)	(651.8)	(418.9)
Lease liability	(32.3)	(37.4)	(8.3)
<b>Total</b>	<b>(947.2)</b>	<b>(495.9)</b>	<b>(373.3)</b>
<b>Variable-rate instruments</b>			
<b>Financial liabilities</b>			
Lease liability	(10.9)	(16.3)	(13.3)
Long-term bank borrowings	(248.7)	(109.0)	(209.6)
Bank overdrafts	(2,851.2)	(2,571.0)	(627.4)
<b>Total</b>	<b>(3,110.8)</b>	<b>(2,696.3)</b>	<b>(850.3)</b>

Source: Consolidated financial statements of Electrica Group as of 31 December 2023 and 31 December 2022

**ELECTRICA FINANCIAL REPORTING FOR 2023***Fair value sensitivity analysis for fixed-rate instruments*

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable-rate instruments*

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

**Table 61. Cash flow sensitivity analysis for variable-rate instruments**

	(RON mn.)	Profit before tax	
		50 bp increase	50 bp decrease
<b>31 December 2023</b>			
Variable-rate instruments		(15.6)	15.6
<b>31 December 2022</b>			
Variable-rate instruments		(13.5)	13.5

Source: Consolidated financial statements of Electrica Group as of 31 December 2023



## 6.9 Description of the main features of internal control and risk management systems in relation to the financial reporting process

The internal control represents all measures, procedures and policies adopted by ELSA management and their implementation by the employees, regarding the organizational structure, applied procedures, methods, techniques and instruments, for the purpose of implementation of company strategy and objectives. The internal control includes all control forms performed at company level, such as preventive financial control, internal and managerial control, compliance control.

The internal control activity represents a way of analysis of ELSA activities, of adopting and applying the internal management, also associated with the knowledge activity, which allows the Company's management to coordinate the activities within the organization in an efficient manner.

In this respect, through the internal control the monitoring and verification is carried out, in accordance with the legislation in force and the specific procedures, in compliance with the legal framework that regulates the activities carried out in the checked entities, according to the approved control objectives and themes.

Through internal control, the Company's management ascertains the deviations resulting from the established objectives, analyzes the causes and orders the corrective or preventive measures that are required.

The internal control and the risk management systems have the following main goals:

- protecting organizational resources by preventing and detecting waste, negligence, deviations / irregularities, negligence, abuses, fraud etc.;
- compliance with the applicable legislation and the internal regulations;
- the reliability of financial reporting (accuracy, completeness and correctness of the information);
- ensuring an environment based on identifying, understanding and controlling risks, environment which will contribute to achieving the organizational goals;
- efficient and effective business operations and use of resources;
- applying the BoD and executive management resolutions and follow-up.

The achievement of these goals was performed in 2023 as follows:

- in order to ensure internal compliance with the competition and state aid rules, several training and practical verification sessions were conducted;
- for the implementation by DEER of the commitments assumed within the investigation of the Competition Council, ELSA provides, according to the concluded contract, consultancy services and conducts trainings aimed at increasing the degree of information and awareness of the staff regarding the competition policy;
- clear definition and responsibilities segregation for each person involved in the organizational process; segregation of duties regarding the carrying out the operations among the personnel, so that the approval, control and registration duties are adequately assigned to different persons (as per the Company's organizational chart);
- elaboration, update and implementation of regulations, policies, procedures, forms etc;
- unitary updating at group level the Code of Ethics and Professional Conduct and subsequent

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policies;

- the existence of a Guide for Accounting Policies, elaborated in accordance with the requirements of the legislation in force, approved by the Board of Directors;
- the existence of a schedule and a well-defined process regarding the elaboration of accounting and financial information in accordance with the reporting requirements (financial reports, including financial statements, annual and interim reports, budget etc) and their appropriate verification and approval by the Board of Directors, for the purpose of endorsing and release for publication.

The framework of ELSA's internal control system consists of the following elements:

- ✓ **Control environment** – The existence of a control environment represents the basis of an efficient internal control system. It consists of the commitment towards integrity and ethical values (for this purpose, a series of policies on zero tolerance towards corruption, anti-fraud and anti-money-laundering, avoidance and fighting against conflicts of interest, gifts policy, protocol expenses, and forbidding facilitating payments, transparency and the involvement of stakeholders), as well as organizational measures (policies on the delegation of authority and responsibilities);
- ✓ **Evaluation of risks** – Generally, all processes are within the scope of the internal control system. An identification process is carried out regarding major or critical risks, related to particular activities for stimulating internal control methods;

- ✓ **Control activities meant to prevent/reduce the risks** – Control activities have different forms (managerial control, general control, preventive financial control, etc.) and they are implemented and carried out with the purpose of reducing significant operational and compliance risks;
- ✓ **Information and communication** – Information helps all other components of the internal control system by communicating to employees their responsibilities for controlling and providing information in an adequate and timely manner, so that all employees may be able to fulfil their duties. Internal communication occurs by means of disseminating information to all levels, while the external one implies the dissemination of information to external parties, in accordance with the requirements and expectations;
- ✓ **Monitoring activities** – the Audit and Risk Committee together with the Internal Audit Department assess the efficiency and the effective implementation of the internal control system.

The Company's management monitors the functioning of internal controls by means of periodical analyzes; for instance, the execution of the budget, the monitoring of security incidents.

Deficiencies in the implementation or functioning of internal controls are documented into the internal control reports, respectively in internal and external audit reports and briefing notes, and they are presented to the management, with the purpose of issuing the corrective actions.







## 7. STATEMENTS

## Statements

Based on the best available information, we confirm that the consolidated financial statements reviewed and audited for the period ended 31 December 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"), provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 63 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 15 to ASF Regulation no. 5/2018 for the period ended 31 December 2023, comprises accurate and real information regarding the Group's development and performance.

Based on the best available information, we confirm that the consolidated financial statements reviewed and audited for the period ended 31 December 2023 prepared in accordance with OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes, provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 63 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 15 to ASF Regulation no. 5/2018 for the period ended 31 December 2023, comprises accurate and real information regarding the Group's development and performance.

**Chair of the Board of Directors,  
Dumitru CHIRITA**

**Chief Executive Officer,  
Alexandru-Aurelian CHIRITA**

**Chief Financial Officer,  
Stefan Alexandru FRANGULEA**



## Appendix 1 – Litigations

### A.1 Electrica Group litigations in 2023:

#### A.1.1 Disputes with ANRE

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1	Plaintiff: ELSA; Defendant: ANRE;  361/2/2015	Cancellation of ANRE Order no. 155/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTN).	Bucharest Court of Appeal	The Court dismissed the case on merits. Appealable within 15 days from it's communication.
2	Plaintiff: ELSA; Defendant: ANRE;  2790/1/2023 (former no. 360/2/2015)	Cancellation of ANRE Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTS).	High Court of Cassation and Justice	The Court dismissed the case on merits. ELSA filed a recourse, definitively dismissed by court on 14.02.2024.
3	Plaintiff: ELSA; DEER Defendant: ANRE;  7614/2/2018	Action for partial annulment of ANRE Order no. 169/2018 regarding the approval of the Tariff Setting Methodology for the Electricity Distribution Service.	High Court of Cassation and Justice	Case dismissed on merits, a recourse finally dismissed on 16.05.2023.
4	Plaintiff: ELSA; DEER Defendant: ANRE  7591/2/2018	Action for the annulment of the ANRE Order no. 168/2018 regarding the regulatory rate of return and obliging ANRE to issue a new order.	Bucharest Court of Appeal	Suspended until the final settlement of case no. 541/36/2018 of the Bucharest Court of Appeal.
5	Plaintiff: ELSA, DEER Defendant: ANRE  434/2/2019	Legal action for annulment of ANRE Order 197/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive electric energy for DEER (former SDMN).	Bucharest Court of Appeal	In course of settlement.
6	Plaintiff: ELSA, DEER Defendant: ANRE  435/2/2019*	Legal action for annulment of ANRE Order 199/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER former SDTS).	High Court of Cassation and Justice	On 9 June 2020, the court rejected the action as unfounded. An appeal was filed, on 26.04.2023 the recourse of DEER and Electrica was admitted. The High Court of Cassation and Justice quashes the judgment of 17.03.2020 and the sentence and sends the case back to the same court. Retrial in course of settlement.



Crt. no.	Parties/Case file number	Subject matter	Court	Case status
7	Plaintiff: ELSA, DEER Defendant: ANRE  436/2/2019	Legal action for annulment of ANRE Order 198/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER former SDTN).	Bucharest Court of Appeal	In course of settlement.
8	Plaintiff: DEER Defendant: ANRE  184/2/2015	Contentious administrative litigation – Cancellation of ANRE Order no. 146/2014 regarding the setting of the regulated rate of return applied at the approval of the tariffs for the electricity distribution service provided by the DSOs starting with 1st January 2015 and the abrogation of art. 122 of the tariff setting methodology for the electricity distribution service, approved by the ANRE order no. 72/2013.	Bucharest Court of Appeal	On 29.04.2022, the Court dismissed the case. The decision is definitive by non appeal by the plaintiff.
9	Plaintiff: DEER Defendant: ANRE  309/2/2020	Judicial action on the cancellation of documents issued by regulatory authorities – Order no. 227/2019 regarding the approval of the tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDMN).	Bucharest Court of Appeal	On 04.10.2023, the Court dismissed the case. Appealable within 15 days from it's communication.
10	Plaintiff: DEER Defendant: ANRE  305/2/2020	Action for the cancellation of ANRE's President Order no. 228/2019 regarding the approval of the of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTN).	High Court of Cassation and Justice	Case dismissed on merits, an appeal was filed, definitively dismissed on 14.12.2023.
11	Plaintiff: DEER Defendant: ANRE  371/2/2015*	Cancellation of the ANRE's President Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTS).	Bucharest Court of Appeal	Suspended until the settlement of the case file no. 208/2/2015.
12	Plaintiff: DEER Defendant: ANRE  208/2/2015	Cancellation of the ANRE's President Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by DSOs from 1st January 2015 and the abrogation of Art. 122 of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	Bucharest Court of Appeal	A reinstatement request was filed. Attached to case no. 184/2/2015. On 29.04.2022, the Court dismissed the case. The decision is definitive by non appeal by the plaintiff.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
13	Plaintiff: DEER Defendant: ANRE  303/2/2020	Cancellation of the ANRE's President Order no. 229/2019 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTS).	Bucharest Court of Appeal	Suspended on 02.11.2022. Application for reinstatement. On 07.06.2023 - suspend the file. Application for reinstatement was filed.
14	Plaintiff: DEER Defendant: ANRE  53/2/2022	Cancellation of the ANRE's President Order no. 119/2021 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER.	Bucharest Court of Appeal	Suspended until the final settlement of case no. 6176/2/2022.
15	Plaintiff: DEER Defendant: ANRE  6176/2/2022	Action for partial annulment of ANRE Order no. 169/2018 regarding the approval of the Tariff Setting Methodology for the Electricity Distribution Service.	High Court of Cassation and Justice	Case dismissed on merits. A recourse was filed, in filter proceedings.

Source: Electrica

## A.1.2 Fiscal matter disputes

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: ELSA Defendant: NAFA  17237/299/2017	1. Suspension of forced execution initiated by NAFA-DGAMC in the enforcement file no. 13267221 under the enforceable order no. 13725/3 May 2017 and of the no. 13739/3 May 2017; 2. Cancellation of the enforcement order no. 13725/3 May 2017, of the no. 61/90/1/2017/263129 (which also bears the No. 13739/3 May 2017) issued by NAFA-DGAMC for the amount of RON 39,248,818 and all subsequent execution orders issued in connection with the forced execution of the amount of RON 39,248,818 in the execution file no. 13267221.	Bucharest Tribunal	Action admitted on merits. The Decision was appealed, in course of settlement.
2	Plaintiff: ELSA Defendant: NAFA - DGAMC  25091/299/2018	Appeal to execution and suspension of forced execution - cancellation of the enforcement order no. 13566/22 June 2018 and the notice 13567/22 June 2018, issued in the execution file no.13267221/61/90/1/2018/278530, amounting to RON 10,024,825 (representing the partial fine from the Competition Council).	District 1 Court	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
3	Plaintiff: ELSA Defendant: NAFA - DGAMC  2444/2/2021	<p>1. Obligation of NAFA to correct the evidence of tax receivables, held according to art. 153 FPC so that it reflects the decisions given by the courts in the disputes between the parties, through decisions that have come into the power of the judicial work, respectively by: a) Decision no. 1078/17.04.2015 issued by the Bucharest Court of Appeal in case no. 5433/2/2013; b) Decision no. 5154/26.06.2017 issued by Bucharest District 1 Court in case no. 51817/299/2016*; c) Decision no. 624/06.03.2015 issued by the Bucharest Court of Appeal in case no. 7614/2/2013; Obligation of NAFA to draw up those acts or administrative correction operations which: - to reflect Electrica's right to the reimbursement of RON 5,860,080 representing fiscal obligation unlawfully reinstated in the fiscal evidence; - to reflect Electrica's right to the reimbursement of RON 817,521 which was not object of the reimbursement made by NAFA on 22 September 2020, arising from the annulment of the fiscal decision in case mentioned in item 1 above, let. a); 2. Obligation of NAFA to pay the legal interests related to the period 12.12.2016 – 21.09.2020, calculated in a percentage of 0.02%/day of delay for the debt amount of RON 18,687,515 reimbursed on 22.09.2020, in total amount of RON 5,161,491.64; 3. Establishing a 15 days term from the decision so that NAFA-DGAMC to settle the fiscal file as indicated above, imposing late penalties of RON 1,000/day of delay for exceeding this term, due to Electrica by DGAMC.</p>	High Court of Cassation and Justice	<p>On 07.06.2023, the Court admits in part the case. Orders the defendant to correct the records of the tax claims concerning the plaintiff in order to highlight the plaintiff's right to a refund of the amount of RON 5,860,080 and the amount of RON 817,521. Orders the defendant to pay to the applicant the amount of RON 5,161,491.64 as interest. Orders the defendant to pay to the plaintiff the amount of RON 49,083.37 in respect of costs. A recourse was filed, in course of settlement.</p>

Crt. no.	Parties/Case file number	Object	Court	Case status
4	Plaintiff: DEER Defendant: NAFA – DGAMC  359/2/2021 (former 1018/2/2016*)	Cancellation of administrative act – Decision no. 462/23 November 2015, litigation amount of RON 7,731,693 (RON 4,689,686 income tax + RON 3,042,007 VAT) and for the amount of RON 6,154,799 (RON 3,991,503 interests/penalties and late fees related to income tax + RON 2,163,296 interests/penalties and delay fees related to the VAT).	Bucharest Court of Appeal – retrial	The court of first instance rejected the action as unfounded. The plaintiff filed an appeal, admitted by the court, which quashes the contested decisions and, re-judging, partially admits the action. Partially annuls Decision no.462/23.11.2015 issued by A.N.A.F–DGSC, regarding point 3. Obliges the defendant A.N.A.F–DGSC to settle on the merits the claim regarding the amount of RON 10,091,323. It sends for retrial to the same court the request regarding the other fiscal obligations retained by the fiscal body, amounting to RON 13,886,492. Final (file no. 1018/2/2016*). In retrial, case no. 1018/2/2016* was registered with a new number, 359/2/2021 – in course of settlement. DGAMG–ANAF rejected by Solution Decision no. 154/02.07.2020, the appeal regarding the amount of RON 10,091,323 (Point 3 of Decision no. 462/2015) reason for which an action for annulment was filed on 22.12.2020 (file no. 641/42/2020).
5	Plaintiff: DEER Defendant: DGAMC – NAFA  641/42/2020 641/42/2020	Annulment of the administrative act of the Settlement Decision 154/02.07.2020 for the amount of RON 10,091,323 (point 3 of the Decision no. 462/23.11.2015)	Ploiesti Court of Appeal	In course of settlement.
6	Plaintiff: DEER Defendant: Galati City Hall – DITVL Galati  263/42/2020	Cancellation of administrative documents issued by the fiscal bodies within the Galati City Hall – DITVL Galati, respectively Fiscal inspection report, taxation decision and decision to resolve the appeal. According to the Fiscal Inspection Report, the control team determined an additional tax on buildings, together with the related accessories, in a total amount of RON 24,831,293, for the 2012–2015 period.	High Court of Cassation and Justice	On merits, the Court dismissed the case as unfounded. An appeal was filed, on 31.01.2024 the recourse of DEER was admitted. The High Court of Cassation and Justice quashes the judgment of the sentence and sends the case back to the same court.

Crt. no.	Parties/Case file number	Object	Court	Case status
7	Plaintiff: EL SERV Defendant: NAFA  31945/3/2018	Cancellation of administrative decision no. 221/19 July 2017 - cancellation of penalties related to the decision no. 305/2017 from above, RON 118,215.	Bucharest Court	The case has been suspended until the final settlement of the case no. 5786/2/2018 and following the final settlement of the case, this file has been put back on role. Case no. 5786/2/2018 had as object the cancellation of administrative act NAFA RIF 2017 and decision no. 305/30 May 2017, amounting to RON 46,260,952, the amount by which the fiscal loss of the Company was diminished; RON 7,563,561 established as additional VAT for payment by the refusal to deduct the VAT + related accessories. The claim was dismissed.
8	Plaintiff: EFSA Defendant: NAFA – DGAMC  8709/2/2018*	Cancellation of: <ul style="list-style-type: none"> <li>• DGSC Decision no. 325/26 June 2018</li> <li>• Decision F-MC 678/28 December 2017</li> <li>• Report F-MC 385/28 December 2017</li> <li>• Decision no. 511/24 October 2018</li> <li>• Decision no. 21095/24 July 2018</li> </ul> Value: RON 11,483,652	Bucharest Court of Appeal	In course of settlement.

Source: Electrica

### A.1.3 Other significant litigations (with a value higher than EUR 500 thousand)

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Creditor: ELSA Debtor: Petprod S.A.  47478/3/2012/a1	Bankruptcy, registering to the list of creditors for the amount of RON 2,591,163	Bucharest Tribunal	Procedure definitively closed on 12.12.2023.
2	Creditor: ELSA Debtor: CET Braila S.A.  2712/113/2013	Bankruptcy, registering to the list of creditors in amount of RON 3,826,035.	Braila Court	Ongoing procedure.

Crt. no.	Parties/Case file number	Object	Court	Case status
3	Creditor: ELSA, AAAS, BCR SA and others Debtor: Oltchim S.A.  887/90/2013	Bankruptcy, remaining amount to be recovered – RON 116,058.538.	Valcea Court	Ongoing procedure. The amount is registered in the definitive table of receivables updated following the fact that the Decision EU Tribunal from Luxemburg, establishing that Oltchim S.A. benefited from illegal state aid from a number of Romanian companies, including ELECTRICA S.A, became definitive.
4	Creditor: ELSA Debtor: Romenergy Industry SRL  2088/107/2016	Bankruptcy, registering to the list of creditors in amount of RON 2,917,266.	Alba Iulia Court of Appeal	The procedure was closed on 12.12.2022, the decision being appealed by DEER – finally dismissed on 06.04.2023
5	Creditor: ELSA Debtor: Transenergo Com S.A.  1372/3/2017	Insolvency proceedings. Amount RON 37,088,830.	Bucharest Court	Ongoing reorganization procedure. On 03.02.2021, the Debtor's reorganization plan was confirmed, according to which unsecured receivables do not participate in distributions. ELSA's appeal against the sentence confirming the reorganization plan was definitively dismissed.
6	Creditor: ELSA Debtor: Electra Management & Supply SRL  41095/3/2016	Bankruptcy. Amount: RON 6,027,537.	Bucharest Court	Ongoing procedure. In case, a request for liability has been filed, representing the object of the associated file no. 41095/3/2016 / a1, in which ELSA has the quality of accessory intervener, case in course of settlement
7	Creditor: ELSA Debtor: Fidelis Energy SRL  3052/99/2017	Bankruptcy. Amount: RON 11,291,747.90.	Iasi Court	Ongoing procedure. On 26.04.2023, the bankruptcy was ordered. Of the total amount initially recorded at the credential table, the amount of RON 66,066.07, representing ELSA's debit to Fidelis Energy, was compensated in the final table consolidated with this amount.

Crt. no.	Parties/Case file number	Object	Court	Case status
8	Plaintiff: ELSA Defendant: Competition Council  1100/1/2023	Appeal for annulment against civil decision no. 5599 of 22 November 2022, pronounced by ICCJ In file no. 3889/2/2018. Case no. 3889/2/2018 had as object the annulment of Competition Council Decision no. 77/20 December 2017, by which an ELSA charge is set through a fine of RON 10,800,984 and, in the subsidiary, the reduction of the fine set up to the legal minimum of 0.5% of ELSA's turnover, by re-individualizing the alleged anticompetitive facts, with the retention and full use of all mitigating circumstances applicable to ELSA.	High Court of Cassation and Justice	On 22.11.2023, the court dismissed the appeal for annulment as inadmissible. Final.
9	Plaintiff: ELSA Defendant: Elite Insurance Company  44380/3/2018	Claims - request for equivalent value of the insurance policy issued to guarantee the obligations of Transenergo Com S.A., in the amount of RON 4,000,000.	Bucharest Court	Suspended based on art. 307 Civil Procedure Code. A request for the reinstatement of the cause will be filed.
10	Plaintiff: ELSA Defendant: Silver Broker de Asigurare-Reasigurare SRL (former Zurich Broker de Asigurare Reasigurare SRL)  37068/3/2021/a1 37068/3/2021/a2	Insolvency. Receivable – RON 4,065,408	Court of Appeal	Following the termination of the case 3310/3/2020, based on art. 75 of Law no. 85/2014, ELSA has filed a request for registration at the credit table in the bankruptcy file of Silver Broker de Asigurare-Reasigurare SRL, case no. 37068/3/2021, the claim being dismissed ELSA filed an appeal, object of case no. 37068/3/2021/a1 and no. 37068/3/2021/a2 (attached to case no. 37068/3/2021/a1). On 24.10.2023, the court dismissed the connexed cases; ELSA filed an appeal.
11	Plaintiff: ELSA Defendant: former directors and administrators of ELSA  35729/3/2019	Claims - claim for damages calculated as a result of the control of the Court of Accounts, amounting RON 322,835,121.	Bucharest Court	Suspended until the final settlement of case 2229/2/2017.

Crt. no.	Parties/Case file number	Object	Court	Case status
12	Plaintiff: VIR Company International S.R.L. Defendant: DEER  7507/105/2017	Claims – the amount requested by VIR Company International SRL consists of: – EUR 5,000,000, damage caused by delayed issuance of the connection certificate for the photovoltaic plant located in Valea Calugareasca commune, Darvari village; – EUR 155,000, equivalent of the amount of electricity produced by the plant during the technological tests period; – EUR 145,000, green certificates related to the amount of energy produced by the photovoltaic plant during the technological tests period. In addition, it requires to DEER to pay the penalty interest of 5.75%/year for all the amounts of money claimed and court costs.	Ploiesti Court of Appeal	The court rejects the exceptions of inadmissibility and lack of object of the introductory request invoked by the defendant, as unfounded. Dismisses the introductory request as unfounded. Accepts in part the request made by the defendant regarding the payment of court costs and obliges the plaintiff to the defendant to pay the court costs, respectively to pay the sum of RON 50,000 representing a reduced attorney's fee. Appealable within 15 days from communication. On 07.07.2022, the court partially admitted the request to increase the expert's fee for the amount of RON 13,100 and obliges the plaintiff to pay this amount to the expert. Appeal filed by the plaintiff, in course of settlement.
13	Creditor: DEER Debtor: Transenergo Com S.A.  1372/3/2017	Insolvency proceedings. Amount: RON 9,274,831.	Bucharest Court	Ongoing proceedings. On 3 February 2021, the Debtor's reorganization plan was confirmed, according to which unsecured receivables do not participate in distributions. The Debit represents the accumulated receivables as a result of the distribution subsidiaries merger.
14	Plaintiff: DEER Debtor: ELSA 18976/3/2020 (33763/3/2019)	Claims, according to the Court of Accounts Decision, representing payments not owed of RON 20,350,189 made by DEER (former SDMN).	Bucharest Court	Suspended until the final settlement of case no. 1677/105/2017.



Crt. no.	Parties/Case file number	Object	Court	Case status
15	Plaintiff: Tutu Daniel and Tudori Ionel Defendant: DEER  180/233/2020*	Claims - equivalent value of land related to the Galati Center Transformation Station – RON 2,500,000.	Galati Tribunal	The court of first instance partially admitted the request to compel the defendants to pay the plaintiffs the sum of EUR 241,600 as compensation for the lack of use of the income. Obliges the defendants to pay to the plaintiffs the legal interest regarding the damages established from the moment of the final stay until the actual payment. It finalizes the experts' fee in the amount of RON 1,600 for expert Bogatu Mirela Dorina and the amount of RON 1,500 for expert Grecu Iulian and obliges the plaintiffs to pay the expert Bogatu Mirela Dorina the amount of RON 600 - the difference between the expert's fee and to expert Grecu Iulian the amount of. It obliges the defendants to pay the defendant Tutu Daniel the sum of RON 38,605 and the plaintiff Tudori Ionel the sum of RON 12,000 as court costs. Appeal in course of settlement.
16	Plaintiff: Sinaia City Hall Defendant: DEER  3719/105/2020**	Action in "Obligation to do" administrative litigation. Sinaia City Hall requests: -mainly: obliging MN to comply with LCD 113/2015 in the sense of executing the works regarding the underground location of the technical-municipal networks for the project "Energy efficiency and lighting extension of the historic area - Sinaia" - in the alternative: in case MN will not execute the works in due time and the City Hall will execute the works in our name and on our behalf, MN will be obliged to pay RON 7,659,402.72 + VAT (RON 9,101,192); - updating the amount requested in subsidiary with the inflation rate and legal interest.	Ploiesti Court of Appeal	The Court dismissed the case on merits. A recourse was filed.

Crt. no.	Parties/Case file number	Object	Court	Case status
17	Plaintiff: DEER Defendant: Romenergy Industry S.A.  2088/107/2016	Bankruptcy - amount: RON 9,224,595.51.	Alba Iulia Court of Appeal	The court of first instance admitted the request to close the bankruptcy procedure. The debit represents the accumulated receivables as a result of the distribution subsidiaries merger. The appeal was rejected on 06.04.2023. Final.
18	Plaintiff: Asirom Vienna Insurance Group S.A. Defendant: DEER  439/111/2017	Recourse claims – for RON 2,842,347, representing the compensation paid by the plaintiff to the insured company SC Ciocorom SRL following a fire that occurred on 7 March 2013. DEER (former SDTN) fault is invoked for the overvoltage after a power outage.	Oradea Court of Appeal	Case dismissed on merits and on the appeal. With recourse within 30 days from the notification of the decision. The decision is definitive by non appeal by the plaintiff.
19	Plaintiff: Energo Proiect SRL Defendant: DEER, DEER – Oradea Subsidiary  374/1285/2018	Claims of RON 2,387,357.	Cluj Court of Appeal	On merits and in the appeal, the case was dismissed. The Court admits the appeal declared by the plaintiff ENERGO PROIECT S.R.L., cancels the decision and sends the case to a new trial, the same court. Appeal for retrial.
20	Plaintiff: DEER Defendant: ELSA  4469/62/2018	Claims according to the Courts of Account findings – RON 8,951,811	Brasov Court	First instance. The High Court of Cassation and Justice solved the negative competence conflict between Brasov Court and Bucharest Court, the case being in course of settlement at Brasov Court.
21	Plaintiff: DEER Defendant: directors and managers  342/62/2020*	Claims against the former general managers of the company, as a result of the non-fulfilment of some measures ordered by the Court of Accounts for the amount of RON 8,951,812.	Brasov Court	Suspended until the final settlement of case no. 4469/62/2018.
22	Plaintiff: EL SERV Defendant: Servicii Energetice Banat S.A.  8776/30/2013 (joint with cu 2982/30/2014)	Bankruptcy - amount admitted to the list of creditors RON 72,180,439.68.	Timis Court	Ongoing proceedings.
23	Plaintiff: EL SERV Defendant: SEO  2570/63/2014	Bankruptcy - amount admitted to the list of creditors RON 26,533,446.	Dolj Court	Ongoing proceedings.

Crt. no.	Parties/Case file number	Object	Court	Case status
24	Plaintiff: EL SERV Defendant: SED  8785/118/2014	Bankruptcy - amount admitted to the list of creditors: RON 15,130,315.27.	Constanta Court	Ongoing proceedings.
25	Plaintiff: EL SERV Defendant: SE Moldova  4435/110/2015	Bankruptcy - amount: admitted to the list of creditors RON 73,708,082.90.	Bacau Court	Ongoing proceedings.
26	Plaintiff: EL SERV Defendant: New Koppel Romania  20376/3/2016	Claims – EUR 655,164, equivalent of RON 3,210,305.75.	Bucharest Court	Ongoing proceedings.
27	Plaintiff: Integrator S.A. Defendant: EL SERV, SAP Romania  34479/3/2016**	Claims – EUR 1,277,435.25 license + EUR 2,650,855.68 maintenance – RON equivalent 19,321,005.11	Bucharest Court of Appeal	The case was suspended on 12.06.2019 until the jurisdiction was established in case 30 266/2017 registered with the Karlsruhe Court and declined in favor of the Mannheim Court.
28	Plaintiff: EL SERV Defendant: directors and administrators 2013-2014  35815/3/2019	Action in attracting the liability of directors and administrators - measure II.7 of Decision no. 13/27.12.2016 issued by the Romanian Court of Accounts- RON 7,165,549 + legal interest of RON 4,485,340.29.	High Court of Cassation and Justice	The court dismissed the action as prescribed, ordering the plaintiff to pay the judicial costs. Appeal suspended, considering the death of the respondent Popescu Romeo; steps have been initiated to identify the heirs. Case reinstated, appeal dismissed as unfounded. A recourse was filed, definitively dismissed.
29	Plaintiff: EL SERV Defendant: directors and administrators 2010-2014  35828/3/2019	Action in attracting the liability of directors and administrators - measure II.8 of Decision no.13/27.12.2016 issued by the Romanian Court of Accounts for the amount of RON 19,611,812 + Legal penalties of RON 14,475,832.43.	High Court of Cassation and Justice	The court dismissed the action as it has been modified and specified, as prescribed. Orders the plaintiff to pay the judicial costs. An appeal was filed, dismissed as unfounded. A recourse was filed, in course of settlement.
30	Creditor: EFSA Debtor: Apaterm S.A. Galati  4783/121/2011*	Bankruptcy - registering to the list of creditors for the amount of RON 2,547,551.	Galati Court	Ongoing proceedings.
31	Creditor: EFSA Debtor: Ariesmin S.A. Branch  7375/107/2008	Bankruptcy - registering to the list of creditors for the amount of RON 20,711,588.	Alba Court	Ongoing proceedings.

Crt. no.	Parties/Case file number	Object	Court	Case status
32	Creditor: EFSA Debtor: Zlatmin S.A. Branch 6/107/2003	Bankruptcy - registering to the list of creditors for the amount of RON 9,314,176.	Alba Court	Ongoing proceedings.
33	Creditor: EFSA Debtor: Nitramonia S.A. 1183/62/2004	Bankruptcy - registering to the list of creditors for the amount of RON 2,321,847	Brasov Court	Ongoing proceedings.
34	Creditor: EFSA Debtor: Remin S.A. 32/100/2009	Insolvency proceedings - registering to the list of creditors for the amount of RON 71,443,402.	Timisoara Court	Ongoing proceedings.
35	Creditor: EFSA Debtor: Oltchim S.A. 887/90/2013	Bankruptcy - receivable RON 16,700,311.	Valcea Court	Ongoing proceedings.
36	Creditor: EFSA Debtor: Energon Power and Gas S.R.L. 53/1285/2017	Insolvency proceedings - registering to the list of creditors for the amount of RON 2,421,236.	Cluj Specialized Court	Case closed on 06.06.2023. Final decision.
37	Creditor: EFSA Debtor: CUG S.A. 2145/1285/2005	Bankruptcy - registering to the list of creditors for the amount of RON 7,880,857.	Cluj Specialized Court	Ongoing proceedings.
38	Creditor: EFSA Debtor: Colterm 4657/30/2021	Insolvency - registered to the list of creditors for the amount of RON 2,520,449.97	Timis Court	Ongoing proceedings.
39	Plaintiff: EFSA Defendant: ELSA 6665/3/2019	Claims: request of payment regarding the invoices paid without supporting documents, as it has been stated by the Court of Account - RON 7,025,632.	High Court of Cassation and Justice	The First Instance court dismissed the claim of EFSA. The Decision has been appealed and dismissed by the Court. EFSA filed a recourse, definitively dismissed by the Court.
40	Plaintiff: UAT Targu Secuiesc Defendant: EFSA 886/119/2022	Claims - RON 2,718,151.15	Covasna Tribunal	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
41	Plaintiff: EDPR Romania SRL Parat: EFSA  19662/3/2022	Claims – RON 3,880,124.69	Bucharest Tribunal	The judgment was suspended until the final resolution of file no. 3664/2/2022.
42	Plaintiff: EFSA Defendant: ARC PARC INDUSTRIAL SRL Called into guarantee: VIBRACOUSTIC ROMANIA SRL  585/1285/2022	Claims: RON 7,294,831.26	Cluj Specialized Court	In course of settlement.
43	Plaintiff: Oradea City Defendant: EFSA  752/111/2023*	Claims: RON 4,177,879	Bihor Court	In 18th December 2023, the UAT Oradea's action was dismissed. Appealable within 10 days from it's communication.
44	Creditor: EFSA Debtor: UZTEL SA  1223/105/2023	Insolvency proceedings – registering to the list of creditors for the amount of RON 2,466,866.78	Prahova Court	Ongoing proceedings.
45	Plaintiff:EFSA Defendant: ARC PARC INDUSTRIAL SRL  253/1285/2023	Claims: RON 2,800,000	Cluj Specialized Court	Solution in favour of EFSA. Receivable recovered.
46	Plaintiff:EFSA Defendant:Goldterm Mangalia  6408/118/2023	Claims: 4.421.768,10 RON	Constanta Court	In course of settlement.
47	Plaintiff:EFSA Defendant:A6  263/1285/2023 Impex	Claims: 3.547.674, 21 RON	Cluj Specialized Court	In course of settlement.
48	Plaintiff: Ivan Laura Ionela Ivan Cornel Ionut Ivan Vladimir Mihai Defendant: EL SERV  34705/3/2015	Civil liability – work accident resulting in employee death (amount of compensation claims – EUR 3 mn.).	Bucharest Court	Case reinstated. In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
49	Plaintiff: Cazacu Maria Defendant: DEER  7212/200/2020	Liability of the principal for the act of the defendant- work accident resulting in death of an AISE employee (amount of compensation claimed: EUR 510,000)	Buzau Court	In course of settlement.
50	Plaintiff: DEER – Defendant: COS Targoviste  1906/120/2013	Insolvency – bancrupcy – RON 1,357,789.92.	Dambovită Court	Ongoing procedure. The current receivables have been fully recovered.
51	Plaintiff: Verta Tel SRL Defendant: DEER  4106/3/2021	Claims – contractual liability: RON 2,009,233	High Court of Cassation and Justice.	Case dismissed on merits. Appeal partially admitted with reference to retrial end 3 request. Recourse rejected on 23.03.2023. Final
52	Plaintiff: DEER Defendant: Getica 95 SRL  1666/114/2021*	Insolvency – registration at the list of creditors for the amount of RON 26,283,220.67	Buzau Court	The court admitted the request to close the insolvency procedure. Definitive. Amount fully recovered.
53	Plaintiff: DEER Defendant: AEM S.A.  1347/119/2021	Claims – contractual liability – RON 2,851,297.30	Covasna Court	In course of settlement.
54	Plaintiff: Rebrean Gheorghe Defendant: DEER  1635/112/2022	Claims - the plaintiff requests moral damages in the amount of EUR 500,000 thousand and RON 370 material damages as a result of the bodily injury by electric shock committed on 12.08.2020.	Bistrita Nasaud Tribunal	The judgment of 29.06.2023 - partially admits the action, orders DEER to pay the amount of EUR 60,000 as moral damages and RON 150 material damages. With appeal within 30 days of service of the decision.
55	Plaintiff: DEER Defendant: Electric Planners SRL  25660/3/2022	Claims – contractual liability – RON – 2,553,038.40.	Bucharest Tribunal	In course of settlement.
56	Plaintiff: Allsys Energy SA Defendant: DEER  25660/3/2022	Aquisition: Annulment of the decision to terminate 5 frame agreements for MM, BH, BN, SJ, SM subsidiaries. Request for payment of damages – RON 8,597,179.15 .	Bucharest Tribunal	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
57	Plaintiff: ELSA Defendant: Servicii Energetice Banat  3661/30/2020	<ul style="list-style-type: none"> <li>• Obliging the defendant to leave us in full ownership and possession of the land located in Timisoara, Pestalozzi street no. 3-5, in a total area of 6,089 sqm;</li> <li>• rectification of entries in land registers no. 447675, 408987 and 409003</li> </ul> UAT Timisoara, in the sense of suppressing the inappropriate entries made in them, in order to agree the tabular status with the real legal situation of the real estate, respectively of the deletion of the property right of the tabular owner SERVICII ENERGETICE BANAT S.A. and registration of the property right of Societatea Energetica ELECTRICA S.A. <ul style="list-style-type: none"> <li>• Litigation value: RON 6,452,900.</li> </ul>	Timis Tribunal	Preliminary proceedings.
58	Creditor: Societatea Electrica Furnizare SA Debtor: Romaero  39261/3/2023	Bankruptcy (The debtor's request – art 10 Law 85/2014) – registering to the list of creditors for the amount of RON 4,051,759. 70.	Bucharest Tribunal	In course of settlement.

Source: Electrica

## A.1.4 Litigations against the Romanian Court of Accounts

Crt. no.	Parties/ Case file number	Object	Court	Case status
1	Plaintiff: ELSA Defendant: Romanian Court of Accounts  2229/2/2017*	Partial annulment of Decision no. 12/27 December 2016, issued by the director of the 2nd Direction from the IVth Department of the Romanian Court of Accounts, regarding the faults from point 1 to 8, with the consequence of dismissing the actions from point 1, 3 to 9 inclusive, imposed to ELSA by the disputed Decision; the partial annulment of the conclusion no. 12/27 February 2017 of the Romanian Court of Accounts, rejecting the objection raised by ELSA against Decision no. 12, regarding the faults and orders mentioned above. In subsidiary, the extension of the deadlines for carrying out all the measures ordered by ELSA through Decision no. 12/27 December 2016 with at least 12 months; the suspension of the enforceability of Decision no. 12 until final settlement of the present dispute.	High Court of Cassation and Justice	On 06.07.2023, the Court partially admitted the request formulated by ELSA and partially annulled Conclusion no. 12 / 27.02.2017 and Decision no. 12 / 27.12.2016, issued by the Romanian Court of Accounts, regarding the deviations from point 1, point 2, point 3, point 4 point 5 partially, for rent exceeding the period 17.07.2013–01.09.2013, point 6, point 7 and regarding the correlative measures, the measure from point II.7 being maintained for the rent related to the period 17.07.2013–01.09.2013. Rejects as unfounded the application end regarding the extension of the implementation deadlines. It notes that the applicant has reserved the right to claim separately the costs incurred in the case. Both parties filed a recourse, in course of settlement.
2	Plaintiff: EL SERV Defendant: Romanian Court of Accounts  2098/2/2017	Litigations with the Romanian Court of Accounts for the annulment of the administrative act – Decision no. 11/27 February 2017.	Appeal High Court of Cassation and Justice	On 31.07.2023, the Court admits the request in part: rejects the exception of illegality as unfounded and admits in part the annulment action as specified. Partially annuls conclusion no. 11/27.02.2017, decision no. 13/27.12.2016 and control report no. 9.100 – 15.553/05.12.2016, respectively with regard to the measures provided for in points I.3, II.7 and II.8. Rejects the annulment action as unfounded. Obliges the defendant to pay the plaintiff the sum of RON 24,801.175 as court costs, according to the provisions of art. 453 para. 2 Civil Code. An appeal was filed – filter proceedings.



Crt. no.	Parties/ Case file number	Object	Court	Case status
3	Plaintiff: DEER Defendant: Romanian Court of Accounts Intervenient: SERV  1677/105/2017	Suspension and annulment of the measures imposed by the Decision of Prahova Court of Accounts no. 45/2016, following the Control Report of the Prahova Court of Accounts no. 6618/11 November 2016.	Ploiesti Court of Appeal	Dismisses the application. A recourse was filed. Preliminary proceedings.

Source: Electrica

## A.1.5 Other litigations with significant impact

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: DEER Defendant: Local Council of Oradea City, RCS&RDS  3340/111/2015	Cancellation of Oradea LCD no. 108/17 February 2014 regarding the organization of the public auction for the concession of the 100,000 sqm land area, in order to realize an underground sewerage for the placement of electronic and electrical communications networks.	Bihor Court	At the request of RCS-RDS, the case was suspended until the case file 2414/2/2016 was settled with Delalina SRL, a file that is in the role of the Bucharest Court of Appeal. The file no. 2414/2/2016 was definitively solved on 22.03.2021, without a request for reinstatement being formulated, following to be ascertained by the court the expiration of the request, DEER no longer having an interest in supporting the request for summons. The Bihor Court found the expiration of the request for summons on 28.03.2023, the solution being final.

Crt. no.	Parties/Case file number	Object	Court	Case status
2	Plaintiff: Carei City and others Defendant: DEER  15600/211/2016*	Claims - it is requested to grant compensation in the form of material and moral damages, caused, by interrupting the supply of electricity to the consumers, in the Carei municipality, during 31.12.2014-02.01.2015.	Cluj Specialized Court	On 21.04.2021, the court rejects the action of a plaintiff as a result of admitting the exception of lack of capacity to use, rejects the exception of lack of active procedural quality of plaintiffs, invoked by defendants, rejects the exception of lack of passive procedural quality of defendant DEER, rejects the exception of lack of procedural quality liabilities of the defendant Electrica Furnizare SA and admits in part the action in contradiction with the defendant ELECTRICA FURNIZARE SA. Dismisses as unfounded the request for formal proceedings by the applicants in the preceding paragraph in contradiction with DEER. Obliges the defendant ELECTRICA FURNIZARE S.A., to pay the moral damages in favor of the plaintiffs in a differentiated way, in the amount of RON 500 for some of the plaintiffs, RON 750 and RON 1,000 for other plaintiffs, rejecting at the same time the moral damages for other plaintiffs. Appeal filed by Electrica Furnizare. In appeal, the court rejects, as unfounded, the main appeal declared by the appellant Electrica Furnizare SA and rejects, as unfounded, the incidental appeal declared by the respondents TN, and MC. Recourse definitively dismissed. Definitely settled at 20.01.2023

Crt. no.	Parties/Case file number	Object	Court	Case status
3	Plaintiff: E-Distributie Banat Defendant: ELSA  12857/3/2019	(i) ELSA's compliance with the obligation of not to do regarding the share capital and the AoA of the EDB and the termination of abusive actions consisting of the requests addressed to the ONRC to change the structure of the share capital and the articles of association of the EDB by increasing the share capital with the value of the land in the Certificates of attestation of the property right held by ELSA on the land used by EDB in order to carry out the activity; (ii) Stating the fact that Electrica does not hold the quality of public authority involved in the privatization process and, consequently, acknowledging the absence of the right of ELSA to request ONRC to modify the constitutive act of the EDB by increasing the share capital with the value of the land owned by ELSA based on CADP on the used land from EDB; (iii) As against to the abusive actions taken in the EDB's opinion, ELSA's obligation to pay the damages whose existence and amount will be proved by the deadline provided by law.	Bucharest Court of Appeal	Case dismissed on merits; appeal definitively dismissed by the court on 07.03.2023.
4	Plaintiff: ELSA, SAPE Defendant: E-Distributie Banat  949/39/2019	Action for the annulment of Shareholders resolution 5/06.12.2018 (share capital increase for SAPE).	Timisoara Court of Appeal	Case dismissed on merits; an appeal was filed by ELSA and SAPE, definitively dismissed. At this case was connected the case no. 988/30/2019.
5	Plaintiff: ELSA, Defendant: SAPE, Retele Electrice Banat (former E-Distributie Banat), Ministry of Energy  2981/1/2023	Review against the decision 573/29.11.2013, pronounced by the Court of Appeal Timisoara in file no. 949/30/2019.	High Court of Cassation and Justice	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
6	Plaintiff: ELSA Defendant: UAT Biczaz  91/188/2020	<p>1.obliging the defendant to leave us in full ownership and possession of the land in the area of 10,524 sqm (from documents 22,265 sqm), located in Biczaz, Neamt county.</p> <p>2. rectification of the entries from the land book no. 52954 of Biczaz City, in the sense of elimination of inappropriate entries made in it, in order to agree on the tabular status with the real legal situation of the building, respectively the cancellation of the property right of the tabular owner Biczaz City and the registration of the property right of Societatea Energetice Electrice Electrica S.A.</p> <p>3. Order the defendant to pay the court costs.</p>	Bacau Court of Appeal	<p>The court of first instance partially annuls the Decision of the Local Council of Biczaz no. 94/25.08.2016, respectively regarding the surface of 10,524 sqm of urban land 3, Biczaz, Energiei street (former Plant), located at the last position of the table in the Annex to HCL no. 94/25.08.2016, following the admission of the exception of illegality, invoked by the plaintiff. Dismisses the action brought by ELSA as unfounded. Admits in part the action in the rectification of the land book. It orders the rectification of the Land Book no. 52954 of the City of Biczaz, regarding the land with an area of 10,524 sqm, located in Biczaz, 3, Energiei street, Neamt County (former Uzinei), in the sense of deleting the property right of the defendant Biczaz city, as a result of the partial annulment of HCL no. 94/25.08.2016, regarding this land. Rejects as unfounded the applicant's request to order the rectification of the Land Book no. 52954 of the City of Biczaz, regarding the land with an area of 10,524 sqm, located in Biczaz, 3, Energiei street, Neamt County (former Uzinei), in the sense of registering the ELSA property right over the above mentioned land. ELSA filed an appeal, dismissed by the court. The decision was appealed, the recourse being definitively dismissed on 09.01.2023.</p>
7	Plaintiff: DEER Defendant: ANARC (ANCOM) and Telekom Romania Communications SA  7407/2/2020	<p>Appeal against Decision no. 1177 / 13.11.2020 of the ANARC President. It was requested the partial annulment of the ANCOM decision and the complete rejection of the Telekom Romania request.</p>	Bucharest Court of Appeal	<p>Action dismissed on the merits. With appeal within 15 days from communication.</p>
8	Plaintiff: Valenii de Munte City Hall Defendant: DEER  2848/105/2020	<p>Valenii de Munte City Hall requests the obligation of DEER (Ploiesti) to take over public lighting installations and to pay their equivalent value of RON 466,880.</p>	Ploiesti Court of Appeal	<p>Action dismissed on the merits. The recourse is accepted, the sentence is quashed and the case is sent to the Prahova Court for retrial.</p>

Crt. no.	Parties/Case file number	Object	Court	Case status
9	Plaintiff: Grup 4 Instalatii Defendant: DEER  375/1285/2021	The obligation of DEER to recognize, to respect the property right of G4Instalatiu regarding the buildings located in Cluj Napoca, 28A, Ilie Macelaru Street and 2, Uzinei Electrice Street, registered in land book 297841 Cluj Napoca with no. 297841, consisting of land with an area of 10720 sqm and constructions: construction registered in land book with no. 297841-C1, construction of administrative headquarters with an area of 1560 sqm; body A, construction no. 297841- C2 - 512 sqm, building B, construction no. 297841 - C3 - 171 sqm, building C, construction no. 297841 - C4 - 338 sqm, building D, construction no. 297841-C6 - 348 sqm - 110/10 Kw Transformation Station. It is requested the handing over of the above buildings and the rectification of the land book registrations in the sense of: the annulment of the tabulation conclusions by which the DEER property right was registered, the deregistration of the land book property right, the registration of the property right in favor of G4I.	High Court of Cassation and JusticeCluj Court of Appeal	The court admits the exception of the material incompetence of the Cluj Specialized Tribunal, an exception invoked ex officio and consequently declines the competence to resolve the request for summons in favor of the Cluj Tribunal-Civil Section. Case admitted in part. An appeal was filed, dismissed by the court. A recourse was filed, in course of settlement. With recourse within 30 days of it's communication.

Crt. no.	Parties/Case file number	Object	Court	Case status
10	Plaintiff: ELSA Defendant: Kaufland Romania SCS, Deva City, through the Mayor and Deva City Council	<p>1. obliging the defendants to leave us in full ownership and possession of the land surfaces that overlap with the ELSA land located in Deva municipality, 1, Dorobanti street, Hunedoara county, as follows: (a) Kaufland Romania SCS - land areas of 15 sqm and 50 sqm (part of the Kaufland Deva parking lot), identified by IE 68452, which overlap to the N-W with the land owned by Electrica; (b) Deva Municipality, through the Mayor and the Local Council of Deva Municipality - land areas: (i) 2 sqm (part of the "Playground for children"), identified by IE 71851, which overlaps to the NE with the land in the ownership of Electrica and (ii) of 23 sqm (part of "Calea Zarandului"), identified by IE 75973, which overlaps to the SW with the land owned by Electrica;</p> <p>2. the delimitation of the above-mentioned properties, by establishing the boundary line according to the property deeds of the parties;</p> <p>3. rectification of the entries in the land book regarding the above-mentioned land areas, in the sense of eliminating the inappropriate entries made, in order to reconcile the tabular status with the real legal situation of the real estate, respectively of the cancellation of the property right tabular owners and the registration of the property right of the applicant ELSA over these land areas.</p>	Hunedoara Tribunal	Action admitted in part. ELSA filed an appeal – in course of settlement by Civil Section I of Hunedoara Tribunal (following the settlement of the lack of material competence of the court).
11	Creditor: Eurototal Comp SRL Debtor: DEER  1221/1285/2022	Insolvency – RON 1,255,000	Cluj Court of Appeal	The amount has been entirely paid on 3 January 2023 and the creditor waived the trail of the insolvency request, subsequently filing a recourse. Void recourse. Final.
12	Plaintiff: Sinan Mustafa Defendant: DEER SA  10249/211/2023	Action for contractual liability. Requests the payment of the amount of RON 144,978.69 representing the bonus not granted at the end of the mandate contract, and the related legal penalty interest.	Court Cluj-Napoca	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
13	Plaintiff: Nine Alexandru Defendant: DEER SA 1777/62/2023	Claims - Requests the payment of the amount of 84,925 euro (419,002.96 RON) representing, damages revocation of mandate contract,	Brasov Court	In course of settlement.
14	Creditor: Eurototal Comp SRL Debtor: DEER 724/1285/2023	Insolvency : 209.335,28 RON	Cluj Commercial Court	The creditor waived the trail of the insolvency request. On 11.01.2024, the Court takes note of the renunciation of the creditor EUROTOTAL COMP S.R.L., on judging the request to open insolvency proceedings against DEER. It states that the appeal filed by the debtor DEER has remained without object. Take note of the parties' manifestation of will to waive the appeal. Definitive.
15	Plaintiff: ELSA Defendant: DEER 1697/242/2019	<ul style="list-style-type: none"> <li>• Obliging the defendant to leave us in full ownership and possession of the land area of 7,695 square meters, located in the place. Somesul Rece, Gilau commune, Cluj county, registered in CF no. 52997 – Gilau Commune (old land registry no. 561/Somesul Rece);</li> <li>• - rectification of entries in the land registry, in the sense of suppressing inappropriate entries made in it, registered under no. 34516/21.05.2017, to agree the tabular status with the real legal situation of the immovable property, namely the deletion of the ownership right of the SDEE TN tabular owner over the land surface and the registration of the ownership right of the claimant ELSA over this land surface.</li> </ul> <p>Litigation value: RON 93,226.62.</p>	Huedin Court	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
16	Plaintiff: ELSA Defendant: DEER, EFSA, FISE  4658/117/2019	<p>1. Obliging the defendants to leave us in full ownership and possession of the land area of 2,339 square meters, located in the town of Dej, str. Avram Iancu no. 20, Cluj county, registered in land register no. 52907 – Dej, Cadastre and Real Estate Office Cluj (old Land Registry no. 19335), no. topo. 938a) Defendant DERR:</p> <ul style="list-style-type: none"> <li>- mainly, the land area of 1700.92 sq m, the area registered in the Land Register no. 52907 – Dej, OCPI Cluj;</li> <li>- in the alternative, the land area of 1,452.12 square meters, in the situation where «the transfer of ownership» of the land area of 248.8 square meters by this defendant to the defendant EFSA will be proven;</li> </ul> <p>b) Defendant (F.I.S.E.) ELECTRICA SERV S.A. – land area of 638 sq m;</p> <p>c) Defendant EFSA – land area of 248.8 square meters;</p> <p>2. Rectification of the entries in the land register regarding the land registered in land register 52907 – Dej, Office of Cadastre and Real Estate Cluj (old Land Register no. 19335), no. topo 938, in the sense of suppressing inappropriate entries made within it, registered under no. 33747/2006, in order to reconcile the tabular status with the real legal situation of the immovable property, respectively of the deletion of the property right of the DEER tabular owners under the name under which it was entered in the Land Register) and F.I.S.E. ELECTRICA SERV S.A. on the land area of 2,339 square meters, located in the town of Dej, str. Avram Iancu no. 20, Cluj county and the registration of the property right of the claimant ELSA over this area of land.</p> <p>Litigation value: RON 329,875.</p>	Cluj Court	Case dismissed on merits. Appel filed by ELSA, dismissed by the court. With recourse within 30 days of communication.
17	Plaintiff: ELSA Defendant: Gidazi Prod Com Hidroelectrica S.A.  3450/241/2019	<p>1. obliging the defendant to leave us in full ownership and possession of the land area of 46.99 square meters, located in Romani, Romanii de Jos village, Schitului str., no. 2A, Valcea county», which constitutes an undivided part of the total area of 93.98 sqm (94 sqm registered), registered in the land register no.</p>	Valcea Tribunal	On the merits, the court partially admitted the summons and ordered the partial cancellation of the asset sale purchase contract authenticated under no. 335/29.07.2016 by BNP Berevoianu Radu Costin, regarding the area of 94 square meters from measurements, intra-village land with cadastral number 36276



Crt. no.	Parties/Case file number	Object	Court	Case status
		<p>36276 – Horezu (old CF no. 1190);</p> <p>2. rectification of entries in the land register regarding the land registered in land register no. 36276 – Horezu (old CF no. 1190), in the sense of suppressing inappropriate entries made within it, registered under no. 41348/04.08.2016, to reconcile the tabular status with the real legal situation of the immovable property, respectively the deletion of the property right of the tabular owner GIDAZI PROD COM SRL;</p> <p>3. (supplementary request) ascertaining the partial absolute nullity of the sale-purchase contract authenticated under no. 335/29.07.2016 by BNP Berevoianu Radu Costin, regarding the sale of the land area of 46.99 sqm.</p> <p>Litigation value: RON 1,715.53.</p>		<p>Horezu (old cadastral number 1298). Orders the deletion of the property right registered in the name of the defendant GIDAZI PROD COM SRL from the Land Register no. 36276 Horezu, on the land building with an area of 94 square meters. Reject the rest of the request. ELSA and Hidroelectrica filed an appeal, On appeal, the court orders the partial cancellation of the sale-purchase contract authenticated under no. 335/29.07.2016 regarding the area of 46.99 square meters, mentioned in the Certificate of attestation of the right of ownership over the lands series M03 no. 11429/26.04.2010. Order the deletion from the land register no. 36276 Horezu of the property right registered in the name of the defendant GIDAZI PRODCOM SRL regarding the area of 46.99 square meters, mentioned in the Certificate of attestation of the right of ownership over the lands series M03 no. 11429/26.04.2010. Maintain the rest of the appealed sentence. With recourse within 30 days of communication.</p>
18	<p>Plaintiff: ELSA Defendant: Romanian State – Ministry of Finance</p> <p>9439/318/2021</p>	<p>1. forcing the defendant to leave us in full ownership and possession of the land with an area of 20.50 square meters which is an integral part of the land with an area of 348 square meters identified with no. Cadastral 2177, registered in CF no. 39932 of the city of Targu Jiu, Jud. Gorj, land located in Targu Jiu, General Gheorghe Magheru str., Gorj county. 2. Rectification of CF</p> <p>Litigation value: RON 12,767.</p>	Targu Jiu Court	Suspended, until the resolution of the exception of illegality which is the subject of file 14904/318/2023.
19	<p>Plaintiff: ELSA Defendant: E-Distributie Banat</p> <p>27688/325/2023</p>	<p>Request for penalties for not preparing the CADP documentation regarding the land in Ghelari for which ELSA obtained a court decision.</p>	Timisoara Court	In course of settlement
20	<p>Plaintiff: Retele Electrice Banat Defendant: National Trade Registry – Timis Trage Registry Main intervenient: ELSA</p> <p>6209/30/2023</p>	<p>Complaint against the director of the Trade Registry - regarding the rejection of the request for correction of an error regarding the shareholding.</p>	Timis Tribunal	Preliminary proceedings.

Crt. no.	Parties/Case file number	Object	Court	Case status
21	Plaintiff: FISE Defendant: E-Distributie Muntenia Intervenient: ELSA  2275/93/2021	Tancabesti land diassembly	Ilfov Tribunal	Amicably resolved.
22	Plaintiff: ELSA Defendant: Romanian State, represented by the Ministry of Transport, Infrastructure and Telecon, by CNAIR, Craiova Local Council – Comission for applying Law 255/2010  3411/63/2023	1. Partial annulment of the Decision establishing compensations no. 3 of 02.11.2022, adopted by the Craiova Local Council – Commission for the application of Law no. 255/2010, regarding the amount established as compensation for the expropriated land area of 169 sqm, located in Teilor Street no. 160, no. cadastral / land register 216717 (currently transcribed in CFE 248543 UAT Craiova); 2. Obliging the defendant, the Romanian State, represented by the Ministry of Transport and Infrastructure, through CNAIR, to pay to the underwriter the real value of the entire land area of 174 square meters expropriated in reality, composed of: (i) the land area of 169 square meters which makes object of Annex no. 2 at H.G. no. 327/2021, position no. 35 and of the expropriation decision no. 942/28.05.2021, position 35 and (ii) the land area of 5 square meters, de facto expropriated, with which the Romanian State registered in the land register (no. 248543 Craiova), in addition to the area that is the subject of the expropriation decision no. 942/28.05.2021.	Dolj Tribunal	In course of settlement.
23	Plaintiff: ELSA Defendant: E-Distributie Dobrogea  17971/212/2023	Obliging EDD to draw up the documentation for the certificate of ownership and hand it over to ELSA.	Constanta Court	In course of settlement.
24	Plaintiff: ELSA Defendant: E-Distributie Banat  22327/325/2023	Obliging EDB to draw up the documentation for the certificate of ownership and hand it over to ELSA.	Timisoara Court	In course of settlement.

## Appendix 2 – Details of the main investments of Electrica Group during 2023

Between 1 January 2023 and 31 December 2023, the most significant investments made by the Group are as follows:

DESCRIPTION	Value (RON mn.)
<b>MUNTENIA NORD</b>	
Modernization and integration in SCADA of 110/20 kV Potlogi Substation	7.97
Modernization of secondary substations fed from UGC 20kV Blocks 1, Blocks 2, IPL, Trainica 1, Trainica 2, Pucioasa city, Dambovita County	7.39
Modernization of the 110 kV Hipodrom Substation, replacement of power transformers Trafo 1 (110/20/6kV) & Trafo 2 (110/6kV)	7.39
Implementation of an integrated resource planning system-Workforce Management (WFM) WFM - IT tool for planning and monitoring in the field the resources (humans, vehicles, devices, materials, equipment) involved in business processes: operation, maintenance, investment works with own construction teams, network access, measurement.	7.09
Voltage level improvement in localities Baldana, Tartasesti, Gulia, Commune Tartasesti, Dambovita County	6.54
Modernization of LV OHL and connections – meters in the area of PTA 3161, PTA 3251, PTA 3320, Iazu locality, Cojasca Commune, Dambovita County	6.40
Modernization and integration in SCADA of 110/20 kV Zatna Substation, Braila County	5.51
Modernization of network and connections Homocea, Vrancea County	5.43
Modernization and consolidation of the hardware infrastructure and software of the SAP system [SAP-DEER] 2022_batch1 - OBJECT 2+OBJECT 1	5.40
Modernization and integration in SCADA of 110/20 kV Buzau Sud Substation	5.02
Modernization of distribution network in village Lunca Pripor, Nehoiu City, Buzau County	4.61
Network switching over from 6 kV to 20 kV, Floresti locality	4.37
Improving technical conditions of supply for consumers in locality Plopeni	4.36
SDEE Ploiesti network modernization, for blocks of flats in Ploiesti Nord neighbourhood, Prahova County - STAGE II	3.95

DESCRIPTION	Value (RON mn.)
<b>MUNTENIA NORD</b>	
Modernization and integration in SCADA of 110/20 kV Potlogi Substation	7.97
Modernization of secondary substations fed from UGC 20kV Blocks 1, Blocks 2, IPL, Trainica 1, Trainica 2, Pucioasa city, Dambovita County	7.39
Modernization of the 110 kV Hipodrom Substation, replacement of power transformers Trafo 1 (110/20/6kV) & Trafo 2 (110/6kV)	7.39
Implementation of an integrated resource planning system-Workforce Management (WFM) WFM - IT tool for planning and monitoring in the field the resources (humans, vehicles, devices, materials, equipment) involved in business processes: operation, maintenance, investment works with own construction teams, network access, measurement.	7.09
Voltage level improvement in localities Baldana, Tartasesti, Gulia, Commune Tartasesti, Dambovita County	6.54
Modernization of LV OHL and connections – meters in the area of PTA 3161, PTA 3251, PTA 3320, Iazu locality, Cojasca Commune, Dambovita County	6.40
Modernization and integration in SCADA of 110/20 kV Zatna Substation, Braila County	5.51
Modernization of network and connections Homocea, Vrancea County	5.43
Modernization and consolidation of the hardware infrastructure and software of the SAP system [SAP-DEER] 2022_batch1 - OBJECT 2+OBJECT 1	5.40
Modernization and integration in SCADA of 110/20 kV Buzau Sud Substation	5.02
Modernization of distribution network in village Lunca Pripor, Nehoiu City, Buzau County	4.61
Network switching over from 6 kV to 20 kV, Floresti locality	4.37
Improving technical conditions of supply for consumers in locality Plopeni	4.36
SDEE Ploiesti network modernization, for blocks of flats in Ploiesti Nord neighbourhood, Prahova County - STAGE II	3.95
Modernization of secondary Substations PTZ in Gaestisti: PTZ 5016 Blocuri Gaesti, PTZ 5031 Blocuri Gaesti, PTZ 5185 Blocuri Gaesti, PTZ 5136 CTA Gaesti, PTZ 6128 IGO Titu, PTZ 5103 Fca de Gheata, PTAB 5211 13 Decembrie, PA 5002 PTTR, PTZ 514 F-ca de paine 6, PTZ 5127 F-ca de Branza si US 5230 Mogosani	3.84
Network modernization in CA Rosetti Commune, Buzau County, villages: Cotu Ciorii and Balteni - vol 1; Lunca - vol 2; Balhacu, CA Rosetti and Vizireni- vol 3	3.80
ELA ENERGY network reinforcement	3.74
Improving technical conditions of supply and the voltage level for consumers in Fulga Commune, Prahova County	3.54

DESCRIPTION	Value (RON mn.)
Modernization of the central heating boiler of the Galati branch headquarters – headquarters str. Nicolae Balcescu no. 35A, Galati Municipality	3.34
Implementation of Intelligent Energy Metering Systems (SMI) 2023 SR Buzau mun Buzau -27369 pcs	3.25
Modernization of 20/6 kV Ploiesti Vest Substation, integration in SCADA system and grounding compensation with BSRC (adjustable arc suppression coil), Prahova County	3.19
Voltage level improvement for consumers in Odobesti Commune, Dambovita County, localities: Ziduri, Crovu, Brancoveanu and Miulesti	3.06
Modernization of the 110 kV Substations: Filesti, SNG, Tecuci, Ionasesti - replacement of 110/6kV power transformers - 4 pcs	2.99
Improving technical conditions of supply and the voltage level for consumers in Salciile village, Prahova County	2.93
Network modernization in Tataru and Maicanesti localities, Maicanesti Commune, Vrancea County	2.80
Voltage level improvement and modernization of LV OHL and connections for consumers from the area of PTA 3038 & PTA 3128 Varnita area, Prahova County	2.76
Improving technical conditions of supply for consumers in Rizanesti area, Valenii de Munte City	2.67
Modernization of OHL 20kV by replacing insulation and conductors (OHL 20kV Urleasca – SR Ramnicelu, OHL 20kV Lacu Sarat – SRPD 1-4, OHL 20kV Romanu – T. Vladimirescu and OHL 20 kV Gropeni – Tichilesti)	2.56
Modernization of Plopeni 20/6 kV substation; mounting neutral point treatment 6 kV	2.52
Network modernization in area of PTA 5776 no.1 and PTA 5778 CIA, Sendreni locality, Galati County	2.40
Voltage level improvement & modernization of secondary substations (PT) and OHL in PTA 1104 Ciorani+PTA 1067 Cioranii de Jos area, Ciorani Commune, Prahova County	2.37
Improving technical conditions of supply and the voltage level for consumers supplied with electricity from PTA 3023 Palanca, Palanca village, Rafov Commune, Prahova County	2.35
Achievement of smart distribution network in a homogeneous area of consumers from Tiglina 1, Tiglina 2, Tiglina 3 - Micro 16, Tiglina 4 neighborhoods in Galati Municipality, Galati County	2.33
Modernization of 0.4 kV distribution network in Munteni locality, areas supplied by PTA1, PTA2, PTA3 Munteni, Galati County	2.11
Modernization of 0.4 kV distribution network in Zidari neighbourhood, Rm Sarat Municipality, Buzau County	2.11
Modernization of LV OHL and power injection in PTA 1,2,3 and 4 Zavoia, Zavoia locality, Braila County	2.05

DESCRIPTION	Value (RON mn.)
Modernization of LV OHL and connections, Fantanele locality, Cojasca Commune, Dambovita County	2.02
SMI (Smart metering systems) Targoviste Branch	1.98
Modernization of 20/6 kV Slanic Substation and neutral point treatment, Prahova County	1.95
Modernization of 0.4 kV OHL and connections for consumers in Movila Miresii locality	1.95
Installation of grounding compensation with BSRC (adjustable arc suppression coil) in 20/6 kV Columbia Substation	1.94
Increasing the power supply reliability of consumers from Radu Negru and Buzaului neighbourhood, Braila Municipality	1.80
Voltage level improvement for users in PT6156, 6061, 6060,6129.6222,6062 area Racari locality, Dambovita County	1.61
Voltage level improvement for users in Cranguri locality, Dambovita County	1.60
SMI (Smart metering systems) Muntenia Nord area	1.59
SMI (Smart metering systems) Focsani Branch	1.57
<b>TRANSILVANIA SUD</b>	
Modernization and consolidation of the hardware and software of the SAP system [SAP-DEER] Batch1	2.63
Implementation of an integrated resource planning system - Workforce Management	2.20
Modernization of the 20 kV UGC in the area of the 220/110/20 kV Alba Iulia Substation, Alba Iulia Municipality, Alba County	3.64
Modernization of 20 kV network in the area of Bulevardul Revolutiei 1989, Alba Iulia Municipality, Alba County	4.60
Modernization of 20 kV network in the area of Piata Iuliu maniu, Alba Iulia Municipality, Alba County	3.13
Modernization of 20 kV network in Lipoveni neighbourhood, Alba Iulia Municipality, Alba County	3.23
Modernization of 20 kV network in Maieri neighbourhood, Alba Iulia Municipality, Alba County	5.23
Modernization of distribution network, Bran locality- Stage 2, PT4 area, Brasov County	4.30
Modernization of distribution network, Bran locality- Stage 3, PA1, PT5, PT7 area, Bran area, Brasov County	7.77
Increasing the power supply reliability 6kV and 20 kV busbars in 110/20/6 kV Brasov Centru Substation, Brasov County	1.53

DESCRIPTION	Value (RON mn.)
Increasing the power supply reliability 6kV and 20 kV busbars in 110/20/6 kV Bartolomeu Substation, Brasov County	1.53
Increasing the power supply reliability for 20 kV OHL Prejmer-Ozun, Covasna County	3.85
Increasing the power supply reliability for 20 kV OHL Bixad locality, Covasna County	3.32
Modernization of 20/0.4 kV Secondary Substations, Ludus city, Mures County	5.81
Back-up supply of 20 kV busbars - Sanpaul Substation, Mures County	1.63
Modernization of the 20 kV UGC in the area COR MV-LV Tg Mures, by replacing the 20 kV cables on the Bulevard and Tudor 4 - Platou Cornesti lines, Tg Mures Municipality, Mures County	2.02
Modernization of internal services of (AC) and (DC) in the Substations managed by SDEE TS – Substations Cugir, Teius, Lupsa, Sebes	2.15
Modernization of internal services of (AC) and (DC) in the Substations managed by SDEE TS – Substations Bartolomeu, Ghimbav, Harman, Hoghiz, Prejmer	1.42
Modernization of internal services of (AC) and (DC) in the Substations managed by SDEE TS – Substations Cic, Tarnaveni, Mureseni, Reghin, Raci	1.67
Modernization of internal services of (AC) and (DC) in the Substations managed by SDEE TS – Substations Aeroport, Aurel Vlaicu, Cartisoara, Orlat, Dumbrava	1.53
Modernization of 0.4 kV OHL in the central area of Reghin Municipality, area PT 14, 55/15, 71, 65, Mures County	1.53
Modernization of 0.4 kW network and connections, Gheorghe Doja Street (Piata Victoriei-Piata garii section) and Piatra de Moara, Targu Mures city, Mures County	2.17
Modernization of 0.4 kV network and connections streets Budiului, Bega(partia) & Mestecanisului (partial), Targu Mures City, Mures County	1.71
Modernization of 0.4 kW network in Hipodrom 1,2,3 area, Sibiu Municipality, Sibiu County	3.42
Modernization of 0.4 kV network in Dumbraveni locality, Sibiu County	11.55
Modernization of 0.4 kV network in Richis village, Biertan Commune, Sibiu County	1.90
Modernization of 0.4 kV network in Dealu Frumos village, Merghindeal Commune, Sibiu County	1.54
Modernization of 0.4 kV network in Mosna Commune, Sibiu County	3.37
Voltage level improvement and modernization of LV OHL, Carpinis locality, Garbova Commune, Alba County	2.05
Modernization of 0.4 kV network and securing connections, Dumbrava Rosie str., Miraslau, Rovine, Valea Alba, loc. Brasov, Brasov County	2.46

DESCRIPTION	Value (RON mn.)
Increasing the power supply reliability & modernization of 20 kV, 0.4 kV UGC, Racadau, Brasov County	7.09
Voltage level improvement and network modernization in the area of PT5 Bod & PT1 Bod, Commune Bod, Brasov County	9.99
Modernization of LV network in Odorheiu Secuiesc locality, Rakoczi Ferencz street, Harghita County	2.25
Voltage level improvement and modernization of 0.4 kV OHL and connections, Cetatua locality, Harghita County	2.80
Voltage level improvement and modernization of 20 kV OHL, 0.4 kV OHL and connections in Singeorgiu de Mures and Cotus localities, Mures County, Volume I- Cotus and Tofalau villages	1.38
Modernization of 0.4 kV network and connections, Cuza Voda, Tusnad, and Cardinal Iuliu Hossu streets, Targu Mures Municipality, Mures County	2.64
Voltage level improvement and modernization of 0.4 kV OHL and connections, Batos locality, Mures County	2.16
Voltage level improvement and modernization of MV & LV network in Miercurea Sibiului area, Sibiu County Sibiului, jud. Sibiu	7.29
Network extension in Alba Iulia city, streets: Viadana, Mogos, Sadu and Apuseni, Alba County	2.94
Network extension in Vama Buzaului village, Dalghias point, Brasov County	1.71
Increasing the capacity of 20 kV network in Drumul Poienii – Schei area, Brasov city, Brasov County	4.03
Reinforcement works -power increasing, Campu Frumos Industrial Park, Covasna County	1.95
Site release works for the achievement of the objective "Rehabilitation of the infrastructure of the major urban public transport network in the Municipality of Alba Iulia - Batch 1	2.21
Site release works for the achievement of the objective "Rehabilitation of the infrastructure of the major urban public transport network in the Municipality of Alba Iulia - Batch 2	2.48
Modernization of distribution network in Sacele Municipality by switching from OHL (MV&LV) to UGC (MV&LV), replacing existing UGC with paper insulation by UGC with reticular polyethylene insulation (XLPE), restoring connections and meters relocation (Stage 1)	2.03
Modernization of LV network by switching from 0.4 kV OHL to 0.4 kV UGC, modernization and securing connections in streets Fabricii, Tigaretei, Tutunului and Salciilor, Sf. Gheorghe Municipality, Covasna County	1.86
Release of site for d Modernization of County Road DJ106B:A1 Ocna Sibiului Loamnes-Sorostin-Tapu	1.94
<b>TRANSILVANIA NORD</b>	
Modernization and consolidation of the hardware infrastructure and software of the SAP system [SAP-DEER] Batch 1	2.63



DESCRIPTION	Value (RON mn.)
Modernization of switching equipment related to MV OHL for the Cluj-Napoca Distribution Branch, Cluj County	2.73
Modernization of pole mounted substations, SDEE TN- Distribution Branch Cluj Napoca, Cluj County, Vol2 – area of network operation center Gherla	1.41
Modernization of MV OHL Juc Geaca between R Gadalin and R Geaca	2.70
Network modernization in Cluj-Napoca Municipality, Mihail Kogalniceanu Street and adjacent streets area, Cluj County,	1.42
Closure of the 20 kV loop between Jucu-Valcele and Jucu Geaca, construction of PTA <sub>b</sub> 20/0.4 kV - 250 kVA and power injection in Caian Vama	1.57
Increasing reliability of power supply in Floresti locality, Cluj County – Vol. 5 Modernization of the Distributor Abator and construction of Distributors Cimitir & Poligon	1.86
Systematization of distributor exits from the 110/20/10 kV Campului Substation and modernization of distributors Manastur 9, Manastur 10 and UAC Cartier Manstur, Cluj-Napoca Municipality, Cluj County	2.55
Increasing electricity supply reliability in Floresti locality, Cluj County – Vol. 6 Modernization Iazuri Distributor	2.05
Extension of the distribution network in Valea Ierii Commune, Composesoratul Muntele Baisorii area – Requested by Valea Ierii City Hall	1.27
Modernization of 20 KV OHL Beius – Budureasa	1.90
Modernization of LV OHL and power injection in Serghis locality, Bihor County	1.77
Modernization of MV UGC in the area Nufarul and Rogerius Neighbourhood, Oradea	1.53
Improvement of the electricity distribution service in 110/20kV CET 2 Oradea Substation	3.33
Construction of MV UGC to increase the electricity supply reliability in Matei Corvin area, Oradea Municipality, Bihor County	6.23
Modernization of LV OHL, branches reconstruction – PTA <sub>2</sub> , Sinteu locality, Bihor County	1.79
Modernization of 20 KV OHL Salonta-Avicola Cefa, Bihor County	2.38
Switch to 20kV of metal cabin secondary substations in Baia Mare town-20 PTs	4.85
Modernization of LV networks, Baia Mare town, historical center area, stage 2	2.12
Increase in distribution capacity and modernization of the Pietrosul Substation	7.38
Installation of photovoltaic panel systems to cover the electricity own consumption of the administrative offices and Substations in Maramures County, belonging to DEER SA – Baia Mare Branch	1.29

DESCRIPTION	Value (RON mn.)
Modernization and switchover to 20 kV of PTZ 7 and PTA 64, Sighetu Marmatiei, Maramures County	2.77
Switchover to 20 kV PTM no. 13,42,52,53 Sighetu Marmatiei town	1.77
Modernization of OHL 20 KV Craidorolt, Satu Mare County	1.68
Increasing electricity supply reliability of OHL 20 kV Halmeu- feeder Turt, Satu Mare County	3.36
Modernization MV OHL Axis Lechinta Teaca, BN	1.84
Power injection Zalau, Ortelec - Cimitirului Street, Salaj County	1.36
Modernization of SCADA equipment and communications in PA/PTs Zalau	1.26
Modernization of 0.4 kV OHL Faget	1.52
Modernization of S-axis 20KV Almas	1.32

Source: Electrica

During 2023, the largest transfers from tangible assets in progress to tangible assets, representing mainly commissioning of investments, are the following:

DESCRIPTION	Value (RON mn.)
<b>MUNTENIA NORD</b>	
Modernization of LV OHL and connections – meters in the area of PTA 3161, PTA3 251, PTA 3320, Iazu locality, Cojasca Commune, Dambovita County	7.78
Achievement of smart distribution network in a homogeneous area of consumers from Tiglina 1, Tiglina 2, Tiglina 3 – Micro 16, Tiglina 4 neighbourhoods in Galati Municipality, Galati County	7.10
Voltage level improvement in localities Baldana, Tartasesti, Gulia, Commune Tartasesti, Dambovita County	7.08
Implementation of an integrated resource planning system - Workforce Management (WFM) WFM - IT tool for planning and monitoring in the field the resources (humans, vehicles, devices, materials, equipment) involved in business processes: operation, maintenance, investment works with own construction teams, network access, easurement.	7.07
Modernization and integration in SCADA of 110/20 kV Potlogi Substation	5.55
Network modernization in Lunca Pripor village, Buzau County	4.68
Modernization and integration in SCADA of 110/20 kV Zatna Substation, Braila County	4.21
Modernization and integration in SCADA of 110/20/6 kV Buzau Est Substation	4.00
Network modernization in CA Rosetti Commune, Buzau County, villages: Cotu Ciorii sand Balteni - vol 1; Lunca - vol 2; Balhacu, CA Rosetti and Vizireni- vol 3	3.79
Improving technical conditions of supply and the voltage level for consumers in Fulga Commune, Prahova County	3.70
Modernization and consolidation of the hardware infrastructure and software of the SAP system [SAP-DEER] 2022_batch1 - OBJECT 2+OBJECT 1	3.69
Voltage level improvement for consumers in Odobesti Commune, Dambovita County, localities: Ziduri, Crovu, Brancoveanu and Miulesti	3.38
Network switchover from 6 kV to 20 kV, Floresti locality	3.36
Modernization of 20/6 kV Ploiesti Vest Substation, integration in SCADA system and grounding compensation with BSRC (adjustable arc suppression coil), Prahova County	3.15
Network modernization in Tataru and Maicanesti localities, Maicanesti Commune, Vrancea County	3.12
Modernization of the 110 kV Substations: Filesti, SNG, Tecuci, Ionasesti - replacement of 110/6kV power transformers - 4 pcs	3.10
Modernization of OHL 20kV by replacing insulation and conductors (OHL 20kV Urleasca - SR Ramnicelu, OHL 20kV Lacu Sarat - SRPD 1-4, OHL 20kV Romanu - T. Vladimirescu and OHL 20 kV Gropeni - Tichilesti)	3.00
Modernization of network and connections Homocea, Vrancea County	2.95
Voltage level improvement and modernization of LV OHL and connections for consumers from the area of PTA 3038 & PTA 3128 Varnita area, Prahova County	2.86

DESCRIPTION	Value (RON mn.)
Improving technical conditions of supply for consumers in Rizanesti area, Valenii de Munte City	2.81
Improving technical conditions of supply and the voltage level for consumers supplied with electricity from PTA 3023 Palanca, Palanca village, Rafov Commune, Prahova County	2.76
Replacement of neutral point treatment in 110/20 kV Vanatori and Liesti Substations	2.75
Network modernization in area of PTA 5776 no.1 and PTA 5778 CIA, Sendreni locality, Galati County	2.59
Voltage level improvement & modernization of secondary substations (PT) and OHL in PTA 1104 Ciorani+PTA 1067 Cioranii de Jos area, Ciorani Commune, Prahova County	2.49
Modernization of the 110 kV Hipodrom Substation, replacement of power transformers Trafo 1 (110/20/6kV) & Trafo 2 (110/6kV)	2.48
Modernization of 0.4kV OHL and consumer connections from the Movila Miresii locality	2.46
Modernization of 0.4 kV distribution network in Zidari neighbourhood, RM Sarat Municipality, Buzau County	2.19
Modernization of secondary substations fed from UGC 20kV Blocks 1, Blocks 2, IPL, Trainica 1, Trainica 2, Pucioasa city, Dambovita County	2.13
Modernization of Plopeni 20/6 kV Substation; mounting neutral point treatment 6 kV	2.10
Modernization of the 20/6kV Grup Scolar Sinaia Substation	2.00
Achievement of technical conditions for coexistence with the existing electrical networks necessary to obtain the site approval for the Galati ring-road, between Braimii lei street (DN25) and Calea Prutului Street (E87), Galati Municipality	1.85
Voltage level improvement for users in PT 6156, 6061, 6060,6129.6222,6062 area Racari locality, Dambovita County	1.84
Increasing the power supply reliability of 20 kV OHL Zahar II and 20 kV Tartasesti Derivation, 110/20 kV Mavrodin Substation	1.79
SDEE Ploiesti network modernization, for blocks of flats in Ploiesti Nord neighbourhood, Prahova County - STAGE II	1.76
Modernization of 0.4 kV distribution network in Munteni locality, the areas supplied by PTA1, PTA2, PTA3 Munteni, Galati County	1.69
Modernization of network and connections Sihlea locality, Sihlea Commune, Vrancea County	1.50
<b>TRANSILVANIA SUD</b>	
Modernization of 0.4 kW network in Hipodrom 1,2,3 area, Sibiu Municipality, Sibiu County	4.06
Modernization of the 20 kV UGC in the area of the 220/110/20 kV Alba Iulia Substation, Alba Iulia Municipality, Alba County	4.12
Modernization of 20 kV network in the area of Bulevardul Revolutiei 1989, Alba Iulia Municipality, Alba County	4.79
Modernization of 20 kV network in the area of Piata Iuliu Maniu, Alba Iulia Municipality, Alba County	3.24
Modernization of 20 kV network in Lipoveni neighbourhood, Alba Iulia Municipality, Alba County	3.43

DESCRIPTION	Value (RON mn.)
Modernization of 20 kV network in Lipoveni neighbourhood, Alba Iulia Municipality, Alba County	5.38
Back-up supply of 20 kV busbars - Sanpaul Substation, Mures County	3.79
Modernization of internal services of (AC) and (DC) in the Substations managed by SDEE TS – Substations Cugir, Teius, Lupsa, Sebes	2.60
Modernization of internal services of (AC) and (DC) in the Substations managed by SDEE TS – Substations Sf. Gheorghe, Campu Frumos, Covasna, Capeni	1.65
Modernization of internal services of (AC) and (DC) in the Substations managed by SDEE TS – Substations Cic, Tarnaveni, Mureseni, Reghin, Raciuc	1.73
Modernization of LV OHL and connection, Hodac locality, Mures County	2.47
Modernization of 0.4 kV network and connections streets Budiului, Bega (partial) & Mestecanisului (partial), Targu Mures City, Mures County	1.73
Modernization of 0.4 kV network in Dealu Frumos village, Merghindeal Commune, Sibiu County	2.21
Voltage level improving and modernization of 20 kV OHL, 0.4 kV OHL and connections in Singeorgiu de Mures and Cotus localities, Mures County, Volume I- Cotus and Tofalau villages	2.06
Implementation of an integrated resource planning system - Workforce Management	2.20
Modernization of distribution network, Bran locality- Stage 2, PT4 area, Brasov County	4.28
Modernization of distribution network, Bran locality- Stage 2, PT4 area, Brasov County	2.68
Increasing the power supply reliability for 20 kV OHL Prejmer-Ozun, Covasna County	3.96
Increasing the power supply reliability for 20 kV OHL Bixad locality, Covasna County	3.42
Modernization of 20/0.4 kV secondary Substations, Ludus city, Mures County	5.83
Modernization of the 20 kV UGC in the area COR MV-LV Tg Mures, by replacing the 20 kV cables on the Bulevard and Tudor 4 -Platou Cornesti lines, Tg Mures Municipality, Mures County	2.03
Modernization of internal services of (AC) and (DC) in the Substations managed by SDEE TS – Substations St. Bartolomeu, Ghimbav, Harman, Hoghiz, Prejmer	1.59
Modernization of internal services of (AC) and (DC) in the Substations managed by SDEE TS – Substations Aeroport, Aurel Vlaicu, Cartisoara, Orlat, Dumbrava	1.59
Decentralization of MV OHL, LV OHL conductor replacement, modernization of connections, Daisoara locality, Brasov County	2.83
Modernization of 0.4 kV network and connections, Gheorghe Doja Street (Piata Victoriei-Piata garii section) and Piatra de Moara, Targu Mures city, Mures County	2.18
Modernization of 0.4 kV network in Dumbraveni locality, Sibiu County	10.00
Modernization of 0.4 kV network in Richis village, Biertan Commune, Sibiu County	2.29
Modernization of 0.4 kV network in Mosna Commune, Sibiu County	4.00
Modernization of 0.4 kV network in Merghindeal Commune, Sibiu County	1.94

DESCRIPTION	Value (RON mn.)
Voltage level improvement and modernization of LV OHL, Carpinis locality, Garbova Commune, Alba County	1.98
Modernization of 0.4 kV network and securing connections, Dumbrava Rosie str., Miraslau, Rovine, Valea Alba, loc. Brasov, Brasov County	2.59
Increasing the power supply reliability and modernization of 20 kV, 0.4 kV UGC, Racadau, Brasov County	6.36
Voltage level improvement and network modernization in the area of PT5 Bod & PT1 Bod, Commune Bod, Brasov County	8.21
Modernization of LV network in Odorheiu Secuiesc locality, Rakoczi Ferencz street, Harghita County	2.36
Voltage level improvement and modernization of 0.4 kV OHL and connections, Cetatua locality, Harghita County	2.45
Modernization of 0.4 kV network and connections, Cuza Voda, Tusnad and Cardinal Iuliu Hossu streets, Targu Mures Municipality, Mures County	3.14
Voltage level improvement and modernization of 0.4 kV OHL and connections, Batos locality, Mures County	1.69
Voltage level improvement and modernization of MV & LV network in Miercurea Sibiului area, Sibiu County	4.60
Network extension in Alba Iulia city, streets: Viadana, Mogos, Sadu and Apuseni, Alba County	2.82
Network extension in Vama Buzaului village, Dalghias point, Brasov County	1.85
Increasing the capacity of 20 kV network in Drumul Poienii – Schei area, Brasov city, Brasov County	4.55
Reinforcement works -power increasing, Campu Frumos Industrial Park, Covasna County	1.95
Site release works for the achievement of the objective "Rehabilitation of the infrastructure of the major urban public transport network in the Municipality of Alba Iulia - Batch 1	2.05
Site release works for the achievement of the objective "Rehabilitation of the infrastructure of the major urban public transport network in the Municipality of Alba Iulia - Batch 2	2.42
Modernization of LV network by switchover from 0.4 kV OHL to 0.4 kV UGC, connections modernization and securing in streets Fabricii, Tigaretei, Tutunului and Salciilor, Sf. Gheorghe Municipality, Covasna County	1.54
Release of site for Modernization DJI06B:A1 Ocna Sibiului Loamnes-Sorostin-Tapu	1.93
<b>TRANSILVANIA NORD</b>	
Security Operations Center (SOC) implementation and standardization of Security Technologies used	1.62
Modernization of switching equipment related to MV OHL for the Cluj-Napoca Distribution Branch, Cluj County	2.84
Modernization of pole mounted substations, SDEE TN- Distribution Branch Cluj Napoca, Cluj County, Vol2 - area of network operation center Gherla	1.56
Modernization of MV OHL Juc Geaca between R Gadalin and R Geaca	3.00

DESCRIPTION	Value (RON mn.)
Modernization of Substations PTz CT1, PTz CT8 and UGC 20 kV between PTz CT1, PTz CT8, Dej city, Cluj County	1.28
Network modernization in Cluj-Napoca Municipality, Mihail Kogalniceanu Street and adjacent streets area, Cluj County,	2.67
Modernization of the existing MV & LV UGC a on streets Dragalina and Mamaia in Cluj-Napoca Municipality	2.05
Closure of the 20 kV loop between Jucu-Valcele and Jucu Geaca, construction of PTA <sub>b</sub> 20/0.4 kV - 250 kVA and power injection in Caian Vama	1.62
Increasing reliability of power supply in Floresti town, Cluj County – Vol. 5 Modernization of the Distributor Abator and construction of Distributors Cimitir & Poligon	3.55
Systematization of distributor exits from the 110/20/10 KV Campului Substation and modernization of distributors Manastur 9, Manastur 10 and UAC Cartier Manstur, Cluj-Napoca Municipality, Cluj County	2.59
Network modernization on B-dul 1 Decembrie 1918, Cluj-Napoca Municipality, Cluj County - Stage 1- The section between PTAB Hotel Napoca and G. Muzicescu street	1.28
Modernization of pole mounted secondary Substations - Oradea Branch	1.27
Network modernization in Sacadat locality	1.60
Modernization of LV OHL and power injection in Serghis locality, Bihor County	1.50
Increasing the power supply reliability in Stana de Vale, Coada Lacului area	2.13
Modernization of MV UGC in the area Nufarul and Rogerius Neighbourhoods, Oradea	1.51
Construction of UGC between OHL 20 kV vadu Crisului – Bauxita Cornet and Suncuius-Recea to increase power supply reliability	1.76
Improvement of the electricity distribution service in 110/20kV CET 2 Oradea Substation	3.48
Construction of MV UGC to increase power supply reliability in Matei Corvin area, Oradea Municipality, Bihor County	6.90
Power injection in Lorau locality, Bihor County	1.86
Modernization of LV OHL, branches reconstruction - PTA <sub>2</sub> , Sinteu locality, Bihor County	1.85
Modernization of 20 KV OHL Salonta-Avicola Cefa, Bihor County	5.26
Switchover to 20kV the metal cabin secondary substations in Baia Mare locality -20 pcs	4.87
Modernization of LV networks, Baia Mare town, historical center area, stage 2	3.81
Installation of photovoltaic panel systems to cover the electricity own consumption of the administrative offices and Substations in Maramures County, belonging to DEER SA - Baia Mare Branch	1.40
Modernization and switchover to 20 kV of PTZ 7 and PTA 64, Sighetu Marmatiei, Maramures County	2.83
Extension of public distribution network in Grosii Tiblesului, Valea Tiblesului (Bradului) area, Maramures County	1.29
Modernization of OHL 20 KV Craidorolt, Satu Mare County	1.81

DESCRIPTION	Value (RON mn.)
Increasing power supply reliability of OHL 20 kV Halmeu- feeder Turt, Satu Mare County	3.62
Modernization of secondary substations PTA Reteag Poieni, PTA Reteag Moara, modernization of connection Reteag Poieni and LV OHL and connections in PTA in Reteag Poieni, PTA Reteag Sat, PTA Reteag SMA and Reteag Moara, area, Reteag locality, Bistrita Nasaud County	1.50
Secondary substation modernization and power transformers replacement in Bistrita Branch, Bistita Nasaud County	1.32
Modernization and relocation of pole mounted transformer PTA Negrilesti, PTA Negrilesti 2, PTA Negrilesti 3 and modernization of LV OHL and connections in area of PTA Negrilesti, PTA Negrilesti 2, PTA Negrilesti 3, PTA Negrilesti 4, Negrilesti locality, Satu Mare County	2.43
Modernization MV OHL Axis Lechinta Teaca, BN	2.00
Power injection Zalau, Ortelec - Cimitirului str., Salaj County	1.40
Modernization of 0.4 kV OHL Faget	1.52

Source: Electrica



## Appendix 3 – Applicable regulatory framework

### A.3.1 – Applicable legal framework compared to 2023 vs 2022:

#### A.3.1.1 Distribution activity

2022	2023
<p><b>Distribution activity</b></p> <p><b>ANRE</b> has issued documents for the regulatory framework that requires additional efforts from distribution operators in order to comply with the new requirements:</p> <p><b>Regulations regarding tariffs:</b></p> <ul style="list-style-type: none"> <li>The distribution rates approved for the year 2022 were approved by ANRE Order no. 119/24 November 2021, the regional average tariffs for DEER having the following increases compared to the tariffs of 2021: MN +8.1%; TN +10.4%; TS +7.4% - in force from 1 January 2022</li> <li>As a result of GEO 27/2022, the distribution tariffs for the year 2022 were modified starting on 1 April 2022 to cover the additional costs related to the NL from the year 2021. By ANRE Order no. 28/23 March 2022, the regional average tariffs for DEER were approved, with the following increases compared to the tariffs of 2021: MN +24%; TN +17%; TS +20%. This tariff increase will allow the recovery of the amount of RON 363 mn. (RON 353 mn. recognized 2021 NL loss to which inflation was applied) representing the difference between the effective average purchase cost of energy for own technological consumption (NL) and the ex-ante price established by ANRE related to the year 2021 in the period 1 April 2022-31 December 2022, which will favorably impact the net result related to the distribution segment in the remaining period of 2022.</li> <li><b>ANRE decision no. 610/2022 regarding the approval of the model for the publication of costs regarding the operation, maintenance and development of electric transmission and distribution networks</b> - in force from 1 May 2022. OD will publish quarterly on their own internet webpages, both the realized and the budgeted costs.</li> </ul>	<p><b>Distribution activity</b></p> <p><b>ANRE</b> has issued documents for the regulatory framework that requires additional efforts from distribution operators in order to comply with the new requirements:</p> <p><b>Regulations regarding tariffs:</b></p> <ul style="list-style-type: none"> <li><b>The distribution rates approved starting with 1st of April 2023</b> were approved by ANRE <b>Order no. 27/2023</b>, the regional average tariffs for DEER having the following increases compared to the tariffs from 1st of April 2022: <b>MN +26.1%, TN +21.5%, TS +10.9%</b>; - effective from 1st of April 2023.</li> <li>The specific tariffs applicable starting from 1st of April 2023 are composed of the main component and a component related to additional costs with NL, the latter was not subject to the 7% limitations imposed for tariff increases, being recognized as a distinct component of tariffs related to capitalized costs recognized with additional NL for the year 2022, amortized over a period of 5 years from the date of capitalization and remunerated with 50% of the regulated rate of return approved by ANRE, according to GEO no. 119/2022.</li> <li><b>ANRE Order no. 1/2023 for the modification and completion of some orders of the ANRE</b> - effective from January 17, 2023 <ul style="list-style-type: none"> <li>The methodology for establishing distribution tariffs - is modified and provides for the granting of the RRR incentive of 2% for investments from EU funds only if they have not benefited from the PCI incentive</li> <li>The project was developed as a result of ANRE's obligation to present to ACER, by January 24, 2023, the methodology and criteria used to evaluate investments, in the sense of alignment with Regulation (EU) 2022/869: <ul style="list-style-type: none"> <li>energy infrastructure projects and high risk assessment</li> <li>the specific risks to which offshore networks for energy from renewable sources are exposed</li> </ul> </li> </ul> </li> </ul>

## 2022

## 2023

- **ANRE order no. 129/2022 for the approval of the Methodological Norms for the recognition in tariffs of additional costs with the purchase of electricity to cover own technological consumption compared to the costs included in the regulated tariffs** – in force from 19 October 2022
  - the quarterly capitalization of the additional costs with NL compared to the costs included in the regulated tariffs,
  - the capital costs related to the year 2022 are recognized in a distinct component related to the additional cost with NL applicable starting on 1 April 2023, outside the 7% limitations imposed for tariff increases.
  - the recognized NL price for 2022 will be equal to the reference price calculated as an average among network operators, increased by 5%
  - the additional cost with NL capitalized in 2023 will be included in the separate NL component applicable in the year 2024
- MF order no. 3900/2022 regarding the approval of the **Accounting Specifications in application of the provisions of art. III of the Government Emergency Ordinance no. 119/2022** – in force from 20 October 2022  
Capitalized amounts are recorded in accounting through accounting item 208 „Other intangible assets“/ distinct analytical account = 721 „Income from the production of intangible assets“, as follows:
  - on 30 September 2022, for the amounts corresponding to the period 1 January 2022 – 30 September 2022;
  - on 31 December 2022, for the amounts corresponding to the period 1 October 2022 – 31 December 2022;
  - on 31 March 2023, for the amounts corresponding to the period 1 January 2023 – 31 March 2023;
  - on 30 June 2023, for the amounts corresponding to the period 1 April 2023 – 30 June 2023;
  - on 31 August 2023, for the amounts corresponding to the period 1 July 2023 – 31 August 2023;
  - The amortization of the amounts corresponding to the recognized assets is recorded in the accounting starting with the 1st of the month following each of the periods.
- Draft Decision on the approval of the **principles for establishing binomial tariffs for the distribution service provided by concessionary electricity distribution operators** – public consultation
  - ODCs have the obligation:
    - to simulate the application of binomial tariffs for the period 1 January 2022 – 31 December 2022;
    - to publish on its own websites, within 60 days, information regarding the implementation project of binomial tariffs from 01.01.2024;
- **ANRE order no. 67/2023 approving the tariff for the purchase of system services for the transport and system operator Compania Nationala de Transport al Energiei Electrice „Transelectrica“ – S.A.** – effective from June 1, 2023  
Decrease compared to January 1, 2023 tariffs by 14.1%
- **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 July 10, 2023
  - The changes take into account the definition of the year 2024 as a transition period 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 1A1)
  - For DEER, in 2024: single regulated revenue, zonal distribution tariffs, single NL targets on total DEER.
  - For all DOs:
    - 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 4.6% (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 from August 15, 2023
  - *Energy technical norm regarding the determination of own technological consumption in public interest electric networks – NTE 013/16/00*, approved by ANRE Order no. 26/2016
    - it is stipulated that the determination of the quotas assigned to the producers and the transport operator from the amount of NL related to the additional transit of electricity from the 110 kV electrical networks, should be carried out by the DO
  - *The methodology for establishing tariffs for the electricity distribution service*, approved by ANRE Order no. 169/2018
    - 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.

## 2022

- to notify consumers in order to declare/update the contracted power and inform them about the operator maintaining the power at the approved level for a limited period of three years, if it is not used;
- to make available to network users and their suppliers, upon request, the data necessary for the calculation of the bill based on the binomial rate, for the entire period of the simulation.
- to ensure the adaptation of IT systems to the new pricing system by 31.12.2023;
- the monitoring data of the simulation of the application of the binomial tariff for the electricity distribution service are transmitted to ANRE by the ODC until 15 February 2023.

## 2023

- the amount of NL related to the additional transit of electricity from the 110 kV electrical networks, determined according to ANRE regulations, is taken into account in the annual correction of the regulated NL at the request of the operator, by reducing the amount of NL realized.
- the revenues recorded from the recovery from the TSO of the counter value of the amount of NL related to the additional transit of electricity from the 110 kV electrical networks are not taken into account when determining the corrections of the regulated income.
- **ANRE Order no. 104/2023 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 – effective from December 1, 2023
  - Introduction of provisions regarding the method of determining additional costs with NL for the period September 1, 2023 – March 31, 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 April 1, 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 April 1, 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).

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2023

- 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:
  - the transmission by October 31 of each year of the values achieved for the first 3 quarters of each year the transmission of the annual values of the current year, broken down by quarters, until the deadline of February 15 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 September 1, 2023 – March 31, 2025.
- **ANRE order no. 109/2023 approving 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 reactive electricity, practiced by the National Electric Energy Transport Company "Transelectrica" – S.A. and ANRE Order no. 116/2023 approving the tariff for the purchase of system services for the transport and system operator Compania Nationala de Transport al Energiei Electrice "Transelectrica" – S.A** – effective from January 1, 2024  
 With the following deviations compared to the tariffs from April 1, 2023: T\_L: 1%. T\_G: -5.4%, respectively compared to June 1, 2023: T\_S +38.1%
- **The electricity distribution service tariffs for the year 2024 were approved by ANRE Order no. 115/2023, the average tariffs for DEER having the following increases compared to the tariffs from April 1, 2023:: MN +7.6%, TN +5.8%, TS +6.9%;** – effective from January 1, 2024.
- **MF Order no. 5378/2023 regarding the approval of some accounting clarifications in application of the provisions of art. III paragraph (1) from 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 in the period April 1, 2022–March 31, 2023, as well as for the modification and completion of some normative acts in the field of energy** – effective from December 20, 2023.

## 2022

## 2023

- Correlation of the period of application of GEO 27/2022: Amounts capitalized according to art. III paragraph (1) from GEO no. 119/2022 for the amendment and completion of the GEO no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market during the period April 1, 2022–March 31, 2023, as well as for the modification and completion of some normative acts in the field of energy, with subsequent additions, are recorded in the accounting through the accounting article 208 «Other intangible assets»/ distinct analytical = 721 «Income from the production of intangible assets», as follows:
  - f) on December 31, 2023, for the amounts corresponding to the period September 1, 2023–December 31, 2023;
  - g) quarterly, on the last day of each quarter, for the corresponding amounts, during the period January 1, 2024–March 31, 2025.

**Investment Procedure**

- **ANRE order no. 98/2022 – for the approval of the Procedure regarding the substantiation and approval of the development and investment plans of the transport and system operator and of the electricity distribution operators** – in force from 12 July 2022

- The elaboration of the 10-year development plans of the investment plans for the period or annually is carried out on the basis of an internal OR procedure. The 2023–2033 plan is submitted to ANRE until **1 July 2023**. The 10-year development plan considers:
  - analyses regarding **the evolution of production and consumption, evaluation of the need for vehicle recharging points, of the dispatchable consumption potential in the area;**
  - studies regarding **the digitization and integration of flexibility services required in RED in the medium and long term;**
  - analysis of **the measures and programs intended to ensure the cyber security of IT systems;**

and includes:

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

**Investment Procedure**

- **ANRE Order no. 1/2023 for the modification and completion of some orders of the ANRE** – effective from January 17, 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 February 13, 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 for control 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;

## 2022

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

## 2023

- the inclusion of electricity storage facilities in the category of necessary investments;
  - the possibility for DO to own storage facilities, by way of exception from the provisions of the Energy Law (art. 46<sup>1</sup> par. (1)), only with prior approval by ANRE;
  - establishing the method of calculating the economic efficiency of investments in production/storage, with a view to recognition by ANRE (Annex no. 8).
- **ANRE Order no. 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 July 20, 2023
- 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 January 31 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.

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2023

- 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.
- **Draft Order for the approval of the Procedure regarding the approval of the investments of the transport and system operator and the distribution operators, which consist of electricity production installations from renewable energy sources located in their own electrical transformation stations – public debate**
  - For the ANRE to approve an installation for the production of electricity from renewable sources in the premises of an own electrical transformation station, the following conditions must be met:
    - the electricity produced is consumed exclusively to supply the own consumption of the power station where the installation is located;
    - TSO/DSO includes technical measures for managing the energy produced, so that it cannot be discharged into the public network.
  - The ex-ante presentation of the cost-benefit analysis is required, as well as the analysis, every year after PIF, of the level of benefits achieved in relation to the costs included in the network tariffs. In the event that the realized benefits are lower than the realized capital and operational costs, the profitability related to the investment, recognized for the respective year, is reduced accordingly, so that the capital and operational costs related to the investment do not exceed the realized benefits.
- b)** The approved investments are included in the investment plan of the TSO/DSO in the endowment category, derogation for the investments made in 2023 and approved are considered additional investments to the investment plan for the year 2023, in the endowment category and are reported until May 31, 2024 in a table dedicated to this type of investment.

## 2022

## 2023

**Licenses and authorizations**

- **ANRE order no. 24/2022 regarding the amendment of the Regulation for granting licenses and authorizations in the electricity sector, approved by ANRE Order no. 12/2015** – in force starting from 25 March 2022
  - the removal of the legal ban on issuing a single license to the electricity market operator on the electricity market in Romania;
- **ANRE Decision no. 491/30.03.2022** regarding the granting of the License to the market operator of the Romanian Commodity Exchange (BRM) was published.
- **Draft order regarding the approval of the Regulation for the granting of licenses and authorizations in the electricity sector** – public consultation – phase II
  - renaming the types of licenses granted by ANRE, in accordance with the provisions of art. 10 para. (2) from the Energy Law;
  - taking over within the regulation of all exceptional situations provided by law in which it is allowed to provide some services and activities in the field of electricity without the license issued by ANRE, in accordance with the provisions of art. 10 para. (4<sup>Λ</sup>2), para. (5), para. (6) and para. (6<sup>Λ</sup>2) from the Energy Law;
- b) the explicit specification of the situation regarding modification of the license for the commercial exploitation of the energy capacities by including in its contents some energy capacities over which the applicant can have a provisional exploitation right, until the date when the license holder obtains the definitive exploitation right, in the case of the transfer of the right of ownership/use of the respective energy capacities.

**Licenses and authorizations**

- **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 May 1, 2023
  - 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.
- **ANRE Order no. 95/2023 regarding the modification of the General Conditions associated with the license for aggregation activity, approved by ANRE Order no. 196/2020** – effective from October 25, 2023

## Updating definitions:

- 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).



## 2022

## 2023

**Smart metering regulations (SM):**

- **ANRE decision no. 1315/2022 amending the calendar for the implementation of smart electricity metering systems at the national level for the period 2019–2028 approved by ANRE decision no. 778/2019** – effective from 3 August 2022

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

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

**Smart metering regulations (SM):**

- **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 April 1, 2023

**Provisions regarding the SMI in the framework contract for universal service electricity supply framework –**

- DO have the obligation to invoice monthly the distribution service to end customers with meters integrated in the SM 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 SMI in case the connection to the communication system is interrupted;
- for final customers who have meters integrated in SM, regularization invoices are not issued.

**Technical regulations****a) Network connection**

- **ANRE issued orders for connection in order to harmonize with the provisions of GEO no. 143/2021:**
  - domestic connection** – In the case of domestic customers, upon commissioning of the completed connection works, DSO will reimburse the applicant the effective value of the design and execution of the connection, up to an average value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection works become the property of the distribution operator from the moment of commissioning, at the amount reimbursed to the household customer, being recognized by ANRE as part of the regulated assets base.
  - non-domestic connection** – In the case of non-domestic customers, the cost of the connection works, including those for the design of the connection/connection, is fully borne by the customers. The assets resulting from the connection works enter the DSO heritage from the moment of commissioning, without being recognized by ANRE as part of the regulated assets base.
- iii. **Issued orders:**
  - **ANRE order no. 17/02.03.2022** – Order for the amendment and completion of the Regulation regarding the connection of users to the public interest electrical networks, approved by ANRE Order no. 59/2013 in force starting from 4 March, 2022

**Technical regulations****a) Network connection**

- **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 February 3, 2023
  - 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:
    - 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.

## 2022

## 2023

- **ANRE Order no. 18/02.03.2022** – Order approving the Procedure for the connection to low-voltage public interest electricity networks of consumption sites belonging to domestic customers – in force from 7 March 2022 – repeals ANRE Order no. 17/2021 domestic customers – in force from 7 March 2022 – repeals ANRE Order no. 17/2021
- **ANRE Order no. 21/09.03.2022** – Order amending and supplementing the Methodology for establishing the tariffs for the connection of users to the electricity networks of public interest, approved by ANRE Order no. 11/2014 – in force since 11 March 2022
- **ANRE Order no. 22/09.03.2022** – Order amending and supplementing ANRE Order no. 141/2014 approving the specific tariffs and specific indices used to set the tariffs for connecting users to the public interest electricity grids – in force since 11 March 2022
- **ANRE Order no. 23/09.03.2022** – Order on the approval of the average values used by the distribution operator for the reimbursement to household customers of the cost of design and execution works of a connection – in force since 11 March 2022
- **ANRE Order no. 63/2022 amending ANRE Order no. 95/2018 on the approval of mandatory clauses in contracts for the provision of services in order to carry out connection works to electricity networks of public interest** – in force since 31 March 2022
  - clarification of the applicability of the Binding Clauses in conjunction with the amendment of Art. 44, para. (4) of the Connection Regulation, introduced by ANRE Order no. 160/2020. It introduces the possibility for the approved economic operator to constitute a guarantee of good performance of the contract in favour of the RO, through a guarantee instrument issued by non-banking financial institutions.
  - contracts for the provision of services for the execution of connection works to the electricity grids of public interest concluded before the date of entry into force of the Order shall be updated by the conclusion by the parties of an additional act within 30 days from the date of entry into force of the Order.
- **ANRE Order no. 137/2021 Order for the approval of the Procedure for the determination of the available capacity in the electricity networks for the connection of new electricity generation facilities** – in force since 1 March 2022:
  - rules for determining the available capacity in RET/RED at 110 kV voltage level;
  - rules for publication of data on available capacities;
  - deadlines and periodicity of publication of data on available capacities by grid operators: monthly from 1 April 2022; bi-monthly from 1 July 2022.
- **ANRE order 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 March 13, 2023
  - the definition of „risk analysis” was introduced as technical-economic documentation for the analysis of the impact of non-compliance with the regulated coexistence conditions. This is drawn up by a quality and extrajudicial technical expert in the field of technological electrical installations, who holds a license/certificate issued by ANRE, or by a qualified expert in the prevention and reduction of technological risks
  - clarifications were made regarding the use of the favorable location notice conditional on the issuance of the building permit.
  - through the changes made, it will allow the use of the coexistence study drawn up in the approval phase of the urban planning documentation and in the procedure for issuing the site approval.
- **ANRE Order no. 21/2023 regarding the modification and completion of the Methodology for the exchange of data between the transport operator and the system, distribution operators and significant network users approved by ANRE Order no. 233/2019** – effective from April 4, 2023
  - the introduction of electricity storage facilities connected individually to the electrical network, with a response in providing active power distinctly from electricity production facilities;
  - detailing the relevant system users who are the subject of information transmission to DO and TSO;
  - detailing the method of transmitting data from relevant system users, directly and indirectly, to DO and TSO.
  - in accordance with the provisions of the norm for connecting storage facilities, it is necessary to specify:
    - communication path, redundancy and data exchange for storage facilities. These storage installations can be linked with the electricity production installation or they can be operated independently.
    - how the programmed and planned data exchange is carried out until the provisions of ANRE Order no. 127/2021, with subsequent amendments and additions.
- **ANRE 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 April 21, 2023

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- **ANRE Order for the purpose of harmonization with the provisions of the ANRE regulatory framework in which the legislative amendments of GEO no. 143/2021 were transposed, namely with the provisions of ANRE Orders no. 17/2022, no. 18/2022 and no. 19/2022.**
  - ANRE Order no. 82/2022 - amending and supplementing ANRE Order no. 74/2014 approving the framework content of the technical connection permits - in force from 20 June 2022;
  - ANRE Order no. 83/2022 - modification and completion of ANRE Order no. 5/2014 for the approval of the framework content of the connection certificates - in force from 20 June 2022;
  - ANRE Order no. 105/2022 approving the framework contracts for connection to the electricity networks of public interest - will repeal ANRE Order no. 164/2020 - in force from 5 August 2022.
- **ANRE Order no. 81/2022 - Order amending and supplementing the Regulation on the connection of users to the electricity networks of public interest, approved by ANRE Order no. 59/2013** - in force from 17 June 2022
  - requires the OR to complete the value of the costs of carrying out the general reinforcement works and the method of payment to the first user and the other users respectively, in the connection contract it concludes with the new user;
  - introduction of the possibility for the OR to conclude a contract for the design and/or execution of reinforcement works for the creation of the technical conditions necessary for the connection of several consumption and/or production sites, with a specific certified designer and/or constructor chosen by the user;
  - the responsibility of the RO/economic operator to obtain the agreement/authorisation for the execution of the connection installation, in the case of the direct conclusion between the user and the approved economic operator designated by the user of the contract for the design and/or execution of the connection installation as such:
    - for the connection installation which will be owned by the user, the document shall be obtained by the user or, where appropriate, by the designated approved economic operator;
    - for the connection facility which will become the property of the RO, the document shall be obtained by the OR.
- **ANRE Order no. 103/2022 for the approval of the Procedure for the connection to the electricity grids of public interest of recharging points for electric vehicles** - in force from 4 August 2022
- 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 May 31, 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.

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- the connection of a new consumption site, consisting of one or more recharging points for electric vehicles;
  - connection of a new consumption/consumption and production site with electric vehicle charging points, with/without storage facilities;
  - installation of one or more electric vehicle charging points at an existing consumption site/site of consumption and production with/without storage facilities.
  - applies in conjunction with the provisions of the Connection Regulation, the Domestic Connection Procedure and the Prosumer Connection Procedure in force.
  - establishes, for certain stages or actions in the connection process, shorter deadlines, similar to those provided for the connection of prosumers.
  - when installing one or more recharging points for electric vehicles at an existing point of consumption, without exceeding the approved power, the existing ATR/CfR is not updated, and no additional work is carried out in the existing electrical installations upstream of the boundary point.
  - the obligation of the SB to draw up its own procedures, within 30 days of publication in the Official Gazette, for the organisation of the connection activity for the categories of users to whom the document is addressed and to make available to interested parties all relevant information on the connection process.
  - **Order no. 133/2022 amending and supplementing some orders of ANRE in the field of connection to the electricity grid of public interest users** - in force since 21 October 2022
    - **Connection Regulation:** (i) deletion of the provision that connection facilities financed by non-household final customers become part of the DO's assets at the time of commissioning; (ii) addition of the definition of prosumer
    - **ATR framework content:** (i) deletion of the provision according to which connection facilities financed by non-household customers enter into the ownership of the TO at the time of commissioning; (ii) addition of the categories of users connected to the LV to whom the TO reimburses the costs of the design and execution of the connection up to an average value
    - **Domestic connection procedure:** (i) the categories of users connected to the LV to which the procedure applies must be completed and included in the contracting parties provided for in the framework contracts; (ii) the documents required for the conclusion of the connection contract must include the certificate issued to the user by the trade register no later than 30 days before the date of submission of the certificate, in the case of users other than domestic customers;
- connection of demonstration projects and the date of putting under voltage is a maximum of 1 month
- **ANRE order no. 108/2023 for the modification of the annex to the Procedure regarding the determination of the available capacity in the electrical networks for the connection of new electricity production installations, approved by ANR Order no. 137/2021 and regarding the repeal of ANRE Order no. 4/2011 for the approval of the Procedure regarding the appointment of a license holder to take over the development of the electricity distribution service** - effective from December 21, 2023
    - amendment of Order 137/2021 - starting with January 1, 2024, the TSO will publish on the website the data related to the capacities available in electric transport network and electrical distribution network at the voltage level 110kV monthly instead of weekly
    - abrogation of Order 4/2011 considering the provisions of art. 46 para. (2) and (2<sup>^</sup>2) of the Energy Law, the substitute DO of the initial provider of the distribution service for situations such as the impossibility of performing the service or the sale of the electricity distribution network is established/identified by the legislator
  - **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 debate
    - addition to the list of situations in which the connection solution is established by the solution sheet:
      - of consumption places owned by authorized natural person users, individual businesses, family businesses and public institutions that connect to the low voltage network, regardless of the requested power;
      - of the places of consumption and production belonging to prosumers who own electricity production units from renewable sources with an installed power of no more than 400 kW per place of consumption;
      - of the local public authorities that have the capacity to produce electricity from renewable sources made, partially or totally, from structural funds, and that benefit from the suppliers with whom they have an electricity supply contract, on request, from the financial regularization service .
    - the introduction of the provision according to which the solution study must also contain connection options with the operational limitation of the maximum power that can be discharged into the network in situations/operating regimes with N-1 elements in operation that have the effect of overloading the network and , consequently,

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(iii) the connection contract must include the average value of the connection, excluding VAT; (iv) inclusion of the obligation for the user or the approved economic operator designated to design and execute the connection to obtain the consent/authorisation to carry out the connection, if the contract for the design and execution of the connection is concluded directly by the user with the designated approved economic operator; (v) the introduction of a maximum limit of 5 years from the commissioning of the connection for the duration of the connection contract, linked to the legal provision on the reimbursement of the actual value of the connection design and execution works, up to the average value of a connection.

- **Connection procedure for prosumers:** (i) inclusion of the possibility of programming the existing meter at the delimitation point of a consumption site for the measurement of electricity in both directions, when installing renewable energy production facilities in the user's facilities; (ii) inclusion of an exemption from the application of the provisions of the procedure, concerning the electricity metering units required in the prosumers' facilities, in the sense of not making the installation of such equipment conditional on the installation of power to the user's facility, given the difficulties for the DOs to purchase such metering units.
- **Connection framework contracts** – additions to the RO obligations in order to comply with the derogatory provisions of the Connection Procedure for prosumers.
- **BRML Order no. 77/2022 for the approval of the official list of fixed means of measurement subject to legal metrological control – published in Official Gazette no. 332/5 April 2022** – enters into force within 90 days from the date of publication in MO (4 July 2022)
  - For active and reactive electricity meters the metrological verification will be done every 15 years.
- **ANRE Order no. 124/2022 for the approval of the Rules for congestion management through the market-based use by network operators of the flexibility of resources in the distribution networks and those in the transmission network, of the Rules applicable to the purchase of reactive electricity for voltage regulation in stationary mode by the transmission and system operator and of the Rules applicable to the purchase of reactive electricity for voltage regulation in stationary mode by concessionary distribution operators and for the amendment and completion of ANRE Order no. 127/2021 for the approval of the Regulation on terms and conditions for balancing service providers and frequency stabilisation reserve providers and the Regulation on terms and conditions for balancing parties** – in force from 19 October, and Art. 1, 3 and 4 shall apply from 1 May 2024

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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 debate
  - 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, ORs 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.

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- Within 12 months the RO shall prepare and submit to ANRE a proposal on:
  - a technical qualification procedure related to the participation in congestion management in their networks;
  - specifications of the products introduced in short-term energy tenders for congestion management;
  - specifications of the products included in long-term capacity tenders for congestion management;
  - the minimum information to be included in the register for flexibility resources, as well as the optional ones, and the access rules for neighbouring ROs;
  - a reasoned choice between organising a common platform for all ROs to purchase electricity for congestion management or a separate platform for each RO;
  - option of whether or not to combine any common platform with the Register for flexibility resources.
- Within 12 months the ROs shall jointly develop a methodology to establish how they will operate, collaborate, share information, and establish the rights and responsibilities of each during the period in which the OTS continues to identify and manage grid congestion on the 110 kV grids under the responsibility of the ODs.
- Within 16 months from the date of entry into force of this Order, the DSO and the OTS shall develop their own operational procedures for the implementation of the provisions of Annex 1 to the Order.
- **Draft Order amending and supplementing the Methodology for issuing site permits by network operators, approved by Order of the President of the National Energy Regulatory Authority no. 25/2016** - public consultation
  - the definition of „risk analysis” has been introduced as technical-economic documentation analysing the impact of non-compliance with regulated coexistence conditions. It is drawn up by a quality and extra-judicial technical expert in the field of technological electrical installations, who holds a credential/certificate issued by ANRE, or by a qualified expert in technological risk prevention-reduction.
  - clarifications have been made regarding the use of the favourable site opinion conditional to the issue of the building permit.
  - through the changes made, will allow the use of the coexistence study prepared during the approval phase of the urban planning documentation and in the procedure for issuing the site permit.
- **ANRE Draft Order for the approval of the Procedure regarding the rules for the connection to the public interest electrical networks of equipment and aggregates for irrigation, of the new pressurization stations, as well as for economic operators that carry out activities included in CAEN code 01 Agriculture, hunting and services annexes and CAEN code 10 Food industry** - public debate
  - the rules are addressed to the connection to the electrical networks of public interest of the equipment and aggregates for irrigation, of the new pressure stations, as well as of the places of consumption belonging to the economic operators that carry out activities included in the CAEN code 01 Agriculture, hunting and related services and CAEN code 10 Food industry;
  - the rules apply to the connection to the electrical networks of new places of consumption;
  - DSO has the obligation to ensure, under conditions of economic efficiency, the financing and realization of the design and execution works of the connection installations of the places of consumption, with a length of up to 2,500 meters, when the connection solution provides for the same voltage level at the point delimitation and at the connection point; in the event that the connection installations of the places of consumption are longer than 2,500 meters and when the connection solution provides for the same voltage level at the delimitation point and at the connection point, the financing of the difference in their length that exceeds the length of 2,500 meters is ensured by users;
  - if in the area where the places of consumption are located, there is only an electric network with a voltage level different from that of the demarcation point provided in the connection solution, DSO are obliged to ensure the financing and realization of the design and execution works of the connection installations consumption places with a length of up to 2,500 meters, excluding the transformer station/ electrical station, as the case may be, which is financed by the users; if in the area where the places of consumption are located there is only an electric network with a voltage level different from that of the demarcation point provided in the connection solution and the installations for connecting the places of consumption are longer than 2,500 meters, DSO has the obligation ensure the financing and realization of the design and execution works of the connection installations for a length of up to 2,500 meters, and the financing of the difference in their length compared to the length of 2,500 meters and of the transformer station/electrical station, as the case may be, is ensured by users;
  - the term for making the connection, including the reception and commissioning of the connection installation, is a maximum of 120 days from the date

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- of obtaining the agreement/authorization for the connection installation;
- the connection installation becomes the property of DSO through the handover-acceptance report, on the date of its commissioning, in accordance with the provisions of the connection contract;
- the user whose place of consumption is supplied by a connection installation made in accordance with the provisions of the procedure, has the obligation to use the place of consumption and to keep its destination for a period of 15 years from the date of commissioning of the connection installation ;
- DSO verifies the fulfilment of the user's obligation to use the place of consumption and to keep its destination at least once every year during the period of 15 years from the date of commissioning of the connection installation;
- if the user does not comply with the obligation to use the place of consumption and to keep its destination for a period of 15 years from the date of commissioning of the connection installation, he is obliged to return to DSO the value of the design and execution works of the connection installation borne by the operator, proportional to the unused period, gradually.

### Prosumers

- **ANRE Order no. 15/23.02.2022 – Methodology for establishing the rules for the trading of electricity produced in power plants from renewable sources with an installed electrical power of no more than 400 kW per place of consumption belonging to prosumers** – in force since 1 May 2022
  - The distribution operators ensure the purchase, installation, sealing, verification, reading and, if necessary, replacement of the electricity metering groups located in the users' installations, according to ANRE regulations.
  - Consumers owning electricity generating units from RES with an installed capacity of 400 kW or less per consumption site may sell the electricity produced and delivered to the electricity grid to electricity suppliers with whom they have concluded electricity supply contracts, according to ANRE regulations.
  - At the request of prosumers producing electricity in electricity generating units with an installed capacity per place of consumption::
    - up to 200 kW – electricity suppliers with whom they have electricity supply contracts are obliged to make a quantitative compensation in the bill of consumers between the electricity produced and delivered to the grid and the electricity consumed and to report in the bills of consumers the difference between the quantity of electricity delivered and consumed, if the amount of

### 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 debate – 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..

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energy produced and delivered to the grid is greater than the amount of electricity consumed, consumers may use the reported amount of electricity for a maximum period of 24 months from the date of the invoice.

- between 200 kW and 400 kW - electricity suppliers are obliged to purchase the electricity produced and delivered at a price equal to the weighted average price recorded in the PZU in the month in which the energy was produced and to make the financial adjustment between the electricity delivered and the electricity consumed from the grid in the bill of the consumers.
- Quantitative compensation for prosumers with installations up to 200 kW per place of consumption will be granted until 31 December 2030, and after this period these prosumers can sell the electricity produced under the conditions provided for prosumers with installed capacities between 200 kW and 400 kW per place of consumption.
- **ANRE Order no. 19/02.03.2022 Order approving the Procedure for the connection of consumption and production sites belonging to prosumers to the electricity networks of public interest - in force since 7 March 2022** - repealed ANRE Order no. 15/2021
  - harmonisation with the provisions of GEO no. 143/2021
- **ANRE Order no. 104/2022 amending and supplementing the Procedure for the connection to the public electricity networks of consumption and production sites belonging to prosumers, approved by ANRE Order no. 19/2022** - in force since 4 August 2022
  - introduction of the provision according to which, as an exception to the rules laid down in the Procedure that do not provide for the issuance of ATRs or those that do not provide for the issuance of ATRs prior to the construction of the electricity production plant, in the case of prosumers accessing financing programmes for the installation of power plants for the production of electricity from renewable sources, the DSO shall issue ATRs prior to the construction of the electricity production plant, in compliance with the provisions of the regulatory acts specific to the respective financing programmes.
- **ANRE Order no. 95/2022 - Order amending and supplementing ANRE Order no. 15/2022 approving the Methodology for establishing the rules for the trading of electricity produced in power plants from renewable sources with an installed electrical power of no more than 400 kW per place of consumption belonging to prosumers** - in force since 1 July 2022.
  - clarifies the application of the quantitative compensation between the electricity consumed and the electricity produced and delivered to the electricity grid by prosumers owning



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electricity production units from renewable energy sources with an installed electrical power of 200 kW or less per consumption site, given that, after the approval of ANRE Order no. 15/2022, GEO no. 27/2022 came into force, which establishes the billing of electricity consumed by prosumers in the period 1 April 2022 – 31 March 2023.

• **Draft Order approving the Methodology for establishing the rules for quantitative compensation between electricity produced from renewable sources in mobile units equipped with electricity generation systems during regenerative braking and delivered to the national electricity system and electricity consumed from the national electricity system by prosumers – public consultation**

- OD to whose grids mobile units generating electricity during regenerative braking are connected certifies the quality of prosumer, in order to apply the mechanism of quantitative compensation according to legal provisions;
- In addition, in order to certify the status of prosumer, the DSO also verifies compliance with the following requirements: (i) the main activity of the prosumer – legal entity is not the production of electricity; (ii) the electricity produced during the recovery break must come from renewable energy sources and be delivered to the NES; (iii) the electricity metering system at the interface with the NES is realized either with smart meters or with meters that allow at least remote reading, integrable in smart electricity metering systems, having communication systems compatible with those of the concessionaire distribution operator to whose networks the electricity installations are connected.
- The concessionaire DSO shall carry out monthly meter reading of electricity from renewable sources produced and delivered to the SEN/consumed from the SEN, in case the remote reading of electricity meters is not possible for technical reasons, it shall be determined on the basis of historical measured data,
- The concessionaire DSO is obliged to store the collected measured/determined data, as appropriate, for a period of at least 36 calendar months.

**c) Storage – N/A**

**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 January 20, 2023  
The norm was developed by the TSO, it establishes technical requirements for connected storage installations:

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- 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 November 6, 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:
    - 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:
      - 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.

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**Distribution service performance standard**

- **ANRE Order no. 64/2022 amending and supplementing the Performance Standard for the electricity distribution service, approved by ANRE Order no. 46/2021** - in force from 31 March 2022:
  - **domestic customers**, the index reading period can be longer than one month, but must not exceed 3 months, for non-compliance compensation is granted 10 lei
  - **non-household customers**, the index reading period can be longer than one month, but must not exceed 6 months, for non-compliance is granted compensation 10 lei
  - **prosumers**, the periodicity of reading the index of the measurement group is a calendar month - compensation 10 lei regardless of voltage level
  - OD does not compensate users whose metering units are located on their property and who have not allowed DSO access to read the metering unit index within the interval specified in the bills issued by the electricity suppliers, with prior notification/approval no more than three times to the users.
  - The DSO is obliged to provide access to historical consumption data of users benefiting from smart metering systems, in accordance with the provisions of the framework conditions for the implementation schedule of smart metering systems at national level - if the DO does not meet the deadlines for a period of one month, it is obliged to pay the user compensation in the amount of 30 lei to JT.
  - change DSO timetable for installation of quality analysers
    - *Transformer substations monitored according to each stage include also transformer substations that fully supply users integrated in smart metering systems.*
    - *by 31.12.2023 will monitor at least 50% of the number of substations and at least 20% of the number of transformer substations,*
    - *until 31.12.2025 will monitor at least 75% of the number of substations and at least 60% of the number of transformer substations,*
    - *by 31.12.2026 will fully (100%) monitor the number of substations and at least 80% of the number of transformer substations,*
    - *from 01.01.2028 will fully (100%) monitor transformer substations.*
  - OD have the obligation to submit to ANRE, by 30 June 2022, the implementation programme for monitoring the continuity and quality of electricity with analysers installed in electricity stations and transformer substations.

**Distribution service performance standard**

- **ANRE Order no. 13/2023 approving the contract - framework for the provision of electricity in the universal service regime, the general conditions for the provision of electricity in the universal service regime and the invoice model applicable to household customers** - effective from April 1, 2023
- Provisions related to the Standard distributed in **the contract - universal service electricity supply framework** - the compensations and penal interest that the household customer is entitled to receive for the supplier's non-compliance with the obligations stipulated in the Performance Standard for the activity of supplying 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.

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**Commercial regulations**

- **ANRE Order no. 82/2021 amending and supplementing the Regulation on the supply of electricity to end customers, approved by ANRE Order no. 235/2019 and repealing ANRE Order no. 130/2015 approving the Procedure for the supply of electricity to own consumption sites DSO** – in force from 1 July 2021 (except for the provisions of art. 1 points 25-27, 33 and 34 which enter into force on 1 July 2022):
  - in case of change of electricity supplier, customers can communicate to the new supplier the self-quoted index at the date of transmission of the notification of change of supplier; the supplier has the obligation to retrieve and transmit to the DSO the index self-quoted by the final customer; the self-quoted index is taken into account by the DSO when determining the electricity consumption in the process of change of supplier;
  - if the end-customer does not transmit the self-read index, the DSO is obliged to read the metering equipment index in the period between the date of transmission of the supplier change notification and the date of the actual supplier change;
  - The DSO is obliged to create and maintain in the database, for each place of consumption, for each of the months of January to December, information on the estimated active electricity consumption, determined as appropriate, based on: (i) the electricity consumption recorded at the place of consumption during the same period of the previous year or the electricity consumption determined taking into account the most recent readings made by the OD; (ii) the specific consumption profile, determined by the DSO for the respective category of final customer if for the place of consumption there is no consumption history.
  - OD has the obligation to allow free access to the data in the database to all electricity suppliers and to inform them on how to access the data;
  - **until 1 November 2021**, the ODs are obliged to make available to electricity suppliers the consumption data provided for in the order and to publish on their websites information on how to access this data;
  - **from 1 January 2022**, in the case of consumption places for which consumption agreements are concluded, the billing of the distribution service will be carried out by the DO, on the basis of these agreements, if for these consumption places there is no index read by the DO or by the final customer.
- **ANRE Order no. 90/2022 – Order amending and supplementing ANRE Order no. 52/2021 approving the Methodology for monitoring the system for the promotion of electricity production from renewable energy sources** – in force since 27 June 2022

**Commercial regulations**

- **ANRE Order no. 5/2023 for the approval of the Regulation for the supply of electricity to final customers** – effective from 6 February 2023
  - the need to correlate the provisions of the Electricity Supply Regulation to final customers with the provisions of Law no. 123/2012 of electricity and natural gas, as amended and supplemented by GEO no. 143/2021, and Annex 1 to Directive (EU) 2019/944.
  - elimination of the provisions that refer to the activity of the DO in the relationship with the supplier and its obligations regarding its own activity
  - detailing the way in which DO ensures unrestricted, free and guaranteed access to the information in the database regarding the places of consumption connected to the electrical distribution network in the license area;
  - the introduction of the notion of an active client, the quality of an active client is certified, by the DSO/TSO, for:
    - participation in flexibility or energy efficiency programs, to which the customer's place of consumption is connected;
    - the production of electricity, by the DSO/TSO to which the place of consumption and production is connected;
  - elimination of the obligation to conclude the consumption agreement by the customer at the conclusion of the electricity supply contract;
  - the customer's possibility to ask the supplier to change the monthly values from the consumption agreement for a determined period, these being applied by the DO and the supplier starting with the 1st of the month following the one in which he received the new values;
  - the consumption data from the consumption agreement can be modified by the DO at any time during the execution of the electricity supply contract, including the data from the consumption agreement modified by the customer, in order to adapt to the actual consumption achieved;
  - DO has the obligation to verify the necessity of changing the data related to the consumption convention with the same frequency with which the reading of the index of the measurement group takes place. If the DO modifies the data in the consumption agreement, it transmits the modified values to the supplier;
  - the introduction of the obligation of the DO to ensure the reading of the index of the measurement group at a time interval of maximum 3 months in the case of places of consumption belonging to household customers, except for those integrated in the SMI;

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- regulating the legal aspects related to data reporting by electricity suppliers who have concluded/purchase contracts for electricity produced by prosumers, with whom they have concluded contracts for the supply of electricity as final consumers, on the manner and format of reporting, respectively frequency of data reporting.
- **ANRE Order no. 91/2022 – Order approving the Regulation on the last instance supply of electricity** – in force from 24 June 2022
  - Consumption sites that are not disconnected for non-payment of electricity consumption/withdrawal and do not have a supply contract in force/are not in the portfolio of an FUI, are taken over by the LR (the supplier with the highest market share in the grid area where the consumption sites are located);
  - within a maximum of 3 working days from the date of entry into force of the order, each concessionaire DSO shall communicate to the LR the list of consumption sites in its network area that are in the situations described above;
  - the market shares shall be established and published by ANRE on the basis of the quantities of electricity delivered, in the period from 1 September 2021 to 28 February 2022, to customers in each network area, by each of the suppliers who are also suppliers of last resort;
  - within a maximum of 5 working days from the date of communication of the designation decision, LR and DSO concessionaires with whom the supplier does not have electricity distribution contracts, shall conclude such contracts.

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- in the event that the DO has not performed the reading within the time frame established by the legal provisions in force, in order to issue the regularization invoice, the latest self-read index and communicated by the client is used after the most recent index read and communicated by the DO. The regularization period cannot be longer than 3 years;
- elimination of the conditions for concluding the distribution contract directly by the end customer; specifying that the conclusion of the distribution contract must be carried out by the final customer with the DO only if the place of consumption has several suppliers at the same time or is the subject of participation in the aggregation by an independent aggregator;
- **ANRE Order no. 13/2023 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 April 1, 2023  
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. Provisions with impact on DO:
  - 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;
- **Draft Order for the amendment of the Procedure regarding the establishment of electricity consumption in the flat-rate system, approved by ANRE Order no. 190/2020** – public debate
  - the drawing up by NO on the date of ascertaining the situation in which the electricity consumption cannot be determined by measurement of a Finding Note, this has the role of recording the technical problems identified at the measurement group, it is not necessary to sign it by the end customer ;
  - PV drawn up by NO is sent by him both to the final customer and to the electricity supplier within a maximum of 5 working days from the date of drawing up; based on the minutes, the supplier has

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the obligation to issue the invoice;

- it is not necessary for the final customer to sign the PV, but he can dispute both the PV and the invoice issued by the supplier within a maximum of 20 days from the communication;
- the elimination of the option of determining the consumption of electricity in a flat system based on the average consumption resulting from the consumption history of the last 3 years, established for a period of time equal in duration and similar in terms of consumption conditions to that in which the measurement group did not work; in the situation where there is no consumption history of the last 3 years, the average consumption is established based on the consumption history related to a period of 2 years respectively or 1 year, as the case may be, because it is no longer applicable considering that the recalculation is based on the average daily consumption of the new meter;
- introduction of the model of the assessment note drawn up by the NO;
- the introduction of the finding report model in the situation where the meter is/is not subject to metrological verification in an authorized metrology laboratory.

### Compliance Regulation

### Compliance Regulation

- **ANRE Order no. 90/2023 for the modification and completion of some orders issued by ANRE** - effective from October 5, 2023
  - Period of appointment of compliance agents nominated by DSO/OI and approved by ANRE: minimum 2 calendar years and maximum 4 calendar years
  - By December 10 of each year, the compliance agent submits to ANRE a report on the measures taken and his conclusions regarding the fulfilment/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 November 15, 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.

### Annual Report and sanctions

### Annual Report and sanctions – N/A

- **ANRE Order no. 1/19.01.2022 - Order for the repeal of ANRE Order no. 32/2016 on the approval of the Methodology for the preparation of the Annual Report by licensees in the electricity and thermal energy sector and on the amendment of some ANRE orders** - in force since 21 January 2022
  - eliminates the obligation for licensees to draw up the Annual Activity Report.

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- ANRE Order no. 32/2016 is repealed – the information in the annexes of the Annual Report Methodology shall be submitted to ANRE in accordance with the provisions of other orders.
- **ANRE Order no. 12/23.02.2022 – Order approving the Procedure for the establishment and individualization of fines related to the turnover resulting from the control activity** – in force from 1 March 2022
  - It aims to establish the rules necessary for establishing and individualizing the contravention penalties related to turnover provided for in the Law on Electricity and Natural Gas no. 123/2012, art. 95 para. (2) and (3).
- **ANRE Order no. 13/23.02.2022 – Order approving the Procedure for the establishment and individualization of contraventional sanctions related to turnover, by ANRE's Regulatory Committee, following investigation actions** – in force since 28 February 2022.
  - Its purpose is to establish and individualize sanctions in case of committing the offences provided for in art. 93 para. (1) and art. 194 of the Law on Electricity and Natural Gas no. 123/2012, with subsequent amendments and additions, hereinafter referred to as the Law, for which sanctions are provided from the turnover of the year preceding the application of the sanction.
- **ANRE Order no. 100/2022 amending and supplementing the Regulation on the organisation and conduct of energy investigation activities regarding the functioning of the wholesale energy market, approved by ANRE Order no. 25/2017** – in force from 4 August 2022
  - application of some of the legal provisions in force and by the members of the Regulatory Committee of ANRE;
  - extending the scope of investigations into breaches of the transparency requirements laid down in the ANRE regulations as well as in European regulations;
  - introduction of amendments, clarifications and additions concerning the competence to establish and individualize sanctions, depending on the nature and timing of their occurrence; the draft order also includes provisions for the situation where, during the investigation action, no contraventions are found.
- **ANRE Order no. 101/2022 amending and supplementing the Procedure for the establishment and individualization of fines based on turnover, by ANRE's Regulatory Committee, following investigative actions, approved by ANRE Order no. 13/2022** – in force from 4 August 2022
  - to complete the Procedure with the situations in which the Regulatory Committee establishes and individualizes the sanctions by reference to the turnover of the investigated legal entity, and for the contraventions for which the investigation team,

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as investigating agents, applies the provisions of art. 12 para. (2) of the OG no. 2/12 July 2001 on the legal regime of contraventions, approved with amendments and additions by Law no. 180/2002, with subsequent amendments and additions, proposing to sanction the investigated market participant with a fine in relation to its turnover;

- correlation with the provisions of ANRE Order no. 25/2017, as amended and supplemented.
- **ANRE Order no. 120/2022 on the amendment and completion of the Regulation on the detection, notification and sanctioning of violations of regulations issued in the field of energy applicable to the investigation activities carried out by ANRE, approved by ANRE Order no. 62/2013** – in force from 5 October 2022
  - Completion and amendment of the Regulation, in accordance with the legal provisions in force, as a result of the amendments made to the Law, i.e. by Order 25/2017 and Order 13/2022.
- **ANRE Order no. 143/2022 amending and supplementing the Regulation on the detection, notification and sanctioning of violations of regulations issued in the field of energy applicable to the control activities carried out by ANRE, approved by ANRE Order no. 62/2013, with subsequent amendments and additions** – in force from 28 December 2022
  - amendment and completion of the Regulation provides that the documents preceding the control action, during the control action or resulting from the completion of the control action, such as, but not limited to: the control warrant, the control notice, the control report, the referral note, the sanction warrant, the sanction invitation, etc. can be drawn up and communicated both in written and electronic format.

**Primary legislation:**

- **Energy Law no. 123/2012 – amended by GEO no. 143/2021** – in force since 31 December 2021, approved and amended by Law no. 248/2022, in force starting with 25 July 2022, providing among others:
  - the possibility of concluding directly negotiated bilateral transactions;
  - obligation for the DSO to ensure the reading of the metering group index for domestic end customers at a maximum interval of 3 months;
  - the role of the DSO as a neutral market facilitator in the purchase of electricity to cover NL, according to transparent, non-discriminatory and market-based procedures, in compliance with ANRE regulations;
  - **domestic connection** – In the case of domestic customers, upon commissioning of the connection works carried out, the DSO will reimburse the applicant the actual value of the design and execution works of the connection, up to an average

**Primary legislation:**

- **Law no. 158/2023 for the amendment and completion of the Electricity and Natural Gas Law no. 123/2012** – effective from June 3, 2023

For the supply of equipment and aggregates for irrigation, as well as for economic operators that carry out activities included in CAEN code 01 Agriculture, hunting and related services and CAEN code 10 Food industry, DSO has the obligation to ensure the financing and realization of the design and execution works of the installation connection of the final non-domestic customer, whose length will be up to 2,500 meters located on the territory of the administrative-territorial unit for which the public distribution service has the concession. For connection installations that exceed the length of 2,500 meters, the financing of the difference from the network falls under the responsibility non-domestic end customer. The counter value of the design and execution works of the connection installation will be recognized in the tariff by ANRE.



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- value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection works become the property of the distribution operator from the moment of commissioning, through the effect of this law, at the value reimbursed to the household customer, being recognised by ANRE as part of the regulated asset base.
- **non-household connection** - In the case of non-household customers, the cost of the connection work, including the design of the connection/connection, is borne entirely by the customer. The assets resulting from the connection works:
  - between 1 January and 24 July 2022, it enters the distribution operator's patrimony from the moment of commissioning, based on GEO no. 143/2021, without being recognized by ANRE as part of the regulated asset base;
  - starting with 25 July 2022, it does not enter the patrimony of the distribution operator, based on Law no. 248/2022 and ANRE Order no. 133/2022, they are transferred only for exploitation to the distribution operator;
- in case the final customers do not have SM, DSO provides them with individual conventional meters that accurately measure their real consumption. DSO ensures that end customers can easily read their conventional meters, either directly or indirectly, through an online interface or other appropriate interface that does not involve physical connection to the meter.
- ANRE has the obligation to issue the regulations provided in the Law within the terms expressly provided from the date of entry into force of the Law (60 days or 6 months).
- **Law no. 259/29.10.2021 for the approval of GEO no. 118/2021 on the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, as well as for the completion of Government Ordinance no. 27/1996 on the granting of facilities to people living or working in some localities in the Apuseni Mountains and in the „Danube Delta” Biosphere Reserve**
  - For the period 1 November 2021 - 31 March 2022, a support scheme for the payment of electricity and gas bills has been established for several categories of final customers.
  - In order to regularize the amounts related to the support scheme, the electricity/natural gas distribution operators have the obligation, in the period April-June 2022, in addition to the readings established according to the regulations in force, to carry out the meter index reading of the final customers who benefited from the support scheme and to communicate to the electricity/natural gas suppliers their measurement data.

The deadline for making the connection is 120 days from the date of obtaining the agreement/authorization for the connection installation. The assets resulting from the connection works become the property of the DSO from the time of installation of the connection installation.

The applicant, a future non-domestic final customer, has the obligation to use the place of consumption and to keep its destination for a period of at least 15 years from the PIF date, otherwise he is obliged to return to DSO the value of the design and execution of the connection installation, proportionally with the remaining unused period, gradually, in accordance with ANRE regulations.

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- Exempting certain categories of small consumers (SMEs, PFAs) from the payment of distribution tariffs, transmission tariffs, green certificates, contribution for high-efficiency cogeneration and excise duties.
- **Emergency Ordinance no. 3/2022 amending and supplementing Government Emergency Ordinance no. 118/2021 for domestic customers increases the maximum consumption limit from 1500 kWh to 1900 kWh (380kWh/month) - in force from 26 January 2022**
  - **for household customers** in the period 1 February 2022 - 31 March 2022 the final invoiced price of electricity is capped at 0.8 RON/kWh, VAT included, (compared to 1 RON/kWh), of which the energy price component is a maximum of 0.336 RON/kWh (compared to 0.525 RON/kWh);
  - **for non-household customers** in the period 1 February 2022 - 31 March 2022 the final invoiced price of electricity is capped at a maximum of 1 RON/kWh, VAT included, of which the energy price component is a maximum of 0.525 RON/kWh
  - OD have the obligation, during the period April-June 2022, in addition to the readings established according to the regulations in force, to carry out meter index readings on domestic customers and to transmit their measurement data to the electricity/ natural gas suppliers.
- **Emergency Ordinance no. 27/2022 on measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022 - 31 March 2023 - in force since 22 March 2022, approved by Law no. 206/11 July 2022, amended by GEO no. 192/2022**
  - to cover the additional costs related to NL 2021, ANRE modifies the regulated tariffs, applicable from 1 April 2022.
  - The resulting tariffs will not change between 1 April 2022 and 31 March 2023.
  - additional costs financed from bank loans made during the period of the GEO to cover the NL are capitalized, with a duration of 5 years and RRR = 50% x RRR RP4.
  - electricity costs purchased for NL after the date of entry into force of the GEO will be recognized in the regulated tariffs, according to ANRE methodologies.
  - transmission and distribution tariffs will be adjusted to reflect costs incurred up to 31 March 2023 for a period of up to 5 years after 31 March 2023.
  - the producers in the Romanian state portfolio are obliged to respond within 5 working days with partial or total sales offers to the requests for energy purchase addressed by the OTSs and ODs, individually or in aggregate, directly or through the dedicated platforms of the organized market. Failure to comply with the provision shall be sanctioned with a fine of RON 100.000 ÷ 400.000.
  - The provisions of the GEO apply until 31 March 2025.

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- **Emergency Ordinance no. 119/2022 amending and supplementing GEO no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market during the period 1 April 2022–31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy** - in force since 1 September 2022, **approved and amended by Law no. 357/16 December 2022**
  - additional costs for the purchase of electricity, made between 1 January 2022 and 31 August 2023, to cover the NL, compared to the costs included in the regulated tariffs (and not only the loans), are capitalised quarterly, RRR = 50% of the RRR applicable to each period;
  - electricity generators are obliged to sell available electricity with delivery until 31 December 2022, through direct negotiated contracts starting from 1 September 2022, only to electricity suppliers with end customers in their portfolio, intended exclusively for their consumption, OD, OTS and consumers who have benefited from the provisions of GEO 81/2019.
- **Emergency Ordinance no. 153/2022** amending and supplementing **Government Emergency Ordinance no. 27/2022** on the measures applicable to end customers in the electricity and natural gas market during the period 1 April 2022–31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy and amending **Government Emergency Ordinance no. 119/2022** amending and supplementing **Government Emergency Ordinance no. 27/2022** on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy - in force since 11 November 2022
  - for the period from 1 January 2023 to 31 March 2025, the centralised electricity purchase mechanism is established
  - OPCOM is designated as the single buyer, it buys electricity from the designated producers and sells the purchased electricity to electricity suppliers who have contracts with end customers, electricity transmission system operators and electricity distribution operators, to cover their own technological consumption of the networks operated by them.
  - OD can buy from OPCOM by annual/monthly mechanism 75% of the quantity of NL forecast and validated by ANRE at the price of 450 lei/MWh, and producers can sell to OPCOM annual/monthly mechanism 80% of the quantity produced forecast and validated by ANRE and Transelectrica at the price of 450 lei/MWh.

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**Alignment with the European legislation – EU Regulation no. 943/2019:****Electricity market functioning**

- **ANRE Order no. 128/2021 – Order approving the Rules for the suspension and restoration of market activities and the applicable Settlement Rules** – in force from 1 October 2022:
  - to determine the situations and conditions under which the OTS can suspend market activities with mitigating impact on PZU and PI energy market coupling;
  - identification of the market activities that can be suspended and the procedure for their suspension and reinstatement: steps, role and responsibilities of the OTS/designated electricity market operator/factors involved;
  - communication procedure detailing the tasks and actions to be carried out by each party
  - suspension during the period of collapse and restoration from collapse of the SEN of all wholesale market contracts (including transactions concluded on the DAM and IM), and the sale/purchase to be carried out at a single restoration price, i.e. the settlement procedure applicable in these situations and the procedure for making payments and contesting the settlement.
  - the order will apply from 1 October 2022, the date from which ANRE Order no. 23/2016 is repealed.
- **ANRE Order no. 65/2022 approving the Regulation on the organised framework for electricity contracting by large end customers** – in force since 1 April 2022
  - expanding market participation by accepting OTS and ODs, their participation in the market is exclusively for the purchase of NL;
  - application of the regulation inclusive of producers to whom the measures of GEO No 27/2022 apply;
  - use of standard or EFET-type contracts;
  - reduction of the average power per settlement interval from 10 MW to 5 MW, for a better profiling of the final customers' offers;
  - the possibility for the initiator to choose to vary the contracted power per settlement interval by a maximum of 0.5 MW per settlement interval;
  - minimum delivery duration of one month;
  - the option of full/partial trading of the initiator offer.
- **ANRE Order no. 73/2022 – amending ANRE Order no. 65/2022 approving the Regulation on the organised framework for the contracting of electricity by large end customers** – in force since 12 May 2022
  - the possibility of introducing initiating offers also by producers participating in the market;

**Alignment with the European legislation – EU Regulation no. 943/2019:****Electricity market functioning**

- **ANRE Order no. 12/2023 for the approval of the Regulation regarding the organized framework for trading on the organized future electricity markets administered by the Electric Energy and Natural Gas Market Operator OPCOM S.A., which aims to simplify the organized framework for trading electricity on the markets organized by future electricity, through the trading platforms managed by S.C. OPCOM S.A** – effective from 28 March 2023  
Provides rules that refer to:
  - the types of products that can be traded on the standardized and flexible term product markets;
  - the method of establishing offers for the sale or purchase of electricity;
  - the way of organizing auctions/trading sessions;
  - the way of establishing transactions and contracting the traded energy;
  - the way of managing and publishing information on participants, offers and concluded transactions.
- **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 April, 5 2023  
Provides rules that refer to:
  - Introduction of a chapter on organized market segments
  - The introduction of new products, namely flexible products and products derived from the field of electricity, settled by physical delivery
  - Description of the trading mechanisms used
  - Expanding market transparency information
  - Introduction of requirements regarding the use of a liquidity provider  
Upon entry into force of the order, ANRE Order no. 117/2022 for the approval of the Regulation on the organization and operation of the electricity futures contract market organized by the company Romanian Stock Exchange S.A., and within 30 days of approval, BRM publishes the operational procedures according to the Regulation entered into force.
- **ANRE Order no. 17/2023 for approval of the methodology for monitoring the wholesale electricity market** – effective from April, 3 2023
  - the scope 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

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- deletion of the specification that large end-use electricity customer includes transmission system operator and distribution system operators that purchase, individually or in aggregation, electricity to cover their own technological consumption in the networks they operate, in order to avoid resale by operators of electricity purchased on this market, based on the license they hold. They can participate in the market from the position of final customer, which, according to the definition in the Energy Law, is any natural or legal person who buys electricity for their own consumption.
  - ANRE Order no. 3/2022 approving the Regulation on the organization and operation of the online platform for changing supplier (POSF) and for contracting the supply of electricity and natural gas** – in force since 28 August 2022
    - The online platform (POSF) is unique at national level, end customers and economic operators involved in changing supplier and contracting supply are obliged to use this platform exclusively.
    - Implementation of the platform starts on 28 August 2022.
    - Duration of the switching process 24 hours
    - The customer is obliged to register the self-quoted index in POSF
    - The customer uploads the self-read index at the initiation of the supplier change process and a second self-read index at the date of the actual supplier change. If the end customer does not upload the index at the effective supplier changeover date, the DSO is obliged to register in the POSF, within 5 days from the effective supplier changeover date by the end customer, the index read by the DSO or provided by the smart metering system.
    - The regulation details:** the organization and operation of the POSF, the content of the POSF database, the data required to create an access account in the POSF, the rights and obligations of POSF users, the rules on the conclusion of the supply contract, the actual procedure for changing supplier.
    - ANRE is the administrator and operator of the online platform for end-customers to change their electricity and/or gas supplier (POSF).
    - During the period between the date of entry into force of the Order and 28 August 2022, all economic operators are obliged to comply with any ANRE requests for the realization and implementation of the POSF.
  - ANRE Order no. 109/2022 amending and supplementing ANRE Order no. 3/2022 approving the Regulation on the organisation and operation of the online platform for changing the electricity and natural gas supplier and for contracting the supply of electricity and natural gas** – in force since 24 August 2022
- 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 April, 4 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 September 26, 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 April 1, 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 April 1, 2024.

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- to change the date of application of the Regulation from 28 August 2022 to 10 October 2022; by way of derogation, the provisions relating to the registration in the POSF of the information that ORs and suppliers are obliged to register in accordance with the Regulation shall apply from 28 August 2022
- **ANRE Order no. 79/2022 – approving the Regulation on the organization and functioning of the electricity futures market organized by Bursa Romana de Marfuri S.A.** – in force since 10 June 2022
  - This draft order aims to establish an organized framework for electricity trading on the Electricity Futures Market, through electronic trading platforms managed by Bursa Romana de Marfuri S.A (BRM).
- **ANRE Order 117/2022 for the approval of the Regulation for the organization and functioning of the forward electricity contracts market organized by Bursa Romana de Marfuri S.A.** – in force since 1 October 2022, exception art. 2
  - repeals Order No. 79/2022, introducing new products for trading: (i) multiple of a day, i.e. the entire period of at least 2 consecutive delivery days starting at the earliest on the second calendar day following the day a transaction is closed; the product is tradable only with delivery in the band; (ii) 1 week; the product is tradable only with delivery in the band; (iii) balance of the month, i.e. the period made up of the remaining delivery days of a current calendar month, starting on the second calendar day following the day a transaction is closed; the product is tradable only with delivery in the band.
  - art. 2 – The BRM shall update, by 1 October 2022, the operational procedures necessary to implement the Regulation
- **ANRE Order no. 92/2022 – order amending and supplementing the Regulation on the calculation and settlement of imbalances of the parties responsible for balancing – single imbalance price, approved by ANRE Order no. 213/2020 and amending some ANRE orders** – in force since 1 July 2022.
  - new articles on how to allocate additional costs/ revenues from balancing the system;
  - it is proposed to reduce from 6 months to 2 months the period in which the participant can request a reasoned correction of the settlement from the posting of the information note for settlement on the dedicated IT platform;
  - implementation of the 400 kW installed capacity limit for prosumers, from which the supplier no longer assumes responsibility for balancing;
  - the order applies from 1 July 2022 in which the calculations for the settlement of imbalances of the PRE for the delivery month June 2022 are made.
- **ANRE 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 debate
  - 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.
- **Draft order for the amendment of the Regulation regarding the organized trading framework on the organized future electricity markets administered by the Electric Energy and Natural Gas Market Operator OPCOM S.A. approved by ANRE Order no. 12/2023** – public debate
  - Taking into account the approval of ANRE Order no. 95/2023 in which aggregation can be done cumulatively (producers, consumers and owners of storage facilities), it is proposed to eliminate art. 11 paragraph 2 of ANRE Order no. 12/2023: Art. 11. – (2) The aggregation of market participants is carried out separately for the production activity, respectively for consumption.

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- **ANRE Order no. 121/2022 amending some ANRE orders on the electricity market** – in force since 1 October 2022
  - ANRE Order no. 127/2021 shall enter into force on the date of publication and shall apply from 1 October 2023, with the exception of: (i) for the period 1 May 2023–1 September 2023, the balancing party imbalance settlement operator shall, starting from May 2023, perform monthly simulations for the calculation of the balancing party imbalance settlement resulting from the application of the provisions of the Regulation on terms and conditions for balancing parties (ii) technical amendments to the Technical Qualification Procedure for the provision of system services, approved by ANRE Order no. 89/2021, which apply from the date of entry into force
  - ANRE Order no. 128/2021 applies from 1 October 2023, to align with the provisions of ANRE Order no. 127/2021.
- **Order no. 134/2022 approving the General General Rules on Organised Electricity Futures Markets** – in force from 3 November 2022
  - to simplify the organised framework for electricity contracting, by drawing up a framework regulation with general provisions, on the basis of which each electricity market operator will draw up specific rules for the organisation and management of its own markets;
  - ensure the creation of a general framework with requirements applicable to all electricity market operators to ensure transparency and non-discrimination. On the basis of these general rules, operators shall draw up their specific conditions of participation.
- **Regulation (EU) 2022/1854 of 6 October 2022 on emergency action to tackle high energy prices:**
  - reduce consumption by a target 5% during peak hours
  - 180 Euro/MWh threshold for solar, nuclear, hydro, wind and lignite production mainly; revenues above this threshold will be collected by the state
  - solidarity mechanism –33% of profits in fiscal year 2022, if there is an increase of more than 20% compared to the 2018–2021 average
  - The funds obtained on the last two points will be redirected to domestic consumers, companies in difficulty, reduced tariffs or social aid.
- **Draft Order approving the methodology for monitoring the wholesale electricity market** – public consultation
  - the scope 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

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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, OPEE and OTS).
  - 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.
- **Draft Order approving the methodology for monitoring the retail electricity market** – public consultation
    - 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.



### A.3.1.2. Supply activity

2022	2023
<p>In 2022, with an impact on the electricity and gas supply activity, the following regulations were adopted:</p>	<p>In 2022, with an impact on the electricity and gas supply activity, the following regulations were adopted:</p>
<p><b>a. Primary legislation:</b></p> <ul style="list-style-type: none"> <li>• <b>GEO no. 118/2021</b> on the establishment of a compensation scheme for electricity and natural gas consumption for the 2021-2022 cold season, approved with amendments and additions by Law no. 259/2021: <ul style="list-style-type: none"> <li>• The planned support scheme will be applied for the period November 2021 – March 2022 and was established in the context of rising prices on the electricity and natural gas markets at international level, as well as the effects of these increases for the Romanian population;</li> <li>• the following consumer support schemes are provided:</li> <li>• compensation for household customers if they fall within the maximum consumption limits set for the entire period of application (i.e. 1,500 kWh for electricity, 1,000 m<sup>3</sup> for natural gas), respectively monthly and within the reference price of 0.68 lei/kWh for electricity, respectively 125 lei/MWh for natural gas; the amount of compensation is 0.291 lei/kWh for electricity, respectively 33% of the bill for natural gas;</li> <li>• exemption from payment of regulated tariffs, other contributions and excise duty for SMEs, individual medical practices and other liberal professions, microenterprises, licensed natural persons, sole proprietorships, family enterprises (i.e. regulated feed-in/withdrawal tariffs, distribution tariff, system service tariff, transmission tariff, green certificates, contribution for high efficiency cogeneration and excise duty – for electricity; transmission cost, distribution tariff and excise duty – for natural gas);</li> <li>• capping of the final invoiced price to a maximum of 1 leu/kWh, of which the electricity price component of max. 0.525 lei/kWh for electricity, respectively a maximum of 0.37 lei/kWh, of which the gas price component of max. 0,250 lei/kWh for natural gas for household customers, public and private hospitals, public and private educational establishments and nurseries, non-governmental organisations, religious establishments, public and private social service providers;</li> <li>• suspension of bill payments – on request, only for vulnerable consumers, for a period of min. 1 month and max. 6 months;</li> <li>• Mechanisms are also provided for the settlement of amounts related to support schemes from the state budget to electricity and gas suppliers.</li> </ul> </li> </ul>	<p><b>a. Primary legislation:</b></p> <ul style="list-style-type: none"> <li>• <b>GEO No 27/2022</b> on measures applicable to final customers in the electricity and natural gas market for the period from 1 April 2022 to 31 March 2023, as well as for amending and supplementing certain regulatory acts in the field of energy: <ul style="list-style-type: none"> <li>• the period of application of the support scheme (capping) is 1 year, i.e. 1 April 2022 – 31 March 2023.</li> <li>• for electricity the final invoiced price is: maximum 0.68 lei/kWh (VAT included) for household customers with average monthly consumption (achieved at the place of consumption in 2021) less than or equal to 100 kWh, maximum 0.8 lei/kWh (VAT included) for household customers with average monthly consumption between 100 kWh and 300 kWh inclusive, maximum 1 leu/kWh (VAT included) for non-household customers (the framing of household customers is made according to the average monthly consumption achieved in 2021, the capped prices will apply for the entire period regardless of the amount consumed. In the case of household customers who were not initially included in the cap but whose consumption in 2022 is included, suppliers issue regularisation invoices in February 2023 using the capped price for the period in which they consumed).</li> <li>• customers connected after 1 January 2022 will be billed with a ceiling: domestic electricity customers at 0.68 lei/kWh (with minimum ceiling), domestic gas customers at 0.31 lei/kWh (category ceiling), non-household electricity customers at 1 leu/kWh (category ceiling) and non-household gas customers at 0.37 lei/kWh (regardless of consumption);</li> <li>• customers who do not fall under the ceiling will have monthly adjustable prices, the variable being a correction component for the purchase price, so that the cost of purchase (with PE within 5%) is passed on to the final customers. The exception is only the first two months of the application period, when the price is not adjustable. At the request of final customers, suppliers may also conclude supply contracts under conditions other than those laid down in the article referring to uncapped customers.</li> <li>• the subscription is included in the ceiling; if the price in the current contracts concluded with final customers is lower than the ceiling price, the contractual price shall apply.</li> </ul> </li> </ul>

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- GEO no. 2/2022 on the establishment of social protection measures for employees and other professional categories in the context of prohibition, suspension or limitation of economic activities, caused by the epidemiological situation generated by the spread of SARS-CoV-2 coronavirus, as well as for the modification and completion of some normative acts:
  - The ordinance provides for amendments and additions to GEO No 118/2021 as follows:
  - extending the scope of the ceiling by including in the category of beneficiaries also public cultural institutions and cultural establishments subordinated to central and local public administration authorities;
  - prohibition to disconnect or interrupt, until 30.06.2022, the electricity supply for non-payment of household customers;
  - provision, in the case of invoices that do not comply with the legal provisions on the application of support schemes (compensation, exemption, capping), for their automatic reissue within a maximum of 15 days from the date of issue. For invoices already issued, the deadline for their reissue is 15 days after the entry into force of this GEO, i.e. until 3 February 2022 (inclusive). The execution of the payment obligation for invoices in the process of being recalculated is also suspended until new invoices are issued.
- GEO no. 3/2022 amending and supplementing GEO no. 118/2021:
  - the following amendments and additions to GEO no. 118/2021 are provided for, with application from 1 February to 31 March 2022:
  - increasing the consumption margin for compensation from 300 kWh/month (+10%) to 500 kWh/month (+10%) for electricity and from 200 mc/month to 300 mc/month for natural gas;
  - change the price cap for household customers (from 1 leu/kWh to 0.8 lei/kWh for electricity and from 0.37 lei/kWh to 0.31 lei/kWh for natural gas) and introduce a price cap for all non-household customers (1 leu/kWh for electricity and 0.37 lei/kWh for natural gas);
  - the cap still concerns both the final price and the electricity/natural gas purchase component: for household customers – 0.8 lei/kWh final price for electricity, of which 0.336 lei/kWh electricity price component; 0.31 lei/kWh final price for natural gas, of which 0.200 lei/kWh natural gas price component; for non-household customers: 1 leu/kWh final price for electricity, of which 0.525 lei/kWh electricity price component; 0.37 lei/kWh final price for natural gas, of which 0.250 lei/kWh gas price component;
  - recovery of the capped amounts will be made according to the thresholds indicated above, in conjunction with the period of application: from 1 November 2021 to 31 January 2022, by the difference
    - for natural gas the final invoiced price is: maximum 0.31 lei/kWh (VAT included) for household customers, maximum 0.37 lei/kWh (VAT included) for non-household customers whose annual consumption of natural gas in 2021 at the place of consumption is no more than 50,000 MWh and for thermal energy producers;
- for natural gas the final invoiced price is: maximum 0.31 lei/kWh (VAT included) for household customers, maximum 0.37 lei/kWh (VAT included) for non-household customers whose annual consumption of natural gas in 2021 at the place of consumption is no more than 50,000 MWh and for thermal energy producers;
- the supply component is 73 lei/MWh for the electricity supply activity and 12 lei/MWh for the natural gas supply activity, and for customers taken over as a last resort it is 80 lei/MWh for the electricity supply activity and 13.5 lei/MWh for the natural gas supply activity (the GEO establishes the value of the supply component, without specifying that it is a maximum).
- for the purchase of electricity and natural gas, the monthly imbalance must not exceed 5% of the value of the energy delivered monthly to the end customers in the portfolio, what exceeds this threshold will not be recognized and settled; the purchase made for last resort supply does not have the balancing cost limited to 5%; there is the obligation to set up storage deposits of at least 30% of the amount of natural gas required for the consumption of final customers from the own portfolio between April 1 and October 31, 2022.
- the recovery of the capping amounts is carried out in full, provided that the limit of 5% of the cost with imbalances is respected; the losses recorded from the application of the support scheme between November 1, 2021 and March 31, 2022 can also be recovered (a supply cost of 73 lei/MWh is accepted and we limit the cost of imbalances to 5% of the purchase cost) – so that the recovery either at a high level, it is necessary to invoice all consumption, including in the FUI regime, until the beginning of May.
- the supplier has the obligation to notify the customers about the changes arising from the application of the GEO provisions with the first invoice sent after the entry into force (the fine is between 100 thousand and 400 thousand lei).
- **Law no. 206/2022** for the approval of the Government Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market during the period April 1, 2022–March 31, 2023, as well as for the amendment and completion of some normative acts in the field of energy.
- **GEO no. 119/2022** – Emergency Ordinance for amending and supplementing the Government's Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market
  - during the period April 1, 2022–March 31, 2023, as well as for the amendment and completion of

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between the average monthly purchase price and the threshold of 525 lei/MWh for electricity and 250 lei/MWh for natural gas. From 1 February, recovery will be made: for household customers – by the difference between the average monthly purchase price and the threshold of 336 lei/MWh for electricity and 200 lei/MWh for natural gas; for non-household customers – by the difference between the average monthly purchase price and the threshold of 525 lei for electricity and 250 lei/MWh for natural gas.

- **GEO no. 27/2022** on the measures applicable to final customers in the electricity and natural gas market during the period 1 April 2022–31 March 2023, as well as for the amendment and completion of some normative acts in the field of energy:
  - the period of application of the support (capping) scheme is 1 year, i.e. 1 April 2022 – 31 March 2023.
  - for electricity the final invoiced price is: maximum 0.68 lei/kWh (VAT included) for household customers with an average monthly consumption (at the place of consumption in 2021) less than or equal to 100 kWh, maximum 0.8 lei/kWh (VAT included) for household customers with an average monthly consumption between 100 kWh and 300 kWh inclusive, maximum 1 leu/kWh (VAT included) for non-household customers (household customers are included according to the average monthly consumption in 2021, the capped prices will apply for the whole period regardless of the quantity consumed. In the case of household customers who were not initially included in the cap but whose consumption in 2022 is included, suppliers issue regularisation invoices in February 2023 using the capped price for the period in which they consumed).
  - for natural gas the final price invoiced is: maximum 0.31 lei/kWh (VAT included) for domestic customers, maximum 0.37 lei/kWh (VAT included) for non-household customers whose annual consumption of natural gas in 2021 at the place of consumption is no more than 50,000 MWh and for thermal energy producers;
  - Customers connected after 1 January 2022 will be billed with a ceiling: domestic electricity customers at 0.68 lei/kWh (with minimum ceiling), domestic gas customers at 0.31 lei/kWh (category ceiling), non-household electricity customers at 1 leu/kWh (category ceiling) and non-household gas customers at 0.37 lei/kWh (regardless of consumption);
  - customers who do not fall under the cap will have monthly adjustable prices, the variable being a correction component for the purchase price, so that the cost of the purchase (with PE within 5%) is passed on to the end customers. The exception is only the first two months of the application period, when the price is not adjustable. At the request of

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- some normative acts in the field of energy for 85% of the average monthly consumption at the place of consumption in 2021, in the case of small and medium-sized enterprises (SMEs), of economic operators in the field of the food industry, of public institutions; maximum 1 leu/kWh (VAT included) for the full consumption of public and private hospitals, public and private educational institutions, nurseries, public and private social service providers. In order to benefit from the facilities provided by this GEO starting from September 1, 2022, the previously mentioned non-domestic customers have the obligation to submit to the electricity supplier a request accompanied by a declaration on their own responsibility, within a maximum of 30 days from the date of entry into force of this GEO. Beneficiaries falling under the provisions of the GEO who did not submit the request accompanied by a declaration on their own responsibility in September 2022, as well as those established after September 1, 2022, benefit from the provisions of this GEO starting from the 1st of the month following their submission to supplier.
- the capped final billed price for natural gas is: maximum 0.31 lei/kWh (including VAT) in the case of domestic customers (it also applies to the consumption places of domestic customers connected starting from January 1, 2022 or for domestic customers) that have no history in 2021 with the supplier, by reference to the monthly consumption achieved); a maximum of 0.37 lei/kWh (including VAT) in the case of non-domestic customers whose annual natural gas consumption achieved in 2021 at the place of consumption is no more than 50,000 MWh, as well as in the case of heat energy producers (also applies in the case of places of consumption of non-household customers connected starting from January 1, 2022);
  - the compensation values, for each supplier, are determined by ANRE, within 30 days from the date of receipt of the settlement requests, submitted and registered at ANPIS (domestic customers), respectively ME (non-domestic customers) and, in a copy, to ANRE;
  - the maximum value of the weighted average price of electricity at which ANRE calculates the amounts to be settled from the state budget for electricity suppliers is 1,300 lei/MWh;
  - starting from September 1, 2022, during the period of application of the provisions of this emergency ordinance, electricity producers, aggregated electricity production entities, traders, suppliers that carry out trading activity and aggregators that transact quantities of electricity and /or natural gas on the wholesale market pay a contribution to the Energy Transition Fund calculated according to the methodology in this GEO;

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final customers, suppliers may also conclude supply contracts under conditions other than those laid down in the article referring to uncapped customers.

- the subscription is included in the cap; if the price in the current contracts with end customers is lower than the capped price, the contract price applies.
- the supply component is 73 lei/MWh for the electricity supply activity and 12 lei/MWh for the natural gas supply activity and for the customers taken over in the last resort it is 80 lei/MWh for the electricity supply activity and 13.5 lei/MWh for the natural gas supply activity (the GEO sets the value of the supply component, without specifying that it is a maximum).
- for the purchase of electricity and natural gas, the monthly imbalance must not exceed 5% of the value of the energy delivered monthly to the end customers in the portfolio, which exceeds this threshold will not be recognized and settled; the purchase made for supply in last resort does not have balancing costs limited to 5%; the obligation to establish between 1 April and 31 October 2022 storage deposits of at least 30% of the quantity of natural gas required for the consumption of end customers in its portfolio appears
- the recovery of the capping amounts is fully realized under the condition of respecting the limit of 5% of the cost with imbalances; the losses registered from the application of the support scheme in the period 1 November 2021 – 31 March 2022 can also be recovered (a supply cost of 73 lei/MWh is accepted and we have the limit of the cost with imbalances at 5% of the purchase cost) – for the recovery to be at a high level it is necessary to invoice all the consumption, including in the SoLR regime, until the beginning of May.
- the supplier has the obligation to notify the customers about the changes resulting from the application of the provisions of the GEO with the first invoice sent after the entry into force (the fine is between RON 100 th. And RON 400 th.).
- Fines: between 1–5% of turnover for non-compliance with the cap and cost limits; between RON 20 th. And RON 400 th. For non-compliance with the provisions for supply as a last resort; between RON 100 th. And 400 RON th. If we do not inform end customers, if we do not keep differentiated/segmented monthly customer records, if we do not identify customers for the application of the cap or if we do not submit the documents requested by ANRE.
- **GEO no. 42/2022** amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy:

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- bilateral contracts concluded on the wholesale market through direct negotiation are reported to ANRE by the contracting parties within 2 working days from the date of conclusion;
- the successive sale of certain quantities of electricity or natural gas by traders and/or suppliers with trading activities, with the obvious purpose of increasing the price, is sanctioned by ANRE, with a fine of 5% of the turnover;
- **GEO no. 153/2022** – Emergency Ordinance for amending and supplementing the Government's Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market during the period April 1, 2022–March 31, 2023, as well as for the amendment and completion of some normative acts in the field of energy 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 April 1, 2022–March 31, 2023, as well as for the amendment and completion of some normative acts in the field of energy.
  - for the period January 1, 2023–March 31, 2025, the mechanism for the centralized purchase of electricity is established;
  - The mechanism provides – OPCOM, as the sole acquirer, buys electricity from producers (electricity producers with an installed power greater than or equal to 10 MW) and sells the purchased electricity to electricity suppliers who have signed contracts with customers final, to the electricity transport and system operator and electricity distribution operators, to cover own technological consumption; the price paid by OPCOM to electricity producers, for the quantities of electricity sold by them, is 450 lei/MWh and OPCOM's selling price to economic operators is also 450 lei/MWh (OPCOM has the right to charge market participants tariffs/ commissions at the level of costs registered by organizing the mechanism for the centralized purchase of electricity); in order to carry out the transactions, OPCOM organizes an annual procurement procedure, as well as an additional procurement procedure, each month, for the quantities of electricity delivered in the following month; the annual and monthly amounts of electricity constitute firm obligations of electricity producers and economic operators and are evenly distributed over all the settlement intervals of each month (contracts are concluded by signing, within a maximum of 3 working days).

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- the deadline for submission of documents for the recovery of amounts capped by the application of GEO 118/2021 is extended from 15 May to 15 July 2022
- ANRE publishes reporting templates for the settlement of the capped amounts, templates that are to be filled in for each category of customers benefiting from the cap (average unit costs must be calculated for both regulated network tariffs and charges); a fine of 50 thousand lei has been introduced for failure to comply with the instructions for uploading the templates and for failure to comply with the deadlines for rectifying the data uploaded on the IT platform and for resubmitting claims/statements for settlement;
- in the category of non-household natural gas customers who benefit from the cap are also thermal energy producers without exception.
- Law no. 206/2022** for the approval of Government Emergency Ordinance no. 27/2022 on measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as for the amendment and completion of some normative acts in the field of energy
  - The main new elements are the following:
  - a single invoice form will be introduced, drawn up by joint Order of ANRE and ANPC;
  - final electricity customers, who do not benefit from capping, are charged the minimum price between the price in the current supply contract and the final price resulting from the application of the GEO.
  - final gas customers are charged the minimum of the contract price, the final capped price and the price resulting from the application of the GEO.
- GEO no. 112/2022** on the establishment of some measures to stimulate investments financed by non-reimbursable external funds in the field of energy efficiency, renewable energy resources for large enterprises and small and medium enterprises, green energy from renewable sources for local public authorities, as well as some measures in the field of smart specialization, and for the modification and completion of some normative acts
  - regulates the general framework for establishing energy efficiency/renewable energy measures for large enterprises and SMEs with funding from non-reimbursable external funds allocated under the Large Infrastructure Operational Programme;
  - amends and completes GEO 27/2022 with provisions on the elaboration and approval by ANRE in consultation with ANPC of the mandatory minimum content of natural gas/electricity bills so that the bills contain correct, transparent, clear, legible and easy to understand information, which will allow household customers to adjust their own
- Law no. 357/2022** – Law on the approval of the Government's 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 April 1, 2022–March 31, 2023, as well as for the amendment and completion of some normative acts in the field of energy
  - the final capped invoiced price of electricity supplied to household customers between January 1, 2023 and March 31, 2025 is:
    - 0.68 lei/kWh, including VAT, for consumption between January 1, 2023 and March 31, 2025 by the following categories of customers: a) household customers whose monthly consumption is between 0 and 100kWh inclusive; b) household customers who use devices, appliances or medical equipment necessary to carry out treatments, based on an application and a declaration on their own responsibility submitted in writing to Electrica Furnizare S.A., following that the capped final billed price will apply from the first date of the month following the one in which the mentioned documents were submitted, c) household customers who have at least 3 dependent children up to 18 years old, respectively 26 years old, if they follow a form of education, based on a application and a written declaration submitted to Electrica Furnizare S.A., with the final invoiced price being applied from the first of the month following the one in which the mentioned documents were submitted, d) domestic customers, single-parent families, who have at least one child up to the age of 18, respectively 26 years old if he/she follows a form of education, on the basis of an application and a self-responsible declaration submitted in writing to Electrica Furnizare S.A following that the final invoiced price will apply from the first day of the month following the one in which the mentioned documents were submitted.
    - 0.80 lei/kWh, including VAT, for consumption between January 1, 2023 and March 31, 2025 by household customers whose monthly consumption at the point of consumption is between 100.01 and 255 kWh. Electricity consumption between 255 and 300 kWh/month is invoiced at the price of 1.3 lei/kWh, including VAT. If the consumption exceeds 300 kWh/month, the entire consumption is invoiced at the price of 1.3 lei/kWh, including VAT.
    - 1.3 lei/kWh, including VAT, for household consumers who are not provided for above.
  - the ceilings in terms of electricity prices applicable to non-domestic final customers, are:
    - maximum 1 leu/kWh, for 85% of the average monthly consumption achieved at the place of consumption (application and declaration on the

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consumption and compare the commercial supply conditions, i.e. suppliers are obliged to implement in the information system the provisions on the unit bill starting with consumption in April 2023.

- **Law no. 248/2022** approving Government Emergency Ordinance no. 143/2021 amending and supplementing the Electricity and Natural Gas Law no. 123/2012 and amending some normative acts  
Approves GEO 143/2022 with amendments and additions regarding:
  - definition of renewable energy, definition of economic efficiency, definition of prosumer (completed with mobile unit equipped with electricity generation systems during regenerative braking);
  - ANRE's obligations to promote the comparator, provide access to an application programming interface (API) for software developers, publish aggregated data within 30 days;
  - generators are obliged to trade at least 40% of their annual electricity production through contracts on electricity markets other than DAM, PI and PE (except for generation capacities commissioned after 1 June 2020);
  - the supplier has the obligation to ensure at least 40% of the electricity necessary to cover the consumption of the final customers in the portfolio from its own production or through the purchase by forward contracts on the electricity markets, other than DAM, PI and PE;
  - prosumers, natural and legal persons and local public administration authorities that own power plants producing energy from renewable sources are exempted from the obligation of annual and quarterly purchase of green certificates for their own final consumption; prosumers can also request quantitative compensation of regenerative energy resulting from regenerative braking;
  - in the case of household customers, authorised natural persons, sole proprietorships, family businesses and public institutions connecting to the low voltage grid, the distribution operator will reimburse the applicant within 5 years, the actual cost of the design and execution of the connection, up to an average value of a connection, established according to a methodology approved by ANRE, the recovery of the costs of connection of household customers is made with accelerated depreciation over a period of 5 years, through distribution tariffs;
  - In the case of non-household customers, the value of the connection work is borne in full by them, the resulting assets do not become the property of the distribution operator but are only transferred to the operator for exploitation;

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- personal responsibility of the legal representative) for: SMEs, Regional Operators (Law no. 51/2006), Transport Company with The Bucharest Metro «Metrorex» – S.A., as well as the airports, which are subordinated/coordinated or under the authority of the Ministry of Transport and Infrastructure, the economic operators in the field of the food industry, identified by CAEN code 10, as well as those in the field of agriculture and fishing, identified by CAEN code 01 and 03, local public authorities and institutions, decentralized public services of ministries and other central bodies, companies and commercial companies of county, municipal or local interest, autonomous governments and all public and private entities that provide a public service, institutes national research and development;
- maximum 1 leu/kWh, for the full consumption of public and private hospitals, public and private educational units, nurseries and public and private providers of social services provided in the Nomenclature of social services;
- a maximum of 1 leu/kWh, including VAT, for 85% of the monthly consumption made at the place of consumption of public institutions, other than those previously provided for, as well as for the places of consumption belonging to the cults officially recognized in Romania;
- non-household customers who do not fall into one of the above categories pay the price capped at a maximum of 1.3 lei/kWh, including VAT.
- **GEO no. 192/2022** – Emergency Ordinance for amending and supplementing the Government's Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market during the period April 1, 2022– March 31, 2023, as well as for the amendment and completion of some normative acts in the field of energy.
  - benefit from the final invoiced electricity price of a maximum of 0.68 lei/kWh for household customers whose place of consumption is occupied by persons who use devices, appliances or medical equipment powered from the electrical network, necessary for carrying out medical treatments based on confirmation from the specialist doctor and of a request submitted to the supplier; for the month of January 2023, instead of the medical confirmation, a self-responsible declaration is submitted; the capped final invoiced price is applied from the first day of the month following the one in which the previously provided documents were submitted;
  - capping also applies to places of consumption used on the basis of a rental contract, the following documents are submitted to the supplier by the household customer: the application regarding the application of the capped price, the copy of

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- **GEO no. 119/2022** – Emergency Ordinance amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy
  - the period of application of the support (capping) scheme is 1 September 2022–31 August 2023,
  - the final capped invoiced price for electricity is: maximum 0.68 lei/kWh, (VAT included) for household customers whose average monthly consumption at the place of consumption in 2021 was between 0–100 kWh inclusive; maximum 0.80 lei/kWh (VAT included) for household customers whose average monthly consumption at the place of consumption in 2021 was between 100.01–300 kWh – for a monthly consumption which is maximum 255 kWh; maximum 1 leu/kWh (VAT included) for 85% of the average monthly consumption at the place of consumption in 2021 for small and medium-sized enterprises (SMEs), economic operators in the food industry, public institutions; maximum 1 leu/kWh (VAT included) for the full consumption of public and private hospitals, public and private education units, nurseries, public and private social service providers. In order to benefit from the facilities provided for by this GEO, starting from 1 September 2022, the above-mentioned non-household customers are obliged to submit to their electricity supplier a request accompanied by a declaration on their own responsibility, within a maximum of 30 days from the date of entry into force of this GEO. Beneficiaries who fall within the provisions of the GEO and who have not submitted their application accompanied by a declaration on their own responsibility in September 2022, as well as those established after 1 September 2022, shall benefit from the provisions of this GEO starting from the 1st of the month following their submission to the supplier.
  - the final capped invoiced price for natural gas is: maximum 0.31 lei/kWh (VAT included) for household customers (also applies to consumption sites of household customers connected from 1 January 2022 or for household customers who have no history with the supplier in 2021, based on monthly consumption); maximum 0.37 lei/kWh (VAT included) for non-household customers whose annual consumption of natural gas in 2021 at the consumption site is 50,000 MWh, as well as in the case of thermal energy producers (also applies to the consumption places of non-household customers connected as of 1 January 2022);
  - the values and tranches foreseen for the capping scheme may be modified by Government decision, depending on the developments on the domestic and international electricity and natural gas markets
- the rental contract, the tenant's self-responsible declaration that he falls under one among the categories benefiting from Ceilings or medical confirmation, as the case may be.
- the ceiling on electricity is applied to all places of consumption of a household customer, depending on the consumption made at each of them.
- the annual and monthly centralized procurement mechanisms (MACEE) are modified in terms of the transmission of forecasts and purchased quantities, guarantees, payments, etc.
- **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

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and on the geopolitical developments in Romania's neighbourhood;

- the electricity and gas supply component is 73 lei/MWh for electricity supply and 12 lei/MWh for gas supply;
- the amounts of compensation for each supplier shall be determined by ANRE within 30 days from the date of receipt of the settlement requests submitted and registered with ANPIS (domestic customers) and ME (non-domestic customers) respectively, and copied to ANRE;
- the maximum value of the weighted average electricity price at which ANRE calculates the amounts to be settled from the state budget for electricity suppliers is 1,300 lei/MWh;
- Starting from 1 September 2022, during the period of application of the provisions of this Emergency Ordinance, electricity generators, aggregated electricity generating entities, traders, suppliers carrying out trading activities and aggregators trading quantities of electricity and/or natural gas on the wholesale market shall pay a contribution to the Energy Transition Fund calculated according to the methodology of this GEO;
- bilateral contracts concluded on the wholesale market by direct negotiation are reported to ANRE by the contracting parties within 2 working days from the date of conclusion;
- the successive sale of quantities of electricity or natural gas by traders and/or suppliers with trading activities, with the deliberate aim of increasing the price, is sanctioned by ANRE with a fine of 5% of the turnover;
- **GEO no. 153/2022** – Emergency Ordinance for amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as for amending and supplementing certain regulatory acts in the field of energy and amending Government Emergency Ordinance no. 119/2022 amending and supplementing Government Emergency Ordinance No. 27/2022 on the measures applicable to final customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy
  - for the period from 1 January 2023 to 31 March 2025, the centralised electricity purchase mechanism shall be established
  - The mechanism provides – OPCOM, as the single buyer, buys electricity from producers (electricity producers with an installed capacity of 10 MW or more) and sells the purchased electricity to electricity suppliers that have contracts with end

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 fulfil 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



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customers, electricity transmission and system operators and electricity distribution operators to cover their own technological consumption; the price paid by OPCOM to electricity producers for the quantities of electricity sold by them is 450 lei/MWh and the OPCOM sales price to economic operators is also 450 lei/MWh (OPCOM has the right to charge market participants tariffs/commissions at the level of the costs incurred through the organisation of the centralised electricity purchase mechanism); OPCOM organises an annual purchase procedure and an additional purchase procedure each month for the quantities of electricity to be delivered in the following month; the annual and monthly quantities of electricity are binding obligations of the electricity producers and economic operators and are distributed evenly over all the settlement intervals of each month (the contracts are concluded by signing within a maximum of 3 working days).

- **GEO no. 163/2022** – Emergency Ordinance for the completion of the legal framework for the promotion of the use of energy from renewable sources, as well as for the modification and completion of some normative acts
  - completes the legal framework established by Law no. 220/2008, by laying down rules on: financial support for electricity from renewable sources, self-consumption of this type of electricity, the use of energy from renewable sources in the heating and cooling and transport sectors, regional cooperation between Romania and Member States and third countries, guarantees of origin for energy from renewable sources, applicable administrative procedures, regulations and codes, information and training of both relevant stakeholders and consumers on the practical, including technical and financial, aspects of the development and use of energy from renewable sources, sustainability and greenhouse gas emission reduction criteria for biofuels, bioliquids and biomass fuels. Defines new notions: prosumers acting collectively, renewable energy community, etc.
  - the central public administration authorities and ANRE may apply taxes and tariffs to renewable energy consumers in one or more of the following cases: if self-produced renewable electricity is effectively supported through support schemes, as of 1 December 2026, if the installed capacity of the prosumers' power plants exceeds 8% of the total installed capacity of the national electricity generation capacity or if self-produced renewable electricity is produced in installations with a total installed capacity of electricity above 30 kW.
- **GEO no. 166/2022** – Emergency Ordinance on some measures for granting support to vulnerable categories of people to compensate for the price of energy, partly supported by non-reimbursable external funds

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 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).

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- – people with low incomes (pensioners of the public pension system whose monthly income is less than or equal to RON 2,000, people with serious, severe or medium disability, whose own monthly income is less than or equal to RON 2,000 and other categories) will receive from the state this year an aid of RON 1,400, money that they can use to pay bills or debts for electricity, centralized thermal energy, gas, gasoline, firewood and others. The support for paying energy bills will be RON 1,400, which will be granted in two equal instalments of RON 700 each, in February and September 2023.
- **Law no. 357/2022** – Law on the approval of Government Emergency Ordinance no. 119/2022 for the modification and completion of Government Emergency Ordinance no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as for the modification and completion of some normative acts in the field of energy
  - GEO no. 119/2022 is approved for the modification and completion of GEO no. 27/2022 with some amendments; the electricity price cap is extended until 31 March 2025;
    - the final capped invoiced price of electricity supplied to household customers between 1 January 2023 and 31 March 2025 is:
    - 0.68 lei/kWh, VAT included, for consumption during the period 1 January 2023 – 31 March 2025 by the following categories of customers: a) household customers whose monthly consumption is between 0 and 100kWh inclusive; b) household customers who use medical devices, appliances or equipment necessary for treatments, based on an application and a declaration on their own responsibility submitted in writing to Electrica Furnizare S.A., and the capped final invoiced price will be applied from the date of the fifth of the month following the month in which the mentioned documents have been submitted, c) domestic customers who have at least 3 children under 18 years of age, respectively 26 years of age, in case they follow a form of education, on the basis of a request and a declaration on their own responsibility submitted in writing to Electrica Furnizare S.A., following that the final invoiced price will be applied from the date of the fifth of the month following the month in which the mentioned documents were submitted, d) single-parent families, who have at least one child under 18 years of age, respectively 26 years of age in case the child is attending a form of education, on the basis of an application and a declaration on their own responsibility submitted in writing to Electrica Furnizare S.A., the final billed price will apply from the first day of the month following the one in which the mentioned documents were submitted.

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- 0.80 lei/kWh, VAT included, for consumption during the period 1 January 2023 – 31 March 2025 by household customers whose monthly consumption at the place of consumption is between 100.01 and 255 kWh. Electricity consumption between 255 and 300 kWh/month is invoiced at a price of 1.3 lei/kWh, VAT included. If consumption exceeds 300 kWh/month, the entire consumption is invoiced at the price of 1.3 lei/kWh, VAT included.
- 1.3 lei/kWh, VAT included, for household consumers not covered above.
- the ceilings for electricity prices applicable to non-household final customers are:
  - maximum 1 leu/kWh, for 85% of the average monthly consumption at the place of consumption (application and affidavit of the legal representative) for: SMEs, Regional Operators (Law no. 51/2006), Bucharest Metro Transport Company "Metrorex" – S.A., as well as airports, which are under the subordination/coordination or authority of the Ministry of Transport and Infrastructure, economic operators in the field of food industry, identified by CAEN code 10, as well as those in the field of agriculture and fishing, identified by CAEN codes 01 and 03, local public authorities and institutions, deconcentrated public services of ministries and other central bodies, companies and commercial companies of county, municipal or local interest, autonomous companies and all public and private entities providing a public service, national research and development institutes;
  - maximum 1 leu/kWh, for the full consumption of public and private hospitals, public and private education units, nurseries and public and private providers of social services as listed in the Nomenclature of Social Services;
  - maximum 1 leu/kWh, VAT included, for 85% of the monthly consumption made at the place of consumption of public institutions, other than those mentioned above, as well as for places of consumption belonging to officially recognized cults in Romania;
  - non-household customers who do not fall into one of the above categories pay a price capped at a maximum of 1.3 lei/kWh, including VAT.
- As regards the price of natural gas to non-household customers, the beneficiaries of the price capped at a maximum of 0.37 lei/kWh, including VAT, include non-household customers in industrial parks regulated by Law no. 186/2013, as well as those in closed distribution systems defined under Law no. 123/2012. In addition, the consumption limit of 50,000 MWh will refer to the year prior to the current year (not to 2021); for consumption places of non-household

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customers connected after 1 January 2022, the cap will apply only within the limit of an annual consumption of no more than 50,000 MWh.

- the principle is maintained that, when billing electricity and natural gas, suppliers must apply the lower of (i) the maximum capped final price, (ii) the contract price or (iii) the final price calculated in accordance with the provisions of Articles 5 and 6, only in the case of natural gas.
- **GEO no. 192/2022** – Emergency Ordinance amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy:
  - the final invoiced price for electricity of maximum 0.68 lei/kWh is applied to household customers whose place of consumption is inhabited by persons who use medical devices, appliances or equipment supplied from the electricity grid, necessary for medical treatment on the basis of a confirmation from the medical specialist and a request submitted to the supplier; for January 2023, instead of the medical confirmation, a declaration on own responsibility is submitted; the final invoiced price capped is applied from the date of the fifth of the month following the month in which the documents mentioned above were submitted;
  - the capping also applies to places of consumption used on the basis of a rental contract, the following documents must be submitted to the supplier by the household customer: the application for the application of the capped price, the copy of the rental contract, the tenant's affidavit that he/she falls into one of the categories benefiting from the capping or the medical confirmation, as the case may be.
  - The electricity cap applies to all consumption points of a household customer according to the consumption at each of them.
  - the annual and monthly centralised purchasing mechanisms (MACEE) are modified with regard to the transmission of forecasts and quantities purchased, guarantees, payments, etc.

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**b. Secondary legislation:**

During the reporting period, changes and additions to the regulatory framework were made in the following areas of activity and regulation:

- **ANRE Order no. 64/2022** – amending and supplementing the Performance Standard for the electricity distribution service, approved by Order no. 46/2021 of the President of the National Energy Regulatory Authority.
  - the reading interval of the metering group index is set by contract and can be longer than one month, but must not exceed 3 months for household customers and 6 months for non-household end customers, for consumers it is one calendar month, for users benefiting from smart metering systems OD is obliged to provide access to historical consumption data (failure to comply with these deadlines leads to the payment of compensation);
  - sets a timetable for monitoring substations and transformer points – final implementation deadline is 01.01.2028
- **ANRE Order no. 131/2022** – Order approving the Performance Standard for the natural gas distribution service
  - is established: the level of general performance indicators for the following activities (i.e. registration and settlement of complaints/claims/requests from users regarding the gas distribution service, access/contracting of the gas distribution service, compliance with the conditions for delivery/take-back of gas; connection to the gas distribution system; restoration of land and/or property affected by the execution of works on the gas distribution system objectives; the interruption/limitation/resumption of the natural gas distribution service), the compensations that the distribution operators are obliged to pay in case of non-compliance with their obligations under this Order; the specific performance indicators of the distribution operators' activities; the way of reporting by the distribution operators of the information on the quality and performance of their activities; the way of evaluating the activities of the distribution operators.
- **ANRE Order no. 3/2022** approving the Regulation on the organization and operation of the online platform for changing the electricity and gas supplier and for contracting the supply of electricity and natural gas:
  - application deadline – 28 August 2022;
  - initiated in order to achieve the objective set by the European legislation on the change of supplier within 24 hours, starting from 2026;
  - ANRE is the administrator and operator of the platform where data will be uploaded by

**b. Secondary legislation:**

During the reporting period, changes and additions to the regulatory framework were made in the following areas of activity and regulation:

- **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

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- end customers, suppliers, network operators, aggregators, etc. (including the standard offers of suppliers), which will mediate the process of changing supplier through the necessary administrative and technical steps and through which customers will be able to contract a new supplier;
- The regulation also details the rules on the conclusion of the supply contract, i.e. the actual procedure for changing the supplier, which will replace the current procedure.
- **ANRE Order no. 91/2022** – for the approval of the Regulation on the last instance supply of electricity
  - – The Regulation for the designation of the last instance suppliers of electricity – Ord. ANRE no. 188/2020, the Regulation on the taking over by suppliers of last resort of consumption places of final customers who have not ensured the supply of electricity from any other source – Ord. ANRE no. 242/2020 and the Framework Contract for the supply of electricity to final customers taken over by the supplier of last resort.
  - – the introduction of the obligation for the SoLR with the largest market share in a network area to take over consumption places which, at the date of entry into force of ANRE Order No 91/2022, do not have a supply contract and are not disconnected;
  - – introduction of an alternative system for nominating SoLRs that automatically takes over customers on a monthly rotation basis. Thus, for this purpose, the list of the SoLRs is established in descending order of market share, each SoLR in the list being nominated in turn, on a monthly basis, to automatically take over customers who are without a supplier in that month. For periods when no support measures are imposed by primary legislation, the nomination system implies the obligation for the SoLR to transmit the last resort price at least 7 days before the month for which the nomination is made, so that the SoLR Nomination List is known, within a timeframe that allows the transmission of the takeover request;
  - – the introduction of automatic takeover by the nominated SoLR of non-household customers with a power approved by the technical connection notice/ connection certificate of no more than 1 MVA, in the event of termination of the electricity supply contract by the current supplier;
  - – Limiting the period of time a customer can be in the portfolio of an SoLR to 12 months for household and non-household customers up to 1 MVA and 6 months for non-household customers above 1 MVA. 30 days prior to the date of termination of the contractual relationship, the SoLR shall notify customers of the termination of the electricity supply, or, if applicable, the extension of the supply

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- 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

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period, specifying the period for which it will supply electricity. If, at the end of the period, customers have not succeeded in concluding a contract on the competitive market, they may continue to benefit from the services of an SoLR if they so request.

- **ANRE Order no. 110/2022** – amending and supplementing the Regulation on the last resort supply of natural gas, approved by Order of the President of the National Energy Regulatory Authority no. 173/2020
  - in order to ensure the supply under the LR regime to final customers who do not have supply from any other source, ANRE shall designate a number of at least 7 SoLRs, whose cumulative market share, calculated for the competitive market by the equal weight of the number of consumption places of final customers and the quantity of natural gas sold to them in the last 12 months, shall be at least 70%. The shares on the competitive market of the suppliers designated as SoLR at the time of the analysis shall be taken into account, except for those for which a decision has been issued stating the termination of the applicability of the SoLR designation decision;
  - if a supplier has been designated as an SoLR by selection based on availability and eligibility, it may resign from the SoLR status, upon request, if the following cumulative conditions are met: a) at least 1 year has passed since the date of designation, b) at the date it wishes to resign, it does not have in its portfolio any clients taken over in the SoLR;
  - if a supplier has been designated as an SoLR by selection based on eligibility and capability, it may renounce the SoLR status, upon request, if the following cumulative conditions are met: a) at least 1 year has passed since the date of designation, b) the list of designated SoLRs contains at least 7 suppliers whose cumulative market share is at least 70%, c) at the date it wishes to renounce, it does not have in its portfolio customers taken over in the SoLR;
  - For consumption sites with an annual consumption less than or equal to 28,000 MWh, the SoLR shall decide at its discretion whether to extend the period for ensuring the supply of natural gas under the LR regime to the consumption sites of customers taken over after the minimum period has been reached and shall notify the customers taken over at least 30 days before the end of the supply of natural gas under the LR regime. The notification may contain attached an offer to supply natural gas on a competitive basis;
  - the activity of supplying natural gas under the LR regime for final customers whose consumption places are automatically taken over is carried out in compliance with the framework contract for the supply of gas under the LR regime:
    - a) without the need to sign the contract with the SoLR, for the consumption site with an annual

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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, fulfil 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 supplier

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consumption less than or equal to 28,000 MWh; if the taken-over customer requests the SoLR to sign and send the contract for the supply of natural gas under the LR regime concluded with the SoLR, the SoLR is obliged to send it to the customer within a maximum of 5 working days;

- b) on the basis of a supply contract concluded and signed with the SoLR, for the place of consumption with an annual consumption of more than 28,000 MWh; during the period between the date of takeover by the SoLR and the date of signing of the LR contract, between the customer taken over and the SoLR, the SoLR is allowed to provide the activity of supply of natural gas under LR for the places of consumption of the customer taken over without the existence of a contract signed with the latter, in compliance with the framework contract for the supply of natural gas under LR;
- The SoLR has the right to ask the final customer with an annual consumption of more than 28,000 MWh to provide a financial guarantee, after the date of transmission of the takeover information/after receipt of the customer's request for takeover under the LR regime; The amount of the financial guarantee is set by order and must be provided within 5 working days from the date of receipt of the request. The client may be given the option of opting for payment in advance.
  - termination of the obligation to supply natural gas under the LR regime: on the date from which the contract for the supply of natural gas under the competitive regime concluded by the customer taken over with a competitive supplier takes effect, on the expiry of the duration provided for the situations under Article 24 para. (2) (i.e. minimum 12 months from the date of takeover, one month from the date of takeover, date of termination of the suspension of the NG supply licence of the FA, duration established by ANRE, etc.), in case of non-payment of invoices, in case of non-constitution of the financial guarantee (for final customers with annual consumption higher than 28,000 MWh)/non-payment of the advance invoice/daily invoice, in case of disagreement on the resumption by the SoLR, in case of non conclusion of the SoLR contract (when this obligation exists);
  - throughout the period of application of the provisions of the support scheme, the SoLR does not transmit the values of the price components for the supply of gas under the LR regime for the following calendar month (CU\_ach-FUI\_estimated, CU\_fz-FUI\_estimated, CU\_tr-FUI);
  - by derogation, for the period of application of the provisions of the support scheme, ANRE establishes and publishes on the website the SoLR ranking in ascending order of market share for the last month, calculated by the equal weighting of the number

- **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



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of consumption places of final customers and the quantity of natural gas sold to them. Starting from September 2022, each SoLR will be allocated one calendar month, in order of ranking;

- in the event of any of the above (i.e. FA loses supplier status, suspension of FA licence, etc.) during the period of application of the provisions of the support scheme, the consumption places will be taken over by an SoLR nominated by ANRE from the SoLRs designated on the basis of: a) the criterion of the month of allocation, b) the criterion of the takeover capacity, by verifying the fulfilment of the condition that the total number of consumption places taken over should not be higher than 30% of the number of consumption places of the final customers in their own portfolio, which ensure the supply of natural gas in a competitive regime, c) the criterion of the takeover availability;
- The SoLR that has the obligation to take over, at the request of the final customer, the consumption site with an annual consumption of more than 28,000 MWh is the SoLR of the respective calendar month, established by ANRE through the SoLR Classification;
- The SoLR nominated to automatically take over the consumption place with an annual consumption less than or equal to 28,000 MWh is the SoLR of the respective calendar month established by ANRE through the SoLR ranking. By exception, in the case where the supply contract has been terminated due to unilateral termination by the customer, it is taken over on request by the SoLR of the respective calendar month;
- for customers with an annual consumption of more than 28,000 MWh, in case of termination of the contract with the FA/SoLR, if the final customer does not find a supplier, the customer has the right to request any SoLR among those designated by ANRE to ensure the supply under the LR regime.
- **ANRE Order no. 4/2022** amending and supplementing ANRE Order no. 143/2020 on the obligation to offer natural gas on centralized markets to natural gas producers whose annual production in the previous year exceeds 3,000,000 MWh:
  - the quantitative allocation for tender for each of the standardised products for the period from 1 January to 31 December 2022 has been adjusted.
- **ANRE Order no. 65/2022** – for the approval of the Regulation on the organized framework for electricity contracting by large end customers
  - simplification of the organised electricity contracting framework for large end customers (with an annual consumption of more than 70,000 MWh) established by ANRE Order no. 55/2012: elimination of the obligation to use the framework contract, extension of market participation by accepting OTS and OD

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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

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exclusively for the purchase of NL, reduction of the average power per settlement interval from 10 MW to 5 MW, the possibility for the initiator to opt for the variation of the contracted power per settlement interval with a maximum of 0.5 MW per settlement interval, minimum delivery duration of one month, elimination of the public negotiation phase.

- **ANRE Order no. 66/2022** – for the approval of the Methodology for determining the level of minimum natural gas stocks that holders of natural gas supply licenses are obliged to build up between April 2022 and October 2022
  - the quantities of natural gas representing the minimum stocks to be stored by each supplier in the period April 2022 – October 2022 represent at least 30% of the quantity of natural gas required for the consumption of final customers in its own portfolio for the period 1 November 2022 – 31 March 2023 (reporting templates are established with the quantity broken down by each month and category of consumers and monitoring templates with the level of fulfilment of the natural gas storage obligation).
- **ANRE Order no. 73/2022** amending the Regulation on the organised framework for electricity contracting by large end customers, approved by Order of the President of the National Energy Regulatory Authority no. 65/2022
  - the possibility of introducing initiating offers also by the producers participating in the market.
  - deletion of the clarification that large end-use customers of electricity include transmission system operators and distribution system operators that purchase electricity individually or in aggregation to cover their own technological consumption, they can participate in the market as end-use customers.
- **ANRE Order no. 72/2022** approving the Regulation on natural gas storage in the natural gas transmission system
  - The regulation covers: the methods of natural gas storage (storage of natural gas in the natural gas transmission pipeline, in ring pressure distribution systems and in above ground metallic tanks), the calculation of the energy of natural gas in the transmission pipelines related to ST and the monitoring of ST.
- **ANRE Order no. 79/2022** – for the approval of the Regulation for the organization and functioning of the forward electricity contracts market, organized by Bursa Romana de Marfuri – S.A.
  - establishes the organized framework for electricity trading on the forward electricity contracts market, through electronic trading platforms managed by Bursa Romana de Marfuri – S.A. (simple competitive

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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

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trading mechanism – for the launch of trading of the standard product, the participant submits to the BRM an initiating order, double competitive trading mechanism – the launch of trading of the standard products is also initiated by the BRM so that there are available for trading at any time consecutive forward contracts for: the first 6 calendar months, the first 5 calendar quarters, the first 3 calendar semesters, the first 2 calendar years).

- **ANRE Order no. 92/2022** – amending and supplementing the Regulation on the calculation and settlement of imbalances of balancing parties – single imbalance price, approved by Order of the President of the National Energy Regulatory Authority no. 213/2020, and amending some orders of the President of the National Energy Regulatory Authority
  - redistribution has been reintroduced, i.e. the rules for calculating the additional costs/revenues from balancing the system, how to allocate their value to each balancing party (PRE) and issues related to the information note on settlement, billing and payments are provided.
  - reduction from 6 months to 2 months of the period in which the participant can request, with a reasoned justification, the correction of the settlement, from the posting on the dedicated IT platform of the information note for settlement, which will lead to an increase in the degree of accountability of the participants in the balancing market.
- **ANRE Order no. 117/2022** – Order for the approval of the Regulation for the organization and functioning of the forward electricity contracts market, organized by Bursa Romana de Marfuri – S.A.
  - The Regulation establishes the framework for the trading of electricity on the electricity futures market, through electronic trading platforms managed by the Romanian Commodities Exchange Company – S.A.
  - BRM organizes trading sessions for standard products in terms of the following features: daily delivery profile (in-band delivery, peak load delivery, off-peak load delivery), average power per contract settlement interval of 0.1 MW or multiple of 0.1 MW, electricity delivery period (multiple of day, 1 week, balance of the month – i.e. the period made up of the remaining delivery days within a calendar month in progress, starting on the second calendar day following the day of the conclusion of a transaction, 1 month, 1 quarter, 1 semester, 1 calendar year).
  - Repeals ANRE Order No 79/2022
- **ANRE Order no. 121/2022** – Order amending some orders of the President of the National Energy Regulatory Authority on the electricity market
  - modification of ANRE Order no. 127/2021 by: changing

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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

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the deadline for the application of the Order from 1 October 2022 to 1 October 2023; extending the deadline for changing the configuration of the existing PE platform, as required by the Regulation on terms and conditions for balancing service providers and frequency stabilisation reserve providers, from 9 months to 1 year and 6 months; deletion of some definitions (RFP, OD connector and adjustment required) and deletion of the term daily offer and replacement with balancing energy offer; modification of the parameters of the variable characteristics of the balancing energy offer for the standard RRFm product; replacement of the term system services with balancing services;

- amendment of ANRE Order No 128/2021 by extending the application deadline from 1 October 2022 to 1 October 2023.
- **ANRE Order no. 134/2022** – Order for the approval of the General Rules on organised electricity forward markets
  - the general rules on organised forward electricity markets are approved. The organised forward electricity market comprises the following segments: standardised forward products market, flexible forward products market, electricity derivatives market settled by physical delivery.
  - electricity market operators shall draw up/update their own specific regulations for the organisation and management of the markets and submit them to ANRE for approval within 90 days from the date of entry into force of this Order.
- **ANRE Order no. 138/2022** – Order supplementing the Order of the President of the National Energy Regulatory Authority no. 143/2020 on the obligation to offer natural gas on centralized markets to natural gas producers whose annual production in the previous year exceeds 3,000,000 MWh
  - ANRE Order no. 143/2020 is supplemented: with the periods for which the quantities of natural gas are determined, namely 1 January 2023 – 31 December 2023 and 1 January 2024 – 31 December 2024; with clarifications on the application of the provisions of Article 12 of GEO no. 27/2022, in accordance with Annex no. 5 thereto. The quantitative share allocated for tendering purposes for each of the products is as follows (for the period 1 January 2023 – 31 December 2023): Clu = 35%, Ctrim = 20%, Csem = 5%, Csez = 25%, Can = 15%.
- **ANRE Order no. 14/2022** on the establishment of the mandatory green certificates purchase quota for 2021:
  - the mandatory quota for 2021 has been set at 0.449792 hp/MWh (compared to 0.4505 hp/MWh estimated quota for 2021 and 0.45074 hp/MWh mandatory quota for 2020).

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

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- **ANRE Order no. 15/2022** for the approval of the Methodology for establishing the rules for the marketing of electricity produced in power plants from renewable sources with an installed electrical power not exceeding 400 kW per place of consumption belonging to consumers:
    - shall enter into force on 1 May 2022 and repeals ANRE Order no. 50/2021 approving the rules for the trading of electricity produced in power plants from renewable sources with an installed electrical power of up to 100 kW belonging to prosumers
    - suppliers must notify prosumers with whom they already have contracts (with  $P < 100 \text{ kW}$ ) about the change in the applicable legal framework and the possibility to benefit from the quantitative compensation mechanism on request; at the request of prosumers, suppliers must send signed contracts within 10 days;
    - for the application on demand of the quantitative compensation mechanism, the installed electrical power of the power plant producing electricity from renewable sources shall not exceed 200 kW per place of consumption; the quantitative compensation shall be made at the price of active electricity, and any surplus shall be carried forward for a maximum of 24 months – after this period, the unused quantity shall enter into the financial regularization process.
    - for the application on demand of the financial regularization mechanism, the installed electrical power of the power plant producing electricity from renewable sources is more than 200 kW, but not more than 400 kW per consumption site; for financial compensation, the reference is the weighted average price recorded on the market for the following day for the month in which the electricity in question was produced and delivered.
  - **ANRE Order no. 90/2022** – on the modification and completion of the Order of the President of the National Energy Regulatory Authority no. 52/2021 for the approval of the Monitoring Methodology of the system for the promotion of electricity production from renewable energy sources
    - determines the mode, format and frequency of data reporting: information on electricity sale-purchase contracts concluded with prosumers owning renewable energy power plants, i.e. the amount of electricity benefiting from quantitative compensation ( $P_i < 200 \text{ kW}$ ), information on electricity sale-purchase contracts concluded with prosumers owning renewable energy power plants, i.e. the quantity of electricity benefiting from financial balancing ( $P_i > 200 \text{ kW}$  and  $400 \text{ kW}$ ), information on directly negotiated bilateral electricity sale-purchase contracts concluded with prosumers.
- work-ing day of the month following each quarter, in order to enable the completion of the purchase of GC by eco-nomic 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 es-tablished/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 al-gorithm;
    - 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 faci-li-ties 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 “Tran-selectrica” – 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.

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- **ANRE Order no. 94/2022** – amending some orders of the President of the National Energy Regulatory Authority in the field of promotion of electricity from renewable energy sources
  - modification of the threshold of installed electric power in power plants from renewable energy sources belonging to prosumers, from 100 kW to 400 kW per consumption place (modification of ANRE Order no. 179/2018)
  - amend the Regulation on the organization and functioning of the green certificates market – ANRE Order no. 77/2017, in order to specify the two main categories of economic operators participating in the green certificates market, accredited producers of electricity from renewable energy sources and economic operators with the obligation to purchase green certificates.
- **ANRE Order no. 95/2022** – amending and supplementing the Order of the President of the National Energy Regulatory Authority no. 15/2022 approving the Methodology for establishing the rules for the sale of electricity produced in power plants from renewable sources with an installed electrical power of no more than 400 kW per place of consumption belonging to prosumers
  - amends ANRE Order no. 15/2022 in order to clarify the average purchase price of energy produced and delivered by consumers, in accordance with the provisions of GEO 27/2022, with subsequent amendments and additions, the billing method and the elements highlighted in the invoices;
  - for energy consumed by consumers as customers, we have clarifications regarding the final price charged;
  - for the sale-purchase contract of electricity produced in renewable energy power plants with an installed electrical capacity of not more than 200 kW per place of consumption and delivered to the electricity grid – the contract price is the price of active electricity used by the electricity supplier in the supply contract concluded with the consumer as a consumer, during the billing period, established according to the methodology;
  - for the sale-purchase contract of electricity produced in power plants from renewable energy sources with an installed electrical power of more than 200 kW, but not more than 400 kW per consumption site and delivered to the electricity grid – the contract price is equal to the weighted average price recorded on the market for the following day in the month in which the electricity was produced and delivered to the electricity grid, published by OPCOM.
- **ANRE Order no. 96/2022** – for the approval of the Methodology for establishing the mandatory annual quota for the purchase of green certificates
- **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 electric-ity 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 exist-ing 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 im-port, export and transit transactions of electricity, programmed with the electric energy systems of the perime-ter 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 re-garding 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 Na-tional Energy Regulatory Authority no.

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- methodology establishes: how to calculate the estimated annual mandatory quota of green certificates for the following year, how to calculate the number of green certificates for the non-fulfilment of the estimated annual mandatory quota of green certificates, for each quarter of analysis, by economic operators with the obligation to purchase green certificates, how to calculate the mandatory annual quota of green certificates for the analysis year, how to calculate the number of green certificates related to the non-fulfilment of the mandatory quota of green certificates for the analysis year by economic operators with green certificate purchasing obligation.
- provisions have been introduced to exempt from the legal quarterly and annual obligation to purchase green certificates for prosumers and producers who own renewable electricity production units
- increasing the period for reporting errors in reporting the quantities of electricity billed/supplied from 15 working days to 18 working days from the date of the decision.
- **ANRE Order no. 118/2022** – Order amending and supplementing the Methodology for establishing the mandatory annual quota for the purchase of green certificates, approved by Order of the President of the National Energy Regulatory Authority no. 96/2022
  - provisions have been introduced exempting from the quarterly and annual legal obligation to purchase green certificates prosumers and producers who own renewable electricity production units for their own final consumption, supplied at the place of production from renewable electricity production;
  - the way of collecting the data needed to establish the estimated annual mandatory green certificate purchase quota/annual mandatory green certificate purchase quota and the degree of non-compliance with the legal quarterly/annual green certificate purchase obligations has been specified, with the establishment of reporting templates applicable in general, but also with the establishment of specific reporting templates for the third quarter of the 2022 analysis year and for the 2022 analysis year.
- **ANRE Order no. 141/2022** – Order on the establishment of the estimated mandatory quota for the purchase of green certificates for 2023
  - the estimated mandatory green certificates purchase fee for economic operators who have the obligation to purchase green certificates for the year 2023 is set at 0.4943963 green certificates/MWh.
- **ANRE Orders no. 27 – 31/2022** – for the modification of the Annex to ANRE Orders no. 118 – 123/2021 on the approval of the specific tariffs for the electricity distribution service and the price for reactive electricity,
- 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

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for Delgaz Grid – S.A./Societatea Distribuție Energie Electrica Romania – S.A./Societatea Distribuție Energie Oltenia – S.A./Societatea E-Distribuție Banat – S.A./Societatea E-Distribuție Dobrogea – S.A./Societatea E-Distribuție Muntenia – S.A.

- The new tariffs are applicable from 1 April 2022;
- Low voltage tariffs for Electrica Romania Energy Distribution are 17%- 25% higher than in the first quarter of 2022 (there were increases for all categories, respectively the lowest of 9.1% at IT – Transilvania Nord and the highest of 30.2% at MT-Muntenia Nord).
- **ANRE Order no. 33/2022** – for the modification of Annex no. 1 to the Order of the President of the National Energy Regulatory Authority no. 124/2021 on the approval of the average tariff for the electricity transmission service, the components of the transmission tariff for the introduction of electricity into the grid (TG) and for the extraction of electricity from the grid (TL), the tariff for the system service and the regulated price for reactive electricity, charged by the National Electricity Transmission Company "Transelectrica" – S.A.
  - the new tariffs are applicable from 1 April 2022; the average tariff for the electricity transmission service is higher by 17.3%, the transmission tariff – the component for feeding electricity into the grid is higher by 69.8% (TG is – 2.53 RON/MWh), the transmission tariff – the component for withdrawing electricity from the grid is higher by 13.8% (TL is – 25.57 RON/MWh) compared to the first quarter of 2022.
- **ANRE Order no. 67/2022** – on the application in April 2022 of the provisions of Article 23 of the Methodology for determining and monitoring the contribution for high-efficiency cogeneration, approved by the Order of the President of the National Energy Regulatory Authority no. 117/2013
  - During April 2022, ANRE shall analyse the amount of the contribution for cogeneration, and if it varies by more than +/- 2.5% compared to the value in force, by 30 April 2022, the new value of the contribution for 2022 shall be approved by ANRE order.
- **ANRE Order no. 69/2022** amending the Order of the President of the National Energy Regulatory Authority no. 123/2017 on the approval of the contribution for efficient cogeneration and of some provisions on its billing
  - Starting from 1 May, the contribution for efficient cogeneration is 0.02044 RON/kWh, excluding VAT.
- **ANRE Order no. 130/2022** – Order amending the Order of the President of the National Energy Regulatory Authority no. 123/2017 on the approval of the contribution for efficient cogeneration and of some provisions on its billing

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
  - 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



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- Starting from 1 November 2022, the contribution for efficient cogeneration is 0.00333 RON/kWh, excluding VAT, with a percentage decrease of 83% compared to the previous value, i.e. a decrease of 0.01711 RON/kWh.
- ANRE Order no. 140/2022** – Order approving the tariffs and financial contributions charged by the National Energy Regulatory Authority in 2023
  - for the holders of the electricity supply license, the annual bonus contribution is established on the basis of a percentage rate of 0.1% applied to the turnover achieved by them in 2022 from the commercial activities covered by the electricity supply license, but not less than RON 3,125. The basis for calculating the financial contribution levied by ANRE is the net turnover, defined and calculated in accordance with the accounting regulations in force, which includes the revenues recorded from the activity of electricity supply – including those corresponding to green certificates and the contribution of efficient cogeneration, to which is added the revenues recorded from the application of the measures of the compensation scheme for electricity consumption and those related to the compensation granted for the implementation of the measures applicable to final customers in the electricity market.
  - the annual tariff for carrying out activities in the natural gas sector on the basis of a license – Supply of natural gas is 0.168 RON/MWh.
- ANRE Order no. 139/2022** – Order approving the tariffs charged by the Designated Electricity Market Operator
  - the tariffs charged by OPCOM for the services rendered for the performance of activities in 2023 are approved: Management tariff – category A participants – 21,574 RON/participant/year, Management tariff – category B participants – 35,956 RON/participant/year, Trading tariff – 0.48 RON/MWh.
- ANRE Order no. 142/2022** – Order amending the Order of the President of the National Energy Regulatory Authority no. 123/2017 on the approval of the contribution for efficient cogeneration and of some provisions on its billing.
  - from 1 January 2023 the contribution for efficient cogeneration is approved at the amount of 0.00 RON/kWh.
- ANRE Order no. 144/2022** – Order approving the tariff for the acquisition of system services for the transmission and system operator National Power Transmission Company "Transelectrica" – S.A.
  - the tariff for the purchase of system services charged by the National Power Transmission Company "Transelectrica" – S.A., valid from 1 January 2023 is 7.73 RON/MWh.

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- provisions re-garding 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.
  - ANRE Order no. 96/2023** – Order amending and supplementing the Order of the President of the National Energy Regulatory Authority no. 179/2015 approving the Procedure for technical inspections and overhauls of natural gas utilisation installations:
    - ANRE Order No 179/2015 is amended and supplemented as follows: it specifies the obligations of final customers regarding the inspection and verification of installations; it specifies the penalties applicable for failure to comply with the provisions of the Procedure on technical inspections and inspections of natural gas utilisation installations; when changing the natural gas supplier, the old supplier is obliged to send the new supplier the information related to the technical inspection and inspection of the natural gas utilisation installation related to the respective consumption site.
  - ANRE Order no. 100/2023** – Order approving the Methodology for setting the tariffs charged by designated electricity market operators:
    - the Methodology for setting the tariffs charged by designated electricity market operators that carry out single day-ahead and/or intra-day market coupling in the Romania offer area is approved;
    - the tariffs set in accordance with the methodology shall apply from 1 January 2024.
  - ANRE Order no. 118/2023** – Order approving the tariffs and financial contributions charged by the National Energy Regulatory Authority in 2024:
    - for holders of electricity supply licences, the annual monetary contribution is established on the basis of a percentage rate of 0.1% applied to the turnover achieved by them in 2023 from the commercial activities covered by the electricity supply licence, but not less than a minimum monetary contribution of RON 3,125. The basis for calculating the monetary contribution charged by ANRE is the net turnover, defined and calculated in accordance with the accounting regulations in force, which includes the revenues recorded from the activity of electricity supply – including those corresponding to green certificates and the contribution for high efficiency cogeneration, plus the revenues recorded from the application of the compensation scheme measures for electricity consumption and those related to compensation granted for the implementation of measures applicable to final customers in the electricity market;

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- **ANRE Order no. 143/2022** – Order amending and supplementing the Regulation for the detection, notification and sanctioning of violations of regulations issued in the field of energy applicable to the control activities carried out by the National Energy Regulatory Authority, approved by the Order of the President of the National Energy Regulatory Authority no. 62/2013
  - inspection control actions are carried out on the basis of the annual control programme, unannounced control action is carried out without prior notification of the persons, etc.

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- the annual monetary contribution charged for the performance of activities in the natural gas sector on the basis of natural gas supply licence is 0.168 lei/MWh.
- **ANRE Order no. 107/2023** – Order on the establishment of the estimated mandatory quota for the purchase of green certificates for 2024:
  - The estimated mandatory quota for the purchase of green certificates by economic operators who are obliged to purchase green certificates for the year 2024 is set at 0.4944765 green certificates/MWh.
- **ANRE Order no. 109/2023** – Order approving the average tariff for the electricity transmission service, the components of the transmission tariff for the introduction of electricity into the networks (T\_G) and the extraction of electricity from the networks (T\_L) and the regulated price for reactive electricity, charged by the National Electricity Transmission Company "Transelectrica" – S.A.:
  - the new tariffs are applicable from 1 January 2024;
  - the average tariff for the electricity transmission service is higher by 1.5%, the transmission tariff – the component for feeding electricity into the grid is lower by 5.4% (TL is 3.82 lei/MWh), the transmission tariff – the component for withdrawing electricity from the grid is higher by 1% (TL is 27.72 lei/MWh) compared to the tariffs for 2023.
- **ANRE Order no. 110/2023-115/2023** – Order approving the specific tariffs for the electricity distribution service and the price for reactive electricity at Societatea Retele Electrice Banat – S.A., Societatea Retele Electrice Dobrogea – S.A., Societatea Retele Electrice 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 most of the specific tariffs for the electricity distribution service, the highest increases being at IT – Distributie Energie Electrica Romania SA – Muntenia Nord of 11.2%;
  - low voltage tariffs for Distributie Energie Electrica Romania are higher by between 3.8% – 7.9% compared to 2023 (there were increases for all categories respectively the lowest of 1.2% at MT – Transilvania Sud and the highest of 11.2% at IT-Muntenia Nord);
  - The new tariffs are applicable from 1 January 2024.
- **ANRE Order no. 116/2023** – Order approving the tariff for the purchase of system services for the transmission and system operator National Power Transmission Company "Transelectrica" – S.A.:
  - the tariff for the purchase of system services charged by the National Power Transmission Company "Transelectrica" – S.A., valid from 1 January

2022	2023
	<p>2024 is 9.17 lei/MWh, an increase of 38.1% compared to the tariff for 2023.</p> <ul style="list-style-type: none"><li>• <b>ANRE Order no. 117/2023</b> – Order amending the Order of the President of the National Energy Regulatory Authority no. 123/2017 on the approval of the contribution for high efficiency cogeneration and some provisions on the way it is billed:<ul style="list-style-type: none"><li>• - from 1 January 2024, the contribution for high-efficiency cogeneration is approved at the amount of 0,0168 lei/kWh (excluding VAT).</li></ul></li></ul>

Source: Electrica

## A.3.2. Changes to the legal framework in 2023/2024 up to the date of approval of the financial statements 2023/2024

The following are the relevant legislative changes that took place at Group level in the period between the end of the financial year 2022 and the date of the published report, respectively in the period between the end of the financial year 2023 and the date of this report.

### A.3.2.1. Distribution segment

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#### Regulations regarding tariffs:

- **ANRE Order no. 6/2023 for completing the Procedure regarding the substantiation and approval of TSO and DSO investment plans, approved by ANRE Order no. 98/2022** – effective from 13 February 2023
  - The amendment proposals consider the recognition of DO investments in energy storage and production for internal consumption from stations and NL;
  - the inclusion in the category of justifiable investments of energy production facilities from renewable sources for NL supply and internal consumption from the stations;
  - the inclusion of electricity storage facilities in the category of necessary investments;
  - the possibility for DO to own storage facilities, by way of exception from the provisions of the Energy Law (art. 46<sup>1</sup> par. (1)), only with prior approval by ANRE;
  - establishing the method of calculating the economic efficiency of investments in production/storage, with a view to recognition by ANRE (Annex no. 8).
- **ANRE order no. 1/2023 for the modification and completion of some orders of the president of the National Energy Regulatory Authority** effective from 17 January 2023
  - Methodology for the evaluation of investments in projects of common interest (PCI) approved by ANRE Order no. 139/2015 is amended as follows:
    - 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 electrical 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 that, although they have low capital costs, involve significant operating costs.

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- The methodology for establishing the distribution tariffs – is modified and provides for the granting of the RRR incentive of 2% for investments from EU funds only if they have not benefited from the PCI incentive
- The project was developed as a result of ANRE's obligation to present to ACER, until 24 January 2023, the methodology and criteria used for the evaluation of investments, in the sense of alignment with Regulation (EU) 2022/869:
  - energy infrastructure projects and high risk assessment
  - the specific risks to which offshore networks for energy from renewable sources are exposed

**Technical regulations – Network connection**

- **ANRE Order no. 3/2023 regarding the approval of the Technical Norm „Technical requirements for connection to public interest electrical networks for electricity storage facilities and the notification procedure for connecting electricity storage facilities”** – effective from 20 March 2023
  - The norm was developed by the TSO, it establishes technical requirements for connected storage facilities:
    - individually to the public electricity network, classified in categories A, B, C and D similarly to electricity production facilities;
    - within the electricity production sites;
    - within the places of electricity consumption.
- **ANRE Order no. 4/2023 for the modification and completion of some orders of the president of the National Energy Regulatory Authority in the field of connecting users to the public interest electrical network** – effective from 3 February 2023
  - the modification and completion of the following regulations, in the sense of including the possibility for household customers, PFA, individual businesses, family businesses and public institutions whose places of consumption are connected to LV, as well as prosumers, to purchase the measuring group or the fully equipped protection and measuring block, including the meter in compliance with the technical specifications made available by DSO/TSO:
    - Connection Regulation
    - The procedure regarding the connection to LV networks of household customers – ANRE Order no. 18/2022
    - Connection framework contracts – ANRE Order no. 105/2022
    - The procedure regarding the connection to the networks of prosumers – ANRE Order no. 19/2022
  - The DSO/TSO is obliged to reimburse the user the value of these equipments at the terms established

**Technical regulations – Network connection**

- **ANRE Order no. 106/2023** 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 – effective from January 10, 2024
  - the order changes involve NO in evaluating the position of the building-type objective in relation to the safety zone of the overhead power lines with nominal voltages higher than 1kV.
  - assures the applicants of location approvals the facilitation of the location of the building-type objective outside the safety zone of the overhead power lines, the size of which is calculated with the formula from point 2.3 of Annex no. 6 to the Norm, without the need to carry out a risk analysis
- **Draft order for the approval of the Methodology regarding the allocation of the electricity network capacity for the connection of electricity production sites, as well as for the modification and completion of some orders of the president of the National Energy Regulatory Authority in the field of connecting users to the public interest electricity network** – public consultation
  1. Approval of the Methodology regarding the allocation of electrical network capacity for the connection of electricity production sites
    - The methodology provides for the mechanism for allocating the available capacity of the electrical network, necessary for the connection of new production sites with power  $\geq 1$  MW, through auctions organized by the TSO.
  - a. The mechanism will replace the current mechanism for the participation of producers in the general network strengthening works and will ensure:
    - i. the sums required by OR for the development of the relay in order to connect the new production sites

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- in the connection contracts; reimbursement is made on the basis of supporting documents presented by the user, without being limited to: tax invoice, compliance certificates, warranty certificates, etc.
  - the obligation of the DSO to install the meter is maintained, the deadlines in force stipulated in the connection contracts being maintained.
  - **Draft order for the amendment and completion of ANRE President's Order no. 239/2019 for the approval of the Technical 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 from Norm;
    - the restriction regarding the application of the provisions of the Norm in the regulated passage corridor of the LEA, respectively in the area located between the limit of the safety zone and the limit of the regulated passage corridor, and their application only in the safety zone of the LEA, whose width is calculated with formula from point 2.3 of Annex no. 6 from Norm;
    - the conditions under which the risk analysis will be required were specified, depending on the positioning of the objectives in relation to the safety zone and respectively in the area located between the limit of the safety zone and the limit of the standard passageway;
    - provisions were established regarding the placement of photovoltaic panels on the roof of buildings.
  - **Draft Order regarding the modification and completion of the Methodology for data exchange between the transport operator and the system, distribution operators and significant network users approved by ANRE Order no. 233/2019** – public consultation
    - the introduction of electricity storage facilities connected individually to the electrical network, with a response in providing active power distinctly from electricity production facilities;
    - detailing the relevant system users who are the subject of information transmission to DO and TSO;
    - detailing the method of transmitting data from relevant system users, directly and indirectly, to DO and TSO.
    - In addition to the draft order from phase I and in accordance with the provisions of the norm for connecting storage facilities, it is necessary to specify:
      - communication path, redundancy and data exchange for storage facilities. These storage facilities can be linked to the electricity production facility or can be operated independently.
      - how the scheduled and planned data exchange
- ii. a competitive environment for producers who are going to develop production sites
  - iii. securing the producers' capacities for subsequent connection to the network, by paying the sums resulting from the auctions
- b. Tenders will be organized annually by the TSO, for a period of 10 years, in order to allocate the available capacity in the RET and in the RED at the voltage level of 110 kV and MV
  - c. The methodology provides for the stages preceding tenders, their organization, as well as the rules for allocating capacities in various situations
  - d. The starting price is determined based on the value of the development work, and the winners enter into capacity allocation contracts.
  - e. The sums resulting from the auctions must be paid by the producers in no more than 4 months, and non-compliance with the deadlines attracts penalties.
    - The methodology will enter into force starting from 01.01.2025.
2. Amendment of the Regulation regarding the connection of users to public interest electric networks:
    - a. OR will require the establishment of financial guarantees, of 5% of the connection tariff, by applicants with production/consumption sites and production sites  $\geq 1$  MW, regardless of the need for strengthening works.
    - b. The guarantee must be established before the ATR is issued.
    - c. The connection certificate will include the certification of the quality of active customer for users with consumption/consumption and production sites
    - d. Appendix no. 5 is revised to avoid the transfer to the ownership of users of installations with a voltage of 220 kV or higher, if the upper voltage of the transformer station exceeds 110 kV.
  3. Modifying the framework content of the ATR and the connection contract, by revising the provisions regarding the financial guarantees that are constituted in favor of the OR, in accordance with the proposals for revising the Regulation from point 2.

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is carried out until the provisions of ANRE Order no. 127/2021, with subsequent amendments and additions.

- **Draft Order for the amendment and completion of ANRE Order no. 102/2015 for the approval of the Regulation on the establishment of solutions for connecting users to electric networks of public interest** – public consultation
  - addition to the list of situations in which the connection solution is determined by the solution sheet:
    - of consumption places owned by authorized natural person users, individual businesses, family businesses and public institutions that connect to the low voltage network, regardless of the requested power;
    - of the places of consumption and production belonging to prosumers who own electricity production units from renewable sources with an installed power of no more than 400 kW per place of consumption;
    - of the local public authorities that have the capacity to produce electricity from renewable sources made, partially or totally, from structural funds, and that benefit from the suppliers with whom they have an electricity supply contract, on request, from the financial regularization service .
  - the introduction of the provision according to which the solution study must also contain connection options with the operational limitation of the maximum power that can be discharged into the network in the situations/operation regimes with N-1 elements in operation that have the effect of overloading the network and, consequently, the impossibility of the network elements remaining in operation and of the network as a whole to function for an unlimited time under these conditions.
  - the introduction of the provision according to which in the solution sheet or, as the case may be, in the solution study, it must be highlighted whether in the connection solution electrical networks were considered for which strengthening works were executed or are being executed to create the technical conditions necessary to connect several production/consumption and production sites (general strengthening works), financed by users who benefit from the same strengthening works and whose utility installations are energized before the user's own utility installations. It is also provided that, in this case, the data on which the participation quotas due to the users who financed the strengthening works are calculated are to be specified in the solution sheet or, as the case may be, in the solution study.
  - elimination of the phrase dispatchable/non-dispatchable with regard to generating units/power plants considering the provisions of ANRE Order no. 127/2021.

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**Annual Report and sanctions****Annual Report and sanctions**

- **Draft Order for the amendment and completion of the Procedure regarding the establishment and individualization of contraventional sanctions related to the turnover resulting from the control activity** - public consultation
  - the amendment and completion of the Procedure takes into account the latest administrative changes in the organization of ANRE, but also its completion in the sense of regulating a new situation, that of the supervisory control action
  - in the case of a surveillance-type control action, the notification note shall take the place of the control report provided for in art. 2(1).

**Commercial Regulations**

- **ANRE Order no. 5/2023 for the approval of the Regulation for the supply of electricity to final customers** - effective from 6 February 2023
  - the need to correlate the provisions of the Electricity Supply Regulation to final customers with the provisions of Law no. 123/2012 of electricity and natural gas, as amended and supplemented by GEO no. 143/2021, and Annex 1 to Directive (EU) 2019/944.
  - elimination of the provisions that refer to the activity of the DO in the relationship with the supplier and its obligations regarding its own activity
  - detailing the way in which DO ensures unrestricted, free and guaranteed access to the information in the database regarding the places of consumption connected to the electrical distribution network in the license area;
  - the introduction of the notion of an active client, the quality of an active client is certified, by the DSO/TSO, for:
    - participation in flexibility or energy efficiency programs, to which the customer's place of consumption is connected;
    - the production of electricity, by the DSO/TSO to which the place of consumption and production is connected;
  - elimination of the obligation to conclude the consumption agreement by the customer at the conclusion of the electricity supply contract;
  - the customer's possibility to ask the supplier to change the monthly values from the consumption agreement for a determined period, these being applied by the DO and the supplier starting with the 1st of the month following the one in which he received the new values;
  - the consumption data from the consumption agreement can be modified by the DO at any time during the execution of the electricity supply



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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 SMI;
- in the event that the DO has not performed the reading within the time frame established by the legal provisions in force, in order to issue the regularization invoice, the latest self-read index and communicated by the client is used after the most recent index read and communicated by the DO. The regularization period cannot be longer than 3 years;
- elimination of the conditions for concluding the distribution contract directly by the end customer; specifying that the conclusion of the distribution contract must be carried out by the final customer with the DO only if the place of consumption has several suppliers at the same time or is the subject of participation in the aggregation by an independent aggregator;
- **Draft Order 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 – public consultation**

Through the draft order, the following are proposed:

1. the contract – universal service electricity supply framework – regulates the way in which the contracts in force are applied under the conditions of entry into force of the order and also provides that the price from the universal service offer is applied for a period of minimum 3 months. Provisions with impact on DO:
  - the reading interval of the index of the measurement group is at most 3 months;
  - regularization of electricity consumption is done for a maximum of 3 months and is included in the first invoice issued after reading the index by the distribution operator (DO);
  - communication through the invoice of the time interval for reading the index of the measurement group by the DO representative;
  - invoicing based on the data established by the electricity consumption convention for

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the invoicing periods in which the index of the measurement group is not read and the household customer does not transmit the self-read index;

- the compensations and punitive interest that the household customer is entitled to receive for the supplier's non-compliance with the obligations set forth in the Performance Standard for the activity of electricity supply and for the distribution operator's non-compliance with the performance indicators provided for in the Performance Standard for the electricity distribution service, in force.

2. the general conditions for the provision of electricity in the universal service regime - are proposed to be approved separately from the framework contract, so that they can be published on the supplier's website and do not require printing and physical attachment.

3. the invoice model applicable to household customers - the invoices issued for electricity consumption registered starting from 1 April 2023 must comply with the Invoice Model in Annex 3 which contains the information provided in the Regulation, respectively information from the invoice and information from the annex to the invoice.

### **Electricity market functioning**

- **Draft Order 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.** – public consultation

This draft order provides rules that refer to:

- the types of products that can be traded on the standardized and flexible term product markets;
- the method of establishing offers for the sale or purchase of electricity;
- the way of organizing auctions/trading sessions;
- the way of establishing transactions and contracting the traded energy;
- the way of managing and publishing information on participants, offers and concluded transactions.

- **Draft Order for the approval of the Regulation on the organization and operation of the organized electricity market, administered by the Romanian Stock Exchange - S.A.** – public consultation

It provides rules that refer to:

- Introduction of a chapter on organized market segments

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- The introduction of new products, namely flexible products and products derived from the field of electricity, settled by physical delivery
- Description of the trading mechanisms used
- Expanding market transparency information
- Introduction of requirements regarding the use of a liquidity provider
- Upon entry into force of the order, ANRE Order no. 117/2022 for the approval of the Regulation on the organization and operation of the electricity futures contract market organized by the company Romanian Stock Exchange S.A., and within 30 days of approval, BRM publishes the operational procedures according to the Regulation entered into force.

Source: Electrica

### A.3.2.2. Supply segment

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- **Law no. 5/2023** – Law on the modification and completion of Law no. 220/2008 on the establishment of the system for the promotion of energy production from renewable energy sources.
  - modifies and completes Law no. 220/2008 regarding the trading of green certificates after the expiry of the accreditation period, the recovery of green certificates issued unduly, etc.
- **Law no. 15/2023** – Law on the approval of Government Emergency Ordinance no. 3/2022 for the modification and completion of Government Emergency Ordinance no. 118/2021 on the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, as well as for the completion of Government Ordinance no. 27/1996 on the granting of facilities to persons living or working in some localities in the Apuseni Mountains and in the “Danube Delta” Biosphere Reserve
  - GEO no. 3/2022 is approved.
- **ANRE Order no. 3/2023** – Order for the approval of the Technical Standard on the technical requirements for connection to the electricity grids of public interest for electricity storage facilities and the notification procedure for the connection of electricity storage facilities
  - enter into force on 20 January 2023.
  - establishes the procedure and stages of the notification process for the connection of storage facilities, as well as the content of the tests for verifying the compliance of storage facilities with
- **ANRE order no. 1** – Order for the approval of the Methodology regarding the determination of the level of the minimum natural gas stock required to be established in the underground storage warehouses during the period April 1, 2024–October 31, 2024.
  - the methodology is approved, which aims to establish the method by which the level of the minimum natural gas stock that the holders of the natural gas supply license are obliged to establish in the underground storage warehouses during the period April 1, 2024–October 31, 2024 is determined
  - holders of natural gas supply licenses fulfil their obligation regarding the establishment of the minimum stock of natural gas by: storing natural gas in their own name, by concluding storage contracts; the conclusion of sales-purchase contracts whose object is quantities of natural gas stored by another supplier; concluding mandate contracts with another supplier.
  - the quantities of natural gas representing the minimum stock to be stored represent 90% of the storage capacity of the SI at the national level. The minimum natural gas stock of supply license holders is broken down for each holder depending on the weight of the amount of natural gas sold to end customers by the respective supplier in the gas year 2022/2023 in the total amount of natural gas sold to end customers nationally.
- **ANRE Order no. 2** – Order amending and supplementing the Regulation on the organised framework for trading on the organised forward electricity markets

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the technical requirements for connection to the electricity grids of public interest.

- The technical connection requirements apply to: new electricity storage facilities individually connected; new electricity storage facilities installed in an existing or new production site; new electricity storage facilities installed in an existing or new consumption site.
- **ANRE order no. 4/2023** – order for amending and completing some orders of the President of the National regulatory Authority for Energy in the field of connection of users to the electricity network of public interest.
  - Amend and supplement the following normative acts: Regulation on the connection of users to electrical networks of public interest (approved by ANRE order no. 59/2013), the framework of the technical connection notices (approved by ANRE order no. 74/2014). Procedure on connection to the public interest low voltage power networks of the consumption places belonging to household customers (approved by ANRE order no. 18/2022), procedure on connection to the public interest power networks of the consumption and production sites belonging to prosumers (approved by ANRE order no. 19/2022), Framework contracts for connection to public interest electricity networks (approved by ANRE order no. 105/2022).
- **ANRE order no. 5/2023** – order for the approval of the Regulation for the supply of electricity to final customers, as well as for the modification and completion of some orders of ANRE President:
  - it enters into force on 6 February 2023 (with the addition of provisions that have other dates of application);
  - The Regulation for the supply of electricity to final customers is approved;
  - The framework contract for the provision of the electricity distribution service concluded between the concessionaire distribution operator and the supplier (approved by ANRE order no. 90/2015) is amended/completed. The methodology for setting tariffs for the electricity distribution service by operators other than concessionaire distribution operators (approved by ANRE order no. 102/2016);
  - The ANRE order no. 235/2019 for the approval of the Regulation for the supply of electricity to final customers is repealed, ANRE order no. 171/2020 for the approval of the conditions for the supply of electricity by the suppliers of last resort, ANRE order no. 181/2018 for the approval of the procedure regarding the financial guarantees regime established by the final customers at the disposal of the electricity suppliers and for the amendment of the Regulation for the supply of electricity to final customers, ANRE order no. 85/2015 for the approval of the tripartite

administered by the Operator of the Electricity and Natural Gas Market OPCOM – S.A., approved by Order of the President of the National Energy Regulatory Authority no. 12/2023.

- the main amendments/completions to the Regulation on the organised framework for trading on the organised forward electricity markets administered by OPCOM are:
  - in the case of aggregated participation, the aggregator communicates to the PO the list of aggregated participants and the PO includes it, as an annex, in the Participation Agreement for bilateral electricity contract markets;
  - the party terminating a contract concluded on PCCB-LE-flex shall send a notification to the PO and the PO shall publish this information on its website and exclude that contract from the calculation of the corresponding market indices.

## 2023

## 2024

framework convention concluded between the supplier, The network operator and the final customer, holder of the network contract and the multi-party framework agreement concluded between the final customer, suppliers and the network operator, ANRE order no. 96/2015 for the approval of the Regulation on the activity of informing the final customers of electricity and natural gas;

- By the Regulation for the supply of electricity to final customers, new notions regarding the supply contract with dynamic prices (binding offer/contract with dynamic prices for EFSA) and active customers with new obligations for the supplier were introduced (conditioning the existence of supply contract for both the place of consumption and the place of consumption and production);
  - The main provisions amended/supplemented by the new regulation are:
  - At the vulnerable customer, they included among the facilities granted and the payment of the invoice, upon request, for a period of minimum 3 months (submission to the supplier with whom he has a check of medical documents for people who need to keep alive by electrical appliances to ensure continuity in supply);
  - the acceptance of household customers has been extended with new categories;
  - To the standard offers for non-households, the definition of micro-enterprise in L123 (categorization by consumption not by turnover/ no. employees). The obligation to display standard offers at single points of contact has disappeared. In the information in the offer, the unit value of taxes/fees/taxes/contributions will be included. It is no longer mandatory to pass into the offer the main conditions of the contract, but new elements are introduced, to be included in the offer;
  - The supply of a place of consumption can be made by several suppliers without being conditioned by the power of 1 MW.
  - the minimum elements of the tripartite/multi-party convention are specified without a framework convention being imposed;
  - in the contract will be passed the same as in the offer the unit value of taxes/fees/taxes/contributions. A new price element appears - the final billed price = supply price + all taxes, taxes... unit). At the conclusion of the contract, the supplier's website must contain links to POSF;
  - when invoicing, explicit mentions of normative acts incident during the period of application (i.e. capping) appear. For all household customers (including eligible – competitive household) and SoLR customers, the billing period is monthly. For

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all household customers, for the consumption achieved starting with 1 April 2023, the invoice model for SU is observed. All invoices for the consumption registered starting 1 April will contain a minimum set of information. New terms for payment installment.

- **ANRE order no. 9/2023** – order on establishing the mandatory quota for the purchase of green certificates for 2022
  - - The mandatory quota for 2022 was set at the level of 0.4934314 GC/MWh (compared to 0.5014313 GC/MWh the estimated quota for 2022 and 0.449792 GC/MWh the mandatory quota for 2021);
  - it shall enter into force on 1 march 2023.
- **ANRE order no. 10/2023** – Order for approval of the methodology for determining the level of the minimum natural gas stock that holders of natural gas supply licenses have the obligation to set up in underground storage warehouses
  - The methodology for determining the level of the minimum natural gas stock that the holders of the a supply licenses are approved Natural gas is required to establish it in underground storage warehouses - natural gas suppliers, for the quantities delivered to final customers (PET direct client) who have opted for the purchase of natural gas directly from natural gas producers, fulfil their obligation to establish the minimum natural gas stock by:
    - storage of natural gas in its own name, by concluding contracts for underground storage of natural gas with one of the holders of the license to operate the underground storage systems of natural gas; and/or
    - conclusion, by may 31 of each year, of sale-purchase contracts covering quantities of natural gas from underground storage of natural gas stored by another natural gas supplier; and/or
    - signing mandate contracts with another supplier, in order to store natural gas.

## Appendix 4 – Corporate Governance

### A.4.1. The Board of Directors of ELSA's subsidiaries

All the Boards of Directors of ELSA's subsidiaries were composed of nonexecutive directors (5 members in the case of DEER and EFSA and 3 members in the case of FISE and EPE) and the composition of these were as follows:

#### The distribution subsidiary DEER – 1 January 2023 – date of the report

01 January – present
Anna-Maria Vasile – Chair
Andrei-Gabriel Benghea-Malaies
Niculina – Cristina Somlea
Oana Babagianu
Constantin Cristian Olaru

Source: Electrica

The end date of the mandates of DEER's directors at the date of this report is 31 March 2024.

#### The supply subsidiary EFSA – 1 January 2023 – date of the report

01 January – 30 April	01 May – 31 July	01 August – present
Mihai Ioanutescu – Chair	Ioana – Andreea Lambru – Chair	Ioana – Andreea Lambru – Chair
Maria Patrascoiu	Mirela Ionescu	Mirela Ionescu
Liviu Mitroi	Marius Lungu	Marius Lungu
Alexandru – Costin Dumitrescu	Alexandru – Costin Dumitrescu	Adrian Bazavan
Adrian – Marian Marin	Adrian – Marian Marin	Dragos – Stefan Roibu

Source: Electrica

The end date of the mandates of EFSA's directors at the date of this report is 31 March 2024.

#### The energy services subsidiary SERV – 1 January 2023 – date of the report

01 January – 31 July	01 August – present
Alexandru – Aurelian Chirita – Chair	Alexandru – Aurelian Chirita – Chair
Bogdan Costas	Ramona Moldovan
Mihnea Barbulescu	Oana – Marie Arat

Source: Electrica

The end dates of the mandates of SERV's directors at the date of this report is 31 March 2024.

**The electricity production subsidiary EPE – 1 January 2023 – 31 December 2023  
(the effective date of the merger whereby the company was absorbed by ELSA)**

1 January – 30 April	01 May – 31 July	09 August – 31 December
Alexandru – Aurelian Chirita - Chair	Alexandru – Aurelian Chirita - Chair	Alexandru – Aurelian Chirita - Chair
Mihai Ioanutescu	Mihai Ioanutescu	Mihai Ioanutescu
Alina Camelia Mustatea	Ioana – Andreea Lambru	Ioana – Andreea Lambru

Source: Electrica

EPE is an absorbed company in the merger between ELSA as absorbing company and EPE, GECl and EEV 1 as absorbed companies, the effective date of the merger being 31 December 2023.

## A.4.2. Executive management of ELSA's subsidiaries

The tables below show the subsidiaries' executive managers with delegated management duties by Board of Directors of ELSA subsidiaries in 2023, as well as until the date of this report, as follows:

**The distribution subsidiary DEER– until the date of the report**

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Mihaela Rodica Suci	29 September 2022 – present	General Manager	05 October 2026
Mihaela Rodica Suci	01 January 2022 – 04 April 2022 suspended	Network Development Manager	31 December 2024
Valentin Branescu	01 January 2022 – 31 January 2023	Deputy General Manager	
Sinan Mustafa	01 January 2022 – 31 January 2023	Deputy General Manager	
Sinan Mustafa	15 October 2022 – 31 January 2023	Energy Management Manager	
Vasile Farcas	01 January 2022 – 31 January 2023	Network Operations Manager	
Dragos Eduard Staicu	01 January 2022 – 31 January 2023	Integration Division Manager	
Lucian Penes	04 July 2022 – 06 July 2023	Financial Division Manager	



<b>Name</b>	<b>Period (day month year)</b>	<b>Function</b>	<b>Mandate until the date (for acting executive managers at the date of the report) (day month year)</b>
Anamaria Cristina Andro	07 July 2023 – 31 December 2023	Financial Division Manager (interim)	
Anamaria Cristina Andro	01 January 2024 – present	Financial Division Manager	31 January 2025
Diana Moldovan	01 January 2022 – 31 January 2023	Business Support Division Manager	
Gabriela Dobrescu	01 January 2022 – 31 January 2023	Asset Management Division Manager	
Robert Moraru	01 February 2023 – =28 July 2023	Commercial Division Manager	
Ionel Boja	01 August 2023 – 31 December 2023	Commercial Division Manager (interim)	
Ionel Boja	01 January 2024 – present	Commercial Division Manager	31 January 2025
Gabriel Gheorghe	01 February 2023 – present	Strategy and Planning Manager	31 January 2025
Gabriel Adrian Margin	01 February 2023 – 12 September 2023	Technical Division Manager	
Gabriel Adrian Margin	13 September 2023 – 31 December 2023	Technical Division Manager (interim)	
Mihaela Rodica Suciu	01 January 2024 – present	Technical Division Manager (interim)	by the date of completion of the selection procedure

Source: Electrica

**The supply subsidiary EFSA – until the date of the report**

<b>Nume</b>	<b>Period (day month year)</b>	<b>Function</b>	<b>Mandate until the date (for acting executive managers at the date of the report) (day month year)</b>
Darius-Dumitru Mesca	1 October 2019 – present	General Manager	31 May 2024
Claudiu – Daniel Radulescu	20 May 2022 – 06 October 2023	Deputy General Manager	
Dumitru Chirita	27 October 2023 – present	Deputy General Manager	31 May 2024
Ruxandra-Madalina Rusu	20 May 2022 – present	Financial Division Manager	31 May 2024
Paul-Ferdoschi	20 May 2022 – present	Sales Division Manager	31 May 2024
Mihai Beu	20 May 2022 – present	Portfolio Management Division Manager	31 May 2024
George-Marian Fertu	13 October 2022 – present	Operations Division Manager	31 May 2024

Source: Electrica

**The energy services subsidiary SERV – until the date of the report**

<b>Nume</b>	<b>Period (day month year)</b>	<b>Function</b>	<b>Mandate until the date (for acting executive managers at the date of the report) (day month year)</b>
Calin Ionel Dobra	18 October 2022 – present	General Manager	31 May 2024
Nitu Violeta Florentina	07 December 2023 – present	Deputy General Manager	31 May 2024
Mircea Nicolae Cotoros	03 April 2023 – 03 October 2023	Financial Manager	
Magdalena Necula	16 October 2023 – present	Assumption of duties and responsibilities of Financial Manager on the basis of an individual labor agreement	29 February 2024
Vasile Ionel Bujorel Oprean	01 December 2017– 16 December 2023	Property Management and Product Development Manager	

Source: Electrica

**The electricity production subsidiary EPE – until the date of the report**

The Board of Directors did not appoint executive managers within the subsidiary during the period from its establishment until the dissolution of the company following the merger by absorption by ELSA.

### A.4.3. Number of shares owned by the managers of Electrica Group

As table below shows the situation of ELSA shares held by the executive managers of the companies in the Group, currently on the position, which were mentioned in this chapter, a situation valid both on 31 December 2023, as well as on 13 February 2024:

Name	Number of shares	Weight in the share capital (%)
Anamaria Cristina Andro	1000	0.00029

Source: Electrica

According to information held by ELSA, there is no contract, understanding or family relationship between the executive managers of the Group companies mentioned in this chapter, currently on the position, and another person who may have contributed to their appointment as executive managers.

According to available information, the members of the BoD and the executive managers of the Group companies mentioned in this chapter, currently on the position, have not been involved, in the last five years, in any litigations or administrative procedures related to their activity within the Group and to their capacity to fulfil their work-related duties within the Group, with the exception of the following disputes registered in the records of the Litigation Department of DEER:

Item no.	Adverse party	Procedural quality	Subject of the action	File no.	The Court	Procedural status	Term of court
1	Sinan Mustafa	claimant	action in tort (moral damages)	6165/211/2022	Cluj-Napoca Court of Law	in progress	10 April 2024
2	Sinan Mustafa	claimant	contractual liability action (bonus on termination of mandate and related interest)	10249/211/2023	Cluj-Napoca Court of Law	in progress	16 January 2024

Source: Electrica

With the exception of one situation, i.e. EFSA's Deputy General Manager is party to a dispute for the working group.

## A.4.4. General Meetings of Shareholders of ELSA subsidiaries

Corporate approvals at GMS/BoD level in the case of ELSA's subsidiaries are regulated through their articles of association, as well as through the implemented corporate policies.

ELSA, as majority shareholder of its subsidiaries, voted in their GMS in 2023 on various topics, amongst which the most important are related to:

- revenue and expenses budgets, financial statements, financial part of the individual annual investment plan, distribution of the annual result;
- modification of the general debt limit for DEER (temporary) and EFSA;
- total ceiling of short and medium term financing, valid for facilities contracted by Electrica Furnizare SA during 2023, as well as within 6 months from 22 November 2023, regarding financing contracted by Electrica Furnizare SA from banking institutions (commercial banks or international financial institutions – IFIs) for financing current activities, including for refinancing purposes, with Electrica guarantee;
- total ceiling of short, medium and long term financing available for facilities contracted by Distributie Energie Electrica Romania SA during 2023, as well as within 6 months from 22 November 2023, which can be contracted by Distributie Energie Electrica Romania SA from banking institutions (commercial banks or international financial institutions – IFIs) to cover additional costs related to its own technological consumption, as well as to finance working capital and investment projects, including for refinancing purposes, with Electrica's guarantee;
- setting KPIs for the Board members;
- appointment of the financial auditor for 3 years in the case of DEER, EFSA and SERV and of the auditors in the case of EPE;
- amendments/additions/guarantees related to facilities contracted from commercial banks or international financial institutions in the case of DEER and EFSA;
- topics related to the merger in the capacity of EPE as the absorbed company, together with GECl and EEV by ELSA as the absorbing company;
- the opportunity to purchase in batches the services of printing, printing and distribution of electricity/natural gas invoices and other documents and computerised archiving of documents resulting from the distribution of disconnection notices for a period of two years for EFSA;
- appointment of the directors in the Board of Directors of the subsidiaries.

Starting with the end of 2019/beginning of 2020, a unitary policy was implemented within the Group's subsidiaries, regarding the organization and conduct of the General Meetings of Shareholders of the Electrica Group companies, whose objectives are for each company to obtain the corporate approvals in the competence of the GMS in a timely manner, in order to carry out in good conditions the operational activity, in compliance with all legal and statutory provisions, implementation of a unitary system of convening, organizing, carrying out the GMS meetings in Electrica Group, as well as better tracking of the implementation of GMS resolutions.



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## Glossary

<b>ANRE</b>	Romanian Energy Regulatory Authority
<b>ASF</b>	Romanian Financial Supervisory Authority (Autoritatea de Supraveghere Financiara)
<b>BPS</b>	Basis points
<b>BoD</b>	Board of Directors
<b>BRP</b>	Balance Responsible Party
<b>BSE</b>	Bucharest Stock Exchange
<b>BTA</b>	Business Transfer Agreement
<b>CAPEX</b>	Capital Expenditure
<b>CGC</b>	Corporate Governance Code
<b>CMC</b>	Competitive Market Component
<b>CMBC (EA/CN)</b>	Centralized Market for Bilateral Contracts (Extended Auction/Continuous Negotiation)
<b>CMNG-AN</b>	Centralized Market for Bilateral Natural Gas Contracts – Auction and Negotiation
<b>CMNG-PA</b>	Centralized Market for Bilateral Natural Gas Contracts – Public Auction
<b>CMNG – OTC</b>	Centralized Market for Bilateral Natural Gas Contracts – OTC
<b>CMUS</b>	Centralized Market for Universal Service
<b>CNTEE</b>	The National Transmission System Operator
<b>CSR</b>	Corporate Social Responsibility
<b>DAM</b>	Day Ahead Market
<b>DAM-NG</b>	Day Ahead Market – Natural Gas
<b>DEER</b>	Distributie Energie Electrica Romania
<b>DSO</b>	Distribution System Operator
<b>DMS</b>	Distribution Management System
<b>EEA</b>	European Economic Area
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortization
<b>EDN</b>	Electrical Distribution Network
<b>EGMS</b>	Extraordinary General Meeting of Shareholders
<b>EFSA</b>	Electrica Furnizare SA
<b>ELSA</b>	Electrica SA
<b>ERM</b>	Enterprise Risk Management
<b>EU</b>	European Union

<b>EUR</b>	The monetary unit of several member states of the European Union
<b>FCA</b>	Financial Conduct Authority – United Kingdom
<b>FPM-LT</b>	Medium and Long-Term Flexible Products Market
<b>GC</b>	Green Certificates
<b>GDP</b>	Gross Domestic Product
<b>GDR</b>	Global Depositary Receipts
<b>GEO</b>	Government Emergency Ordinance
<b>GMS</b>	General Meeting of Shareholders
<b>HV</b>	High Voltage
<b>IAS</b>	International Accounting Standard
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standard
<b>IM-NG</b>	Intraday Market for Natural Gas
<b>IMS</b>	Integrated Management System
<b>IPO</b>	Initial Public Offering
<b>IR</b>	Investor Relations
<b>ISIN</b>	International Securities Identification Number
<b>KPI</b>	Key Performance Indicators
<b>kV</b>	KiloVolt
<b>LOC</b>	Land Ownership Certificate
<b>LR</b>	Last Resort
<b>LSH</b>	Labor safety and health
<b>LV</b>	Low Voltage
<b>MV</b>	Medium Voltage
<b>MVA</b>	Mega Volt Ampere
<b>MWh</b>	MegaWatt hour
<b>MKP</b>	Management Key Position
<b>NAFA</b>	National Agency for Fiscal Administration
<b>NES</b>	National Electricity System
<b>NL</b>	Network Losses
<b>NRC</b>	Nomination and Remuneration Committee
<b>OMPF</b>	Order of Ministry of Public Finances

<b>OGMS</b>	Ordinary General Meeting of Shareholders
<b>OHS</b>	Occupational Health and Safety
<b>OHSAS</b>	Occupational Health and Safety Assessment Series
<b>OPCOM</b>	Romanian Gas and Electricity market operator
<b>PCB</b>	Polychlorinated Biphenyls
<b>RAB</b>	Regulated Asset Base
<b>RM</b>	Retail Market
<b>RON</b>	Romanian monetary unit
<b>RRR</b>	Regulated Rate of Return
<b>SAD</b>	Distribution Automation System
<b>SAPE</b>	Societatea de Administrare a Participatiilor in Energie
<b>SCADA</b>	Supervisory Control And Data Acquisition
<b>SDEE</b>	Societatea de Distributie a Energiei Electrice SA
<b>SDMN</b>	Societatea de Distributie a Energiei Electrice Muntenia Nord SA
<b>SDTN</b>	Societatea de Distributie a Energiei Electrice Transilvania Nord SA
<b>SDTS</b>	Societatea de Distributie a Energiei Electrice Transilvania Sud SA
<b>SED</b>	Servicii Energetice Dobrogea SA
<b>SEM</b>	Servicii Energetice Muntenia SA
<b>SEO</b>	Servicii Energetice Oltenia SA
<b>SoLR</b>	Supplier of last resort
<b>SPO</b>	Secondary Public Offering
<b>TWh</b>	TeraWatt hour
<b>TSO</b>	Transmission and system operator
<b>UM</b>	Unit of Measurement
<b>US</b>	Universal Service
<b>USD</b>	United States Dollar
<b>VAT</b>	Value Added Tax







## **EXPLANATIONS**

**Regarding the Differences  
between Consolidated  
Financial Statements  
OMFP 2844/2016 vs  
IFRS-EU**

## Explanations Regarding the Differences Between the Consolidated Financial Statements OMFP 2844/2016 vs IFRS-EU and Regarding the Restatement of the IFRS 2022 Financial Statements

Electrica announced the information in this chapter through the current report [BSE:IRIS code 09C80 from 25 March 2024](#) and [LSE:RNS Code 2225I from 25 March 2024](#).

In the consolidated financial statements prepared in accordance with IFRS-EU for the year 2023, Electrica Group has restated the consolidated financial statements for the year 2022, as a result of the consultations that took place during 2023 and finalized at the beginning of 2024 with the global financial auditors, also considering the complexity of the case under analysis, the auditors concluded that, in the absence of finalization of the consultation phase on IFRS 14 "Deferred charges related to regulated activities", which specifies the treatment of capitalized costs from regulated activities, the arguments offered by the Company's management aligned with the opinion of external financial consultants for the inclusion of these additional costs related to NL in other IFRS standards in force (IFRS 9 or IFRIC 12), are not sufficient.

Electrica Group published on 20 September 2023 an announcement regarding the above consultations, the status and possible impact on the published consolidated financial statements ([BSE:IRIS code C96A2 from 20 September 2023](#) and [LSE:RNS Code 1027N from 20 September 2023](#)).

### 2022 Context:

Until 31 December 2021, the consolidated financial statements prepared in accordance with OMFP no. 2844/2016 were equivalent to IFRS-EU. Starting from December 31, 2022, according to the Order of the Ministry of Public Finances (OMFP) no. 3900/2022, a new clause was provided regarding the regulatory accounts to cover the additional expenses of the network losses ("NL") for the actual energy costs compared to the ANRE ex-ante prices recognized in the distribution tariffs, by constituting **intangible assets** for these additional expenses. This amendment to the financial regulations of OMFP 3900/2022, was a result of the electricity prices context of 2022, which determined ANRE to issue, for the Distribution Operators, a new methodology regarding additional costs with NL during the period 1 January 2022 – 31 March 2025. The calculation of the capitalized amounts is carried out in compliance with the legislation specific to the entities that are the subject of GEO 119/2022, with subsequent additions and changes. According to ANRE regulations, the capitalized costs as intangible assets are recorded in the accounting record and therefore in the annual financial statements according to the instructions issued by the Ministry of Finance. ANRE will determine the recognized annual amounts of capitalized costs based on the recognized quantities and prices for NL. Revenue from the production of intangible fixed assets represents additional own technological consumption calculated as the difference between the net cost of acquisition and the cost of own technological consumption included in the regulatory tariff.

In the set of audited consolidated financial statements prepared in accordance with IFRS-EU as at and for 31 December 2022, **these expenses had a different applicable financial treatment**, based on the amendment of the concession contracts regarding the recognition of additional costs (actual costs vs. recognized ex-ante in tariffs) with the purchase of electricity to cover NL for the distribution segment. On January 20, 2023, the Ministry of Energy, as grantor, amended the concession contract with Electrica Group for the distribution segment to reflect that in the event of early termination of the concession contract for any reason, the new concessionaire would reimburse the Group for the amount of unrecovered capitalized costs at the time of termination of the concession contract with the purchase of electricity for its own technological



consumption compared to the costs included in the regulated tariffs. Based on the amendments to the concession contracts, the additional cost of purchasing electricity to cover the distribution operators' NL was recognized as a **financial asset** – part of the concession contract. These amounts are guaranteed by the concession contract, which has been amended according to legal provisions. The resulting financial assets have been presented in the consolidated financial statements at fair value determined as the net present value of the additional electricity purchase costs incurred by the distribution subsidiary for NL.

### 2023 Context:

In the audited annual consolidated financial statements for the year 2023, prepared in accordance with OMFP no. 2844/2016, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union as amended, the Group has recorded for the year 2023, intangible assets and income from the production of intangible assets in the amount of RON 19 million, thus the balance of intangible assets as at 31.12.2023 is RON 771 million (31.12.2022: RON 951 million). The auditor's opinion for annual consolidated financial statements for the year 2023, prepared in accordance with OMFP no. 2844/2016 is unqualified – clean report.

In the audited annual consolidated financial statements for the year 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union as amended (IFRS-EU), the Group has reassessed its previous position on the consolidated financial statements relating to the recognition of the financial asset recognized as a result of the amendment to the concession agreements, for which a financial asset in the amount of RON 951 million, representing the difference between the cost of energy purchase for NL and the cost of NL included in the regulatory tariff by ANRE, for the period 1 January – 31 December 2022, was recognized and comparatives were restated in the current year financial statements. See note 5 in the IFRS-EU consolidated financial statements. The auditor's opinion for the annual consolidated financial statements for the year 2023, prepared in accordance with IFRS-EU is unqualified – clean report.

It is worth mentioning that in 2023, the additional capitalized NL on the distribution segment was RON 19 million vs. RON 989 million as it was in the previous year, as the Group managed to significantly reduce the additional electricity procurement costs for NL on the distribution segment following the implementation of MACEE.

In conclusion, for the annual consolidated financial statements for the year 2023 prepared in accordance with OMFP 2844/2016, the Group recognizes intangible assets in correspondence with revenue from the production of intangible assets as a result of the additional difference in NL for the distribution subsidiary, the assets being amortized over a period of 5 years, while in the audited annual consolidated financial statements for the year 2023, prepared in accordance with IFRS-EU, the recovery of revenue related to NL capitalized in the previous period is recovered in the year in question, without recognizing intangible assets, the revenue being included in the Group's turnover. Therefore, the significant difference in the income statement from 2023 between the set of financial statements according to OMFP 2844/2016 and IFRS-EU is the amortization of intangible assets in the first set, which does not have a correspondence in the second set, thus there will be differences between the results of the two sets of annual consolidated financial statements. In regard to the financial position, the difference will be the unamortized value of the intangible asset recognized on the OMFP 2844/2016 set. Therefore, in order to comply with both local and international reporting standards and regulations, the Group will prepare two sets of annual consolidated financial statements, one prepared in accordance with OMFP 2844/2016 and one in accordance with IFRS-EU.





**2023**  
**SEPARATE FINANCIAL**  
**STATEMENTS**

as at and for the year ended

**31 December 2023**

prepared in accordance with

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

*Free translation from Romanian,  
which is the official and binding version*

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	Note	31 December 2023	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	21	145,084,285	98,939,502
Intangible assets	22	1,112,707	126,189
Goodwill	22	1,446,450	-
Investments in subsidiaries	23	2,309,928,230	2,298,128,361
Investments in associates	24	16,637,710	18,821,421
Other investments		7,000,000	7,000,000
Loans granted to subsidiaries – long term	25	1,279,262,987	1,276,325,000
Right of use assets		4,013,286	248,087
<b>Total non-current assets</b>		<b>3,764,485,655</b>	<b>3,699,588,560</b>
<b>Current assets</b>			
Cash and cash equivalents	20	19,154,241	105,631,939
Trade receivables	18	1,747,406	795,526
Other receivables	19	597,845,163	501,493,067
Inventories		2,836	-
Prepayments		1,014,231	1,023,678
Loans granted to subsidiaries – short term	25	89,659,699	45,034,523
Assets held for sale		279,655	279,655
<b>Total current assets</b>		<b>709,703,231</b>	<b>654,258,388</b>
<b>Total assets</b>		<b>4,474,188,886</b>	<b>4,353,846,948</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	26	3,464,435,970	3,464,435,970
Share premium	26	103,049,177	103,049,177
Treasury shares reserve	26	(75,372,435)	(75,372,435)
Pre-paid capital contributions in kind from shareholders	26	7,366	7,366
Revaluation reserves	26	20,258,665	11,806,704
Legal reserves	26	231,595,694	229,435,101
Other reserves	26	224,105,807	224,105,807
Retained earnings		12,417,834	38,908,798
<b>Total equity</b>		<b>3,980,498,078</b>	<b>3,996,376,488</b>

(Continued on next page)

	Note	31 December 2023	31 December 2022
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liability – long term		3,271,217	54,049
Employee benefits	14	1,326,142	1,095,651
Long-term bank borrowings	16	-	100,000,000
<b>Total non-current liabilities</b>		<b>4,597,359</b>	<b>101,149,700</b>
<b>Current liabilities</b>			
Current portion of long-term bank borrowings		216,768,248	
Bank overdrafts	20	205,520,079	207,830,772
Lease liability – short term		797,944	215,561
Trade payables	27	6,645,430	4,744,726
Other payables	28	51,096,530	36,474,707
Deferred revenue		285,152	173,187
Employee benefits	13,14	7,254,982	5,840,131
Provisions	29	725,084	1,041,676
<b>Total current liabilities</b>		<b>489,093,450</b>	<b>256,320,760</b>
<b>Total liabilities</b>		<b>493,690,809</b>	<b>357,470,460</b>
<b>Total equity and liabilities</b>		<b>4,474,188,886</b>	<b>4,353,846,948</b>

The accompanying notes are an integral part of these separate financial statements.

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

	Note	2023	2022
Other income	10	1,442,602	5,179,621
Employee benefits	15	(30,295,203)	(30,156,958)
Depreciation and amortization	21,22	(1,448,001)	(1,586,304)
Reversal of impairment of trade and other receivables, net	18,19	568,609	101,380
Reversal of impairment/(Impairment) of property, plant and equipment, net	21	853,836	4,840
Change in provisions for legal cases and non-compete clauses, net	29	322,045	3,196,438
Other operating expenses	10	(21,247,445)	(18,538,612)
<b>Loss before finance result</b>		<b>(49,803,557)</b>	<b>(41,799,595)</b>
Finance income	11	97,634,651	78,298,886
Finance costs	11	(29,737,518)	(12,440,801)
<b>Net finance income</b>		<b>67,897,133</b>	<b>65,858,085</b>
Share of results of associates	24	(38,825)	(13,044)
<b>Profit before tax</b>		<b>18,054,751</b>	<b>24,045,446</b>
Income tax benefit	17	5,886,085	259,439
<b>Profit for the year</b>		<b>23,940,836</b>	<b>24,304,885</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (RON)	12	0.07	0.07

The accompanying notes are an integral part of these separate financial statements.

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024



	Note	2023	2022
<b>Profit for the year</b>		<b>23,940,836</b>	<b>24,304,885</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of property, plant and equipment	26	6,988,472	-
Tax related to revaluation of property, plant and equipment	17	(1,138,457)	-
Effect of the merger on the revaluation of property, plant and equipment	26	2,701,689	-
Effect of the merger in deferred tax on the revaluation of tangible fixed assets	17	(62,344)	-
Re-measurements of the defined benefit liability	14	(25,755)	1,621,494
Tax related to re-measurements of the defined benefit liability	17	4,121	(259,439)
<b>Other comprehensive income, net of tax</b>		<b>8,467,726</b>	<b>1,362,055</b>
<b>Total comprehensive income</b>		<b>32,408,562</b>	<b>25,666,940</b>

The accompanying notes are an integral part of these separate financial statements.

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

FOR THE YEAR ENDED 31 DECEMBER 2023

ELECTRICA S.A

Note	Subscribed and paid in share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total equity
<b>Balance at 1 January 2023</b>	3,464,435,970	103,049,177	(75,372,435)	7,366	11,806,704	229,435,101	224,105,807	38,908,798	3,996,376,488
<b>Comprehensive income</b>									
Profit for the year	-	-	-	-	-	-	-	23,940,836	23,940,836
Other comprehensive income	-	-	-	-	5,850,014	-	-	(21,634)	5,828,381
The effect of merger	-	-	-	-	2,639,345	-	-	-	2,639,345
<b>Total comprehensive income</b>	-	-	-	-	<b>8,489,360</b>	-	-	<b>23,919,202</b>	<b>32,408,562</b>
<b>Transactions with owners of the Company</b>									
<b>Contributions and distributions</b>									
Dividends to the owners of the Company	-	-	-	-	-	-	-	(39,999,343)	(39,999,343)
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	-	-	<b>(39,999,343)</b>	<b>(39,999,343)</b>
<b>Other changes in equity</b>									
Set up of legal reserves	-	-	-	-	-	2,160,391	-	(2,160,391)	-
Transfer to other reserves	-	-	-	-	-	-	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(37,399)	-	-	37,399	-
The effect of merger	-	-	-	-	-	202	-	(8,287,831)	(8,287,629)
<b>Balance at 31 December 2023</b>	<b>3,464,435,970</b>	<b>103,049,177</b>	<b>(75,372,435)</b>	<b>7,366</b>	<b>20,258,665</b>	<b>231,595,694</b>	<b>224,105,807</b>	<b>12,417,834</b>	<b>3,980,498,078</b>

(Continued on next page)

Note	Subscribed and paid in share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total equity
<b>Balance at 1 January 2022</b>	3,464,435,970	103,049,177	(75,372,435)	7,366	12,397,647	228,156,226	71,213,362	319,621,087	4,123,508,400
<b>Comprehensive income</b>									
Profit for the year	-	-	-	-	-	-	-	24,304,885	24,304,885
Other comprehensive income	-	-	-	-	-	-	-	1,362,055	1,362,055
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	<b>25,666,940</b>	<b>25,666,940</b>
<b>Transactions with owners of the Company</b>									
<b>Contributions and distributions</b>									
Dividends to the owners of the Company	-	-	-	-	-	-	-	(152,798,852)	(152,798,852)
<b>Total transactions with owners of the Company</b>								<b>(152,798,852)</b>	<b>(152,798,852)</b>
<b>Other changes in equity</b>									
Set up of legal reserves	-	-	-	-	-	1,278,875	-	(1,278,875)	-
Transfer to other reserves	-	-	-	-	-	-	152,892,445	(152,892,445)	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(590,943)	-	-	590,943	-
<b>Balance at 31 December 2022</b>	<b>3,464,435,970</b>	<b>103,049,177</b>	<b>(75,372,435)</b>	<b>7,366</b>	<b>11,806,704</b>	<b>229,435,101</b>	<b>224,105,807</b>	<b>38,908,798</b>	<b>3,996,376,488</b>

The accompanying notes are an integral part of these separate financial statements.

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

	Note	2023	2022
<b>Cash flows from operating activities</b>			
Profit for the year		23,940,836	24,304,885
<b>Adjustments for:</b>			
Depreciation	19	937,740	1,006,439
Amortisation	20	510,261	579,865
Reversal of impairment of property, plant and equipment, net	19	(853,836)	(4,840)
Reversal of impairment of trade and other receivables, net	16,17	(568,609)	(101,380)
Net finance income	9	(67,897,133)	(65,858,085)
Share of loss of associates	22	38,825	13,044
Changes in employee benefits obligations	12	219,205	(4,977,943)
Changes in provisions, net	27	(332,592)	(3,196,438)
Income tax benefit	15	(5,886,085)	(259,439)
		<b>(49,880,842)</b>	<b>(48,493,892)</b>
<b>Changes in:</b>			
Trade receivables		(14,127)	231,727
Other receivables		(12,621,613)	(489,743)
Trade payables		1,560,732	428,462
Other payables		229,663	757,931
Employee benefits		1,306,130	64,760
<b>Cash flow used in operating activities</b>		<b>(59,420,057)</b>	<b>(47,500,755)</b>
Interest paid		(29,647,323)	(12,238,993)
<b>Net cash used in operating activities</b>		<b>(89,067,380)</b>	<b>(59,739,748)</b>

(Continued on next page)

	Note	2023	2022
<b>Cash flows from investing activities</b>			
Payments for purchases of property, plant and equipment		(1,779,204)	(1,875,869)
Payments for purchase of intangible assets		(970,642)	(166,015)
Payments for purchase of interests in subsidiaries, net		(12,376,633)	(4,439,771)
Proceeds from the sale of property, plant and equipment		-	1,179,434
Proceeds from loans granted to subsidiaries		-	135,945,985
Payment for acquisition of investment in associate		(38,825)	(13,044)
Payment for other long term investments		-	(7,000,000)
Loans granted to subsidiaries		(92,296,606)	(150,980,508)
Cash used by subsidiaries under the cash pooling facility	23,29	(75,423,575)	81,289,620
Interest received		96,254,223	72,086,815
<b>Net cash (used in)/from investing activities</b>		<b>(86,631,261)</b>	<b>126,026,647</b>
<b>Cash flows from financing activities</b>			
Dividends paid	24	(40,136,410)	(153,150,278)
Payment of lease liabilities		(479,678)	(552,172)
Repayment / Proceeds from overdrafts		(2,310,693)	87,289,418
Long-term bank borrowings	15	116,768,248	100,000,000
<b>Net cash used in financing activities</b>		<b>73,841,467</b>	<b>33,587,068</b>
<b>Net decrease / increase in cash and cash equivalents</b>		<b>(101,857,173)</b>	<b>99,873,967</b>
Cash and cash equivalents at 1 January	18	105,631,939	(114,783,382)
Cash and cash equivalents transferred on merger	18	15,379,476	
Reclassification of overdrafts previously presented as cash and cash equivalents	18	-	120,541,354
<b>Cash and cash equivalents at 31 December</b>	<b>18</b>	<b>19,154,241</b>	<b>105,631,939</b>

The accompanying notes are an integral part of these separate financial statements.

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

## 1. Merger by absorption into Electrica S.A.

On 23 August 2023 the Extraordinary General Meeting of Shareholders (EGM) of Electrica SA approved in principle the merger by absorption between Societatea Energetica Electrica SA (Electrica SA or 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 absorbed companies, with the effective date of the merger being 31 December 2023.

On December 20, 2023, the Extraordinary General Meeting of Shareholders approved the merger by absorption between Electrica SA and the absorbed companies, on the basis of the merger project registered at the Commercial Registry Office of the Bucharest Court and published in the Official Gazette of Romania, Part IV, no. 4953 of 07 November 2023, and voting in favour of the approval of the liquidation and deregistration from the Commercial Register and from the records of the financial administration of the absorbed companies as from the effective date of the merger, i.e. 31 December 2023.

On January 3, 2024, the Decision no. 74/03.01.2024 was pronounced, admitting the application registered under no. 620095 dated 27.12.2023 regarding the registration of the merger in the commercial register on 31.12.2023, of the company Societatea Energetica Electrica SA and the deregistration from the commercial register of the companies Societatea Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL.

Therefore, the merger took effect from the effective date, that is 31 December 2023, when Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as absorbed companies terminated their existence, being dissolved and deregistered. All the assets and liabilities held by these companies were transferred by effect of the merger by absorption and by operation of law to Societatea Energetica Electrica S.A., as the absorbing company, without increasing the share capital of Electrica S.A. as a result of the merger and without issuing new shares in the share capital of the absorbing company.

The merger of the above four companies was completed and registered with the National Trade Registry Office on January 3, 2024, with an effective date of December 31, 2023.

The financial results and Statement of Financial Position of the merged entities are incorporated prospectively as of the effective date of the merger, without modification of the pre-merger information.

### Balances transferred from absorbed companies as at 31.12.2023, before merger adjustments

	Note	31 December 2023 Balances before the merger	31 December 2023 Merger adjustments
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	21	37,391,998	-
Intangible assets	22	43,554	-
Fond comercial	22	-	1,446,450

	Note	31 December 2023 Balances before the merger	31 December 2023 Merger adjustments
Investments in subsidiaries		31,075,528	(33,836,003)
Investments in associates		-	-
Other investments		-	-
Loans granted to subsidiaries – long term		9,816,700	(9,816,700)
Right of use assets		1,897,914	-
<b>Total non-current assets</b>		<b>80,225,695</b>	<b>(42,206,253)</b>
<b>Current assets</b>			
Cash and cash equivalents	20	15,379,476	-
Trade receivables		365,085	-
Other receivables		472,595	(8,190,513)
Inventories		2,836	-
Prepayments		58,059	-
Loans granted to subsidiaries – short term		-	(44,733,443)
Assets held for sale		-	-
<b>Total current assets</b>		<b>16,278,052</b>	<b>(52,923,956)</b>
<b>Total assets</b>		<b>96,503,747</b>	<b>(95,130,209)</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		128,010	(128,010)
Share premium		-	-
Treasury shares reserve		-	-
Pre-paid capital contributions in kind from shareholders		-	-
Revaluation reserves	26	2,639,346	-
Legal reserves	26	202	-
Other reserves		-	-
Retained earnings		23,977,010	(32,264,841)
<b>Total equity</b>		<b>26,744,568</b>	<b>(32,392,851)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liability – long term		1,832,791	-
Employee benefits		-	-
Deferred tax liabilities		4,751,749	-

	Note	31 December 2023 Balances before the merger	31 December 2023 Merger adjustments
Long-term bank borrowings		9,816,699	(9,816,699)
<b>Total non-current liabilities</b>		<b>16,401,239</b>	<b>(9,816,699)</b>
<b>Current liabilities</b>			
Current portion of long-term bank borrowings		-	-
Bank overdrafts		-	-
Lease liability – short term		96,570	-
Trade payables		339,972	-
Other payables		52,921,740	(52,920,659)
Deferred revenue		-	-
Employee benefits		(342)	-
Provisions		-	-
<b>Total current liabilities</b>		<b>53,357,940</b>	<b>(52,920,659)</b>
<b>Total liabilities</b>		<b>69,759,179</b>	<b>(62,737,358)</b>
<b>Total equity and liabilities</b>		<b>96,503,747</b>	<b>(95,130,209)</b>

## 2. Reporting entity and general information

These financial statements are the separate financial statements of Societatea Energetica Electrica S.A. (“Company” or “Electrica SA”) as at and for the year ended 31 December 2023.

Electrica was originally incorporated as a company in 1998 by Government Decision no. 365/1998, following the restructuring of the former National Electricity Company (RENEL). On 1 August 2000, following the restructuring of the former National Electricity Company (CONEL) under the Government Decision no. 627/2000, the Company was allocated a new tax registration number. The registered office of the Company is no 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register number J40/7425/2000.

As at 31 December 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 a share of ownership of 48.79% from the share capital.

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



**As at 31 December 2023, the Company's subsidiaries are the following:**

Subsidiary	Activity	Sole registration code	Head Office	% shareholding
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%
Electrica Furnizare S.A. ("EFSA")	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%
Electrica Serv S.A. ("SERV")	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%
Sunwind Energy S.R.L.	Electricity generation	42910478	Bucuresti	100%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	60%

**As at 31 December 2023, the Company's subsidiaries are the following:**

Subsidiary	Activity	Sole registration code	Head Office	% shareholding
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%
Electrica Furnizare S.A. ("EFSA")	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%
Electrica Serv S.A. ("SERV")	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%
Electrica Producție Energie S.A. ("EPE")	Electricity generation	44854129	Bucuresti	99.9920%
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	60%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%
Green Energy Consultancy & Investments S.R.L.	Electricity generation	29172101	Prahova	75%
Servicii Energetice Oltenia S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29389861	Craiova	100%
Servicii Energetice Moldova S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29386768	Bacau	100%
Servicii Energetice Banat S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388211	Timisoara	100%
Servicii Energetice Dobrogea S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388378	Constanta	100%

\*On 31.12.2023 the merger by absorption took place between Societatea Energetica Electrica SA (ELSA) as absorbing company and Societatea Electrica Productie Energie SA (EPE), Electrica Energie Verde 1 SRL (EEV1) and Green Energy Consultancy & Investments SRL (GECI) as absorbed companies.

**As at 31 December 2023, the Company's associates are the following:**

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

**As at 31 December 2022, the Company's associates are the following:**

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

**As at 31 December 2023 and 31 December 2022, the Company's other long term investments are the following:**

Company	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2023	% shareholding as at 31 December 2022
CCP.RO Bucharest S.A. (CCP.RO)	Financial brokerage activities, exclusively insurance activities and pension funds (risk management through derivative products on the energy market)	17777754	Bucuresti	8.06%	8.06%

**Changes in Company structure during 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 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%.

**Merger by absorption within the Group**

On 20 December 2023, the Extraordinary General Meeting of the Company's Shareholders (EGMS) approved 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 absorbing company, Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as absorbed companies, with the effective date of the merger being 31 December 2023.

**The Company's main activities**

Currently, the core business of the Company, according to the Statute is "Activities of business and management consulting", also performing corporate activities at parent company level for its subsidiaries.

Electrica SA is the parent company of one electricity distribution company (set up from merger of three electricity distribution companies), one electricity and natural gas supplier, five companies providing services in the energy sector (out of which four are currently in bankruptcy) and five energy production companies (Electrica Energie Verde 1 SRL in which Electrica SA has an indirect shareholding of 100% being acquired by Electrica Productie Energie SA), to which two energy production project companies are being added where the Company doesn't have control (the shareholding is 40%). Currently, three of the project companies have been merged into Electrica SA.

Through the merger that took place on 31 December

2023 between Company and its former subsidiary, Electrica Energie Verde 1 S.R.L., Electrica SA became a producer of electricity from renewable sources that operates a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of MW 7.5 (operating capacity limited MW to 6.8). In 2023 the operation of the plant was continuous, with no significant events leading to production shutdowns, producing in total MWh 9,599 (2022: MWh 10,466). According to Law no. 220/2008 and based on the accreditation issued by ANRE, Stanesti park receives a number of 6 green certificates ("GC") for each MWh produced and delivered, of which until 2020, 4 GC were issued for trading and 2 GC were postponed (the amendment is introduced by Law no. 184/2018). The postponed green certificates will be reinserted starting from 1 January 2021, in equal monthly tranches until 31 December 2030.

**Geopolitical tensions**

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

*\*The Group represents Societatea Energetica Electrica S.A. together with its subsidiaries.*

**3. Basis of accounting**

These separate financial statements have been prepared in accordance with the Ministry of Public Finance Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards

("OMFP no. 2844/2016"). In acceptance of OMFP no. 2844/2016, International Financial Reporting Standards are standards adopted under the procedure provided by the European Commission Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 regarding the application of the international accounting standards. The consolidated financial statements of Electrica Group prepared in accordance with the Ministry of Public Finance Order no. 2844/2016 will be published at least 30 days before the GSM scheduled on 25 April 2024.

These separate financial statements were authorized for issue by the Board of Directors on 05 March 2023 and will be submitted for shareholders' approval in the general meeting scheduled on 25 April 2023.

Details of the Company's accounting policies are included in Note 6. The Company has consistently applied the accounting policies to all periods presented in these separate financial statements.

#### 4. Functional and presentation currency

These separate financial statements are presented in Romanian Lei (RON), which is the functional currency of the Company. All amounts are in RON, if not otherwise stated.

#### 5. Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are prospectively recognised.

#### **Judgements, assumptions and estimation uncertainties**

Information about judgements made in applying accounting policies and assumptions and estimation uncertainties that have the most significant effects on the amounts recognised in the separate financial statements is included below:

- Note 6 h) – estimates regarding the useful lives of property, plant and equipment;
- Note 19 – assumptions regarding the revalued amount of property, plant and equipment;
- Note 21 – assumptions and estimates regarding the valuation of shareholdings in the subsidiaries;
- Note 15 – assumptions regarding the recognition of deferred tax asset;

#### **Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised into different levels of the fair value hierarchy, then the fair value measurement is entirely categorised on the level of the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions used in measuring fair values is included in:

- Note 19: Property, plant and equipment.
- Note 28: Financial instruments – fair values and risk management.

## 6. Basis of measurement

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

## 7. Changes in significant accounting policies

### Adopting new standards

The Group has not adopted new standards issued by the International Accounting Standards Board (IASB) and adopted

by the EU applicable on 1 January 2023, so there is no significant change in the consolidated statements of the Group.

### Adoption of new changes to existing standards

The group adopted the Presentation of information regarding accounting policy (Amendments to IAS 1 and Statement 2 regarding IFRS practice). Although the amendments did not lead to any change in the accounting policies themselves, they had an impact on the information presented in the consolidated financial statements regarding the accounting policies. The management reviewed the accounting policies and updated the information presented

in “Note 7 Accounting Policies” (31 December 2022: “Note 6 Significant Accounting Policies”) in certain cases, in accordance with the changes.

Except the above, the new amendments to existing standards that are effective starting with 1 January 2023 do not have a significant impact over the Group’s consolidated financial statements.

## 8. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these separate financial statements.

### (a) Going Concern

The standalone financial statements have been prepared on the going concern basis. In making this judgement management considers current trading performance and access to finance resources.

The Company depends upon the trading and cash generation of its subsidiaries, that have been included in the Groups consolidated forecast which includes the following assumptions:

- A continuation of the support scheme until 31 March 2025 according to the applicable legislation but with a more stable flow of repayments of the reimbursement requests for subsidies as compared with last year, as the mechanism has been operationally improved;
- The utilization of confirmed debt facilities up to a limit of RON 4,961,482 thousand, including RON thousand 2,736,419 thousand overdraft limits and RON 2,225,063 thousand long term loans limit;
- The utilization of not yet confirmed facilities, overdrafts amounting to RON 574,111 thousand which will be drawn during the forecast period and of which RON 250,000 thousand will be reimbursed during the forecast period.

At the date of issuance of these separate 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 distributor 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 17.72 % (according to the latest ANRE report October 2022 for the supply segment) as market share on the electricity supply market and having as main shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from market uncertainty and Group will be able to meet its obligations as they fall due.

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

### **(b) Revenue**

The Company recognizes the revenue from contracts with customers in accordance with IFRS 15.

Under the standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Company is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

#### *Generation and sale of electricity*

The electricity produced by the Group is mainly sold on the Day Ahead Market and the revenue is

recognized when the electricity is injected into the network and is being sold on the market.

#### *Sale of green certificates*

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. Cost of green certificates is invoiced to final customers separately from the tariffs for electricity.

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWh of electricity produced from renewable sources and injected into the network. The green certificates can be sold on the spot market, term market or a combination of both. The selling price must fall between the minimum and maximum values set by Law no. 220/2008 for establishing the system for promoting the production of electricity from renewable energy sources, republished, with subsequent amendments. Revenue from green certificates is recognized in the profit or loss statement when the green certificates are sold on the trading market.

### **(c) Commissions**

The Company assesses its revenue arrangements based on specific criteria to determine if it is acting as principal or agent. If the Company acts in the capacity of an agent rather than as the principal in a transaction, then the recognised revenue is the net amount of commission earned by the Company.

### **(d) Finance income and finance costs**

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;

- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

### **(e) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated to the functional currency.

### **(f) Employee benefits**

#### *(i) Short-term employee benefits*

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be reliably estimated.

#### *(ii) Defined benefit plans*

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, by discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Company determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, considering any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### *(iii) Other long-term employee benefits*

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

#### *(iv) Termination benefits*

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

**(g) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except for the items recognised directly in equity or in other comprehensive income, in which case it will be recognized directly in equity or in other comprehensive income.

**(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

**(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences arising from the initial recognition of assets and liabilities resulting from transactions that are not business combinations and that affect neither accounting nor taxable profit or loss;
- temporary differences resulting from investments in subsidiaries, associates and jointly controlled entities, to the extent that the Company can exercise control over the reversal period of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available to be used for covering them. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured based on the tax rates that are expected to be applicable to temporary differences when they are reversed, using tax rates enacted or substantively enacted at the reporting date.

The measurement of the deferred tax reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it is probable that the future taxable profits will be available against which they can be used.

**(h) Property, plant and equipment****(i) Recognition and measurement**

Property, plant and equipment are initially recognised at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation.

The Company used the fair value as deemed cost for the tangible assets for the opening of the financial position.

Revaluations are performed with sufficient regularity to ensure that the carrying amount does not materially differ from the one which would be determined using the fair value at the end of the reporting period.

When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.



If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### (ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

#### (iii) *Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership right by the end of the lease term. Land and other non-current assets in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives (years)
Buildings	40-60
Equipment	4-12
Vehicles, furniture and office equipment	3-10

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (i) **Intangible assets**

#### (i) *Recognition and measurement*

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

#### (ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### (iii) *Amortization*

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (j) **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the

acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### **(i) Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are initially measured at fair value and subsequently at amortized cost in accordance with IFRS 9, as they are held in a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition less the principal reimbursements, plus the cumulative amortization using the effective interest method, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

#### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

#### *Loans and receivables*

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. The amortised cost is reduced by impairment losses.

Loans and receivables comprise trade receivables, cash and cash equivalents and bank deposits.

#### *Trade receivables*

Trade receivables include mainly invoices issued or to be issued to the subsidiaries for the rendered services.

#### *Cash and cash equivalents*

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

### **(ii) Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Other financial liabilities include trade payables.

### **(iii) Share capital**

#### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary

shares, net of any tax effects, are recognized as a deduction from equity.

#### *Repurchase and reissue of ordinary shares (treasury shares)*

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified and presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

### **(k) Impairment**

#### *Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

#### (i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### (ii) Write-off policy

The Company writes off a financial asset when after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### (iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

#### *Derecognition of financial assets*

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

### (i) Revaluation reserves

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognized as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized and accumulated in equity under the heading of revaluation reserve. However, the increase is recognized in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

### (m) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognized as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statement.

### (n) Capital contributions in kind from shareholders

These contributions from a shareholder represent pre-paid contributions of land for which the

Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

### (o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. No provisions are provided for future operating losses.

### (p) Contingent assets and liabilities

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (b) a present obligation that arises from past events that is not recognised because:
  - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements of the Company. They are presented in case the output of resources incorporating economic benefits is possible and not probable.

A contingent asset is a potential asset that appears as a result of previous events and whose existence will be confirmed only by the occurrence or the non-occurrence of one or more uncertain future events, which are not fully controlled by the Company.

A contingent asset is not recognized in the financial statements of the Company, but it is shown when an input of economic benefits is likely to arise.

## **(q) Leases**

### *(i) The Company as lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets (of less than USD 5,000). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the default rate in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

### *(ii) Rental income*

Rental income from property, plant and equipment other than property investment is recognised as Other income. Rental income is recognised on a straight-line basis over the term of the lease.

### (r) Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the separate statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate.

When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate.

### (s) Subsequent events

Events occurring after the reporting date 31 December 2023, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the separate financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the separate financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

## 9. Adoption of new and revised standards and interpretations

### *Initial application of new amendments to the existing standards effective for the current reporting period*

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- IFRS 17 “Insurance Contracts” including amendments to IFRS 17 issued by IASB on 25 June 2020 – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 “Insurance contracts” – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 9 September 2022 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 – Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 “Income Taxes” – Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023);
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (the Amendments) to clarify the application of IAS 12 “Income Taxes” (effective for annual periods beginning on or after 1 January 2023).

As of 31 December 2023, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). Management reviewed the accounting policies and made updates as per “Note 7 Changes in significant accounting policies” in certain instances in line with the amendments.

Except of the above, the adoption of amendments to the existing standards has not led to any material changes in the Group’s individual financial statements.

**Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective**

At the date of authorization of these individual financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- The first two IFRS Sustainability Disclosure Standards in June 2023: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, adopted by the EU on 31 July 2023 (effective for annual reporting periods beginning on or after 1 January 2024).

The Group has elected not to adopt the amendments to existing standards in advance of their effective dates. The Group anticipates that the adoption of these amendments to existing standards will have no material impact on the financial statements of the Company in the period of initial application.

**New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these consolidated financial statements (the effective dates stated below is for IFRS as issued by IASB):

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to IAS 1 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2024);

- Amendments to IAS 1 “Presentation of Financial Statements” – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 “Leases” – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (applicable for annual periods beginning on or after 1 January 2025, but not yet endorsed in the EU);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU).

The International Accounting Standards Board has been currently working on the development of a new IFRS international financial reporting standard that will align the current standard „IFRS 14 Deferral Accounts Related to Regulated Activities” to the new requirements of the energy market at EU and global level, which is expected to take into account all relevant related subjects, including the proper treatment of own technological consumption expenses. IASB has redeliberated proposals in the Exposure Draft Regulatory Assets and Regulatory Liabilities based on the feedback received on previous variants on Exposure Drafts made available for public comment (<https://www.ifrs.org/projects/work-plan/rate-regulated-activities/#current-stage>). As debated in exposure drafts, until now there is no approved legislation at IASB level. Currently IFRS 14 (originally issued in January 2014 and applied to an entity’s first annual IFRS financial

statements for a period beginning on or after 1 January 2016) can be applied only when a reporting entity is a IFRS First Time Adopter. As the Group is not a IFRS First Time Adopter, the management of the Company did not consider any impact coming out from the application of IFRS 14, further guidance being expected in the future.

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the individual financial statements of the Company in the period of initial application.



## 10. Other income and operating expenses

### (a) Other income

	2023	2022
Revenues from disposal of assets	2,400	370,774
Rental income	723,300	626,807
Revenues from penalties	200,318	2,183,897
Other	516,584	1,998,143
<b>Total</b>	<b>1,442,602</b>	<b>5,179,621</b>

### (b) Other operating expenses

	2023	2022
Repair and maintenance expenses	1,233,117	1,363,711
Legal assistance and consulting fees	1,346,203	1,279,169
Insurance premiums	790,163	713,938
Other taxes and duties	825,175	707,159
Consumables	396,574	449,849
Travel and transportation expenses	321,061	155,015
Rent	226,979	31,007
Postage and telecommunication	40,615	61,355
Donations and sponsorships	-	12,357
Other third party services	13,378,867	12,967,398
Other	2,688,691	797,654
<b>Total</b>	<b>21,247,445</b>	<b>18,538,612</b>

## 11. Net finance income

	2023	2022
Interest income	96,254,222	78,074,759
Other finance income	1,380,429	224,127
<b>Total finance income</b>	<b>97,634,651</b>	<b>78,298,886</b>
Interest expense	(29,647,324)	(12,238,993)
Interest cost for employee benefits (Note 12)	(94,252)	(181,714)
Foreign exchange gain / losses, net	4,058	(20,094)
<b>Total finance costs</b>	<b>(29,737,518)</b>	<b>(12,440,801)</b>
<b>Net finance income</b>	<b>67,897,133</b>	<b>65,858,085</b>

## 12. Earnings per share

The calculation of basic and diluted earnings per share is based on the following profit attributable to shareholders and weighted-average number of ordinary shares outstanding:

### *Profit attributable to shareholders*

	2023	2022
Profit for the year attributable to the shareholders of the Company	23,940,836	24,304,885
<b>Profit attributable to the shareholders of the Company</b>	<b>23,940,836</b>	<b>24,304,885</b>

### *Number of ordinary shares (in number of shares)*

	2023	2022
<b>Number of ordinary shares at 31 December</b>	<b>339,553,004</b>	<b>339,553,004</b>

For the calculation of basic and diluted earnings per share, the own shares repurchased by the Company (6,890,593 shares) were not treated as outstanding shares and are deducted from the total number of issued ordinary shares.

	2023	2022
<b>Basic and diluted earnings per share (RON)</b>	<b>0.07</b>	<b>0.07</b>

## 13. Short-term employee benefits

	31 December 2023	31 December 2022
Personnel payables	6,327,991	4,974,791
Current portion of defined benefit liability and other long-term employee benefits	115,917	127,203
Social security charges	658,028	607,823
Tax on salaries	153,046	130,314
<b>Total</b>	<b>7,254,982</b>	<b>5,840,131</b>

Details related to employee benefit expenses are presented in Note 12.

In Romania, all employers and employees, as well as other persons, are contributors to the state social security system. The social security system covers state pensions, child benefit, temporary incapacity for work situations, risks of work accidents and professional diseases and other social assistance services, redundancy payments and incentives granted to employers for creating new jobs.

#### 14. Post-employment and other long-term employee benefits

The Company provides cash benefits to employees depending on seniority in the form of jubilee bonuses and depending on the years of service at retirement in the form of retirement bonuses. The post-employment and other long-term employee benefits are stipulated in the Collective Labour Contract.

In 2023 and 2022, employee benefit obligations were computed by an independent actuary using the projected unit credit method with benefits calculated proportionally to the period of service.

	31 December 2023	31 December 2022
Defined benefit liability	673,354	506,110
Other long-term employee benefits	768,705	716,743
<b>Total</b>	<b>1,442,059</b>	<b>1,222,853</b>
- Current portion*	115,917	127,202
- Non-current portion	1,326,142	1,095,651

\*included in Personnel payables in Note 11

#### (i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation between the opening balances and the closing balances of the defined benefit liability and other long-term employee benefits and their components. There are no plan assets.

Defined benefit liability	2023	2022
<b>Balance at 1 January</b>	<b>506,110</b>	<b>5,599,583</b>
<b>Included in profit or loss</b>		
Current service cost	100,462	73,919
Past service cost	-	-
Interest cost	41,024	153,412
	<b>141,486</b>	<b>227,331</b>
<b>Included in other comprehensive income</b>		
<i>Re-measurements gain</i>		
- Actuarial gain	209,530	(1,621,494)
<b>Other</b>		
Benefits paid	(183,772)	(3,699,310)
<b>Balance at 31 December</b>	<b>673,354</b>	<b>506,110</b>

Other long-term employee benefits	2023	2022
<b>Balance at 1 January</b>	<b>716,743</b>	<b>601,214</b>
<b>Included in profit or loss</b>		
Current service cost	53,603	45,335
Actuarial gain	56,830	161,519
Interest cost	53,228	28,302
<b>Other</b>		
Benefits paid	(111,699)	(119,627)
<b>Balance at 31 December</b>	<b>768,705</b>	<b>716,743</b>

Defined benefits refer to the retirement bonuses granted according to the seniority within the Company and other long-term benefits refer to the jubilee bonuses granted for seniority.

### (ii) Actuarial assumptions

The following are the main actuarial assumptions at the respective reporting date:

#### (a) Macroeconomic assumptions:

- inflation. The actuary used information from the *National Commission for Strategy and Prognosis*:

Year	Valuation date 31 December 2023	Valuation date 31 December 2022
2022	-	13.9%
2023	-	7.5%
2024	4.8%	4.9%
2025	3.5%	3%
2026	3.0%	2.5%
2027-2031	2.5%	2.5%

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 6.00% for the year 2023 (2022: 8.1%);
- taxes and social charges are those in force as at the reporting date.

#### (b) Company specific assumptions:

- Starting with 2023 the gross salaries' growth was forecasted at the inflation level;
- employees' turnover: based on historical data;
- jubilee and retirement bonuses granted based on seniority as per the collective labour contracts, as follows:

**Jubilee bonuses based on years of service in the Company**

Seniority	No. of gross monthly base salaries	
	31 December 2023	31 December 2022
20 years	1	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

**Retirement bonuses based on years of service in the Company**

Seniority	No. of gross monthly base salaries	
	31 December 2023	31 December 2022
Between 8 and 10 years	2	2
Between 10 and 25 years	3	3
More than 25 years	4	4

**Termination benefits***a. Termination benefits for individual lay-offs at the Company's initiative:*

In accordance with the Collective Labour Contract concluded between the Company and the Union, when individual labour contract is terminated at the Company's initiative, the Company will pay termination benefits to the employees depending on their period of service, as follows:

Seniority	No. of gross monthly average base salary at Company level
1 - 2 years	2
2 - 5 years	3
5 - 10 years	4
10 - 20 years	5
More than 20 years	8

*b. Termination benefits for collective lay-offs at the Company's initiative:*

For collective lay-offs, per the Collective labour contract, the Company will pay termination benefits to the employees depending on their period of service, as follows:

Seniority	No. of gross monthly average base salary at Company level
1 - 3 years	3
3 - 5 years	6
5 - 10 years	7
10 - 20 years	11
More than 20 years	16

The above-mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above provisions do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Company's reorganization and restructuring. Employees who are re-employed within the Company after layoff are not entitled to the above-mentioned benefits.

### Sensitivity analysis

Significant actuarial assumptions for the determination of the benefit obligation are the discount rate, expected salary increase and retirement age. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Increase by 1%		Decrease by 1%	
	2023	2022	2023	2022
Discount rate	(92,376)	(73,009)	92,376	73,009
Salary growth	106,255	86,944	(106,255)	(86,944)

	Increase by 1 year		Decrease by 1 year	
	2023	2022	2023	2022
Retirement age	9,077	6,828	(9,077)	(6,828)

The sensitivity analysis presented above may not be representative of the actual change in the benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the benefit obligation liability recognized in the statement of financial position.

### 15. Employee benefit expenses

	2023	2022
Average number of employees	78	72
Number of employees at 31 December	83	78

	2023	2022
Wages and salaries	28,631,755	25,026,080
Social security contributions	660,494	749,695
Meal tickets	481,200	357,755
Termination benefit for labour/mandate contracts	521,754	4,023,428
<b>Total</b>	<b>30,295,203</b>	<b>30,156,958</b>

The number of employees at 31 December 2023 includes also the 4 employees with mandate agreements (2022: the 5 employees with mandate agreements). Termination benefits represent compensation payments for management in case of mandate contracts termination. Management remuneration is presented within Note 29 – Related parties.

## 16. Bank borrowings and overdrafts

As at 31 December 2023, respectively 31 December 2022, the long-term bank borrowings are presented as follows:

Lender	Balance at 31 December 2023	Balance at 31 December 2022
Vista Bank	125,000,000	100,000,000
ERSTE Group Bank and Raiffeisen Bank	91,768,248	
<b>Total</b>	<b>216,768,248</b>	<b>100,000,000</b>
Less: current portion of the long-term bank borrowings	216,768,248	-
Less: accumulated interest	-	-
<b>Total long-term borrowings, net of current portion</b>	<b>-</b>	<b>100,000,000</b>

### ***Bank Borrowings description:***

#### a) *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: 120,000,000 RON; Interest rate: ROBOR 3M +2.95 % p.a.; full refund at maturity. On 31 December 2023, the balance of the loan is 125,000,000 RON. (Outstanding balance as at 31 December 2022: RON 100,000,000).

#### b) *Syndicated credit facility granted by Erste Group Bank AG and Raiffeisen Bank SA*

On 2 November 2021, Electrica S.A., as borrower, entered into a syndicated credit facility with Erste Group Bank AG and Raiffeisen Bank SA. The main provisions are: Maximum loan amount RON 750,000,000; Interest rate: ROBOR 3M+1.16%. On 3 November 2023 the loan was extended for a period of one year and the maximum loan amount was reduced to RON 450,000,000. As at 31 December 2023 the balance of the loan is RON 91,768,248 thousand (31 December 2022: RON 0.0 thousand).

### *Overdrafts*

As of the date of approval of these individual financial statements by the Board of Directors, the Company has overdraft facilities from ING Bank N.V. with a maximum overdraft limit of up to RON 210,000,000 (maximum overdraft limit of up to 210,000,000 on 31 December 2022).

The overdraft facilities are used for financing activities. The balance of overdraft facilities as at 31 December 2023 is RON 205,520,079 (31 December 2022: RON 207,830,772).

## 17. Income tax

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Company considers that the accounting records for taxes due are adequate for all open fiscal years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period when such a determination is made.

### (i) Amounts recognised in profit or loss

	2023	2022
Deferred tax benefit	5,886,085	259,439
<b>Total benefit related to income tax</b>	<b>5,886,085</b>	<b>259,439</b>

### (ii) Amounts recognised in other comprehensive income

	2023			2022		
	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
Revaluation of property, plant and equipment	6,988,472	(1,138,457)	5,850,014	-	-	-
Revaluation of property, plant and equipment - merger	2,701,689	(62,344)	2,639,345	-	-	-
Re-measurement of defined benefit liability	(25,755)	4,121	(21,634)	1,621,494	(259,439)	1,362,055
<b>Total</b>	<b>9,664,406</b>	<b>(1,196,680)</b>	<b>5,828,381</b>	<b>1,621,494</b>	<b>(259,439)</b>	<b>1,362,055</b>

### (iii) Reconciliation of effective tax rate

	2023		2022	
<b>Profit before tax</b>		<b>18,054,751</b>		<b>24,045,446</b>
<b>Tax using Company's domestic tax rate</b>	<b>16%</b>	<b>2,888,760</b>	<b>16%</b>	<b>3,847,271</b>
Non-deductible expenses	20%	3,543,775	9%	2,079,113
Non-taxable income	-12%	(2,202,055)	-7%	(1,700,300)
Deductible legal reserve	-1%	(144,566)	-1%	(207,048)
Recognition of tax effect of previously unrecognised tax losses	-18%	(3,310,837)	-18%	(3,867,999)
Other tax effects	2%	359,259	0%	108,402
The effect of merger	26%	4,751,749	-	-
<b>Total benefit related to income tax</b>	<b>33%</b>	<b>5,886,085</b>	<b>-1%</b>	<b>259,439</b>



**(iv) Movement in deferred tax balances**

2023	Net balance at 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	The effect of merger	Balance at 31 December 2023		
					Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	3,646,188	334,186	1,138,457	5,090,117	10,208,948	-	10,208,948
Employee benefits	(1,086,870)	(186,543)	(4,121)	-	(1,277,534)	(1,277,534)	-
Tax loss carried forward	(2,559,318)	(6,033,728)	-	(338,368)	(8,931,414)	(8,931,414)	-
<b>Tax (assets)/ liabilities</b>	-	<b>(5,886,085)</b>	<b>1,134,336</b>	<b>4,751,749</b>	-	<b>(10,208,984)</b>	<b>10,208,948</b>

2022	Net balance at 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Net	Balance at 31 December 2022		
					Deferred tax assets	Deferred tax liabilities	
Property, plant and equipment	3,739,542	(93,354)	-	3,646,188	-	3,646,188	
Employee benefits	(2,275,574)	929,265	259,439	(1,086,870)	(1,086,870)	-	
Tax loss carried forward	(1,463,968)	(1,095,350)	-	(2,559,318)	(2,559,318)	-	
<b>Tax (assets)/ liabilities</b>	-	<b>(259,439)</b>	<b>259,439</b>	-	<b>(3,646,188)</b>	<b>3,646,188</b>	

**(v) Unrecognised deferred tax assets**

The Company has not recognized deferred tax assets in respect of the entire cumulated tax losses as it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

	2023	2022
<b>Tax losses</b>	<b>310,916,628</b>	<b>337,136,289</b>

**18. Trade receivables**

	31 December 2023	31 December 2022
Trade receivables, gross	157,085,125	161,471,282
Loss allowance	(155,337,719)	(160,675,756)
<b>Total trade receivables, net</b>	<b>1,747,406</b>	<b>795,526</b>

Receivables from related parties are presented in Note 29.

Trade receivables, gross, comprise:

	31 December 2023	31 December 2022
Electricity receivables from clients in litigation, insolvency or bankruptcy (mainly Oltchim, Transenergo)	129,532,963	134,521,414
Late payment penalties from clients in litigation, insolvency or bankruptcy (Oltchim)	26,506,303	26,506,303
Other	1,045,859	443,565
<b>Total trade receivables, gross</b>	<b>157,085,125</b>	<b>161,471,282</b>

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables is as follows:

Loss allowance	2023	2022
<b>Balance as at 1 January</b>	<b>160,675,756</b>	<b>582,012,952</b>
Loss allowance recognized	-	-
Loss allowance used	(5,006,909)	(421,235,816)
Decrease in loss allowance	(568,609)	(101,380)
Trade receivables adjustments - merger	237,481	-
<b>Balance as at 31 December</b>	<b>155,337,719</b>	<b>160,675,756</b>

The ageing of trade receivables is presented in Note 28.

Oltchim (a state-controlled company) was an important customer of Electrica S.A. until January 2012, when the Company transferred the contract to Electrica Furnizare S.A. In January 2013, Oltchim entered into insolvency procedures and subsequently in May 2019 started the bankruptcy procedures. Due to the uncertainties regarding the recoverability of the amounts owed by this customer, the Company recognized in prior years a bad debt allowance for the entire amount receivable. During 2020, the Company adjusted the uncollected VAT in amount of RON 95,186,215 related to the doubtful receivables from Oltchim, based on the sentence of starting the bankruptcy procedures and the provisions of art. 287 of the Fiscal Code.

As of 2021, the balance of receivables with Oltchim was RON 518,938,151, bad debt allowance was also at the same amount.

By decision of the European Court in Luxembourg pronounced on 15 December 2021 (final decision being applicable as of 21 March 2022), in case T565/19, it was partially cancelled the European Commission Decision no. C (2018) 8592 from 2018, which established a series of measures regarding the recovery by Romania of the State aid granted to Oltchim S.A. By its decision, the European court cancelled a series of the measures, including the amounts considered state aid with which Electrica was registered in the table of receivables. Following the decision, the company remained registered in the table of receivables with the amount of RON 116,058,538.

Following the evolution of the bankruptcy process, on 06 April 2022, the updated table of receivables was published in BPI Tabel Oltchim, which still recognizes only the guaranteed receivables, which in the case of the company the estimated amount that remains to be recovered from the sales of assets of Oltchim SA in the completion of the bankruptcy process is RON 116,058,538 (including VAT), comprised of the base in the amount of RON 98,725,847 and respectively the VAT in the amount of RON 17,332,691.

Considering the events above, as of 31 December 2022 a part of the receivable for Oltchim in amount of RON 420,212,304 was written off as it was not recognised in the final bankruptcy table. The bad debt allowance was also adjusted with the same amount. As of 31 December 2023 and 31 December 2022, the balance of receivables with Oltchim is RON 98,725,847 bad debt allowance being at the same amount.

Also, in 2022, receivables for SC ROMENERGY INDUSTRY SRL in amount of RON 2,917,262 and , receivables for PETPROD SRL in amount of RON 2, 591,163 were written off as a result of closing the insolvency procedure of the debtor and removing it from the Trade Register. The bad debt allowance was also adjusted with the same amount.

Loss allowances are determined according to IFRS 9 "Financial instruments" based on "expected credit loss" model. A significant part of the loss allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Company will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. These receivables were treated separately in computing the allowance according to IFRS 9.

### 19. Other receivables

	31 December 2023	31 December 2022
Cash-pooling receivables	567,646,476	477,646,009
Interest receivable	26,671,583	22,365,439
Other receivables	12,785,701	10,740,216
Bad debt allowance	(9,258,597)	(9,258,597)
<b>Total other receivables, net</b>	<b>597,845,163</b>	<b>501,493,067</b>

Cash-pooling receivables comprises the receivable of Electrica SA as at 31 December 2023 as cash pool leader in the two cash-pooling systems set up at Group level (Note 23 and Note 29).

Interest receivable represents mainly interest to be received from related parties for the loans granted (Note 29).

The reconciliation between the opening balances and the closing balances of the impairment for other receivables is as follows:

Loss allowance	2023	2022
<b>Balance as at 1 January</b>	<b>9,258,597</b>	<b>11,046,264</b>
Loss allowance recognized	-	-
Loss allowance used	-	-
Decrease in loss allowance	-	(1,787,667)
<b>Balance as at 31 December</b>	<b>9,258,597</b>	<b>9,258,597</b>

In 2022, the allowance related to Electrica Serv S.A. in amount of RON 1,787,667, representing a legal interest, was reversed as a result of favorable court decision. The related receivables, in amount of RON 2,183,897 was cashed.

## 20. Cash and cash equivalents

	31 December 2023	31 December 2022
Bank current accounts	3,179,760	3,614,591
Bank current accounts transferred on merger	15,379,476	-
Call deposits	595,005	102,017,348
<b>Total cash and cash equivalents in the separate statement of financial position</b>	<b>19,154,241</b>	<b>105,631,939</b>
Overdrafts used for cash management purposes	-	-
<b>Total cash and cash equivalents in the separate statement of cash flow</b>	<b>19,154,241</b>	<b>105,631,939</b>

As at 31 December 2022, call deposits amount consists mainly of Vista Bank overnight deposit in amount of RON 99,650,000, related to long term loan withdrawn for the issuance of Bank Guarantee Letters (please see note 14).

## 21. Property, plant and equipment

The reconciliation between the initial balance and the final balance of property, plant and equipment in 2023 and 2022: was as follows:

	Land and land improvement	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
<b>Gross carrying amount</b>						
<b>Balance at 31 December 2022</b>	<b>67,128,750</b>	<b>27,001,451</b>	<b>16,395,755</b>	<b>1,830,851</b>	<b>7,525,861</b>	<b>119,882,668</b>
Additions	-	-	268,243	284,820	1,295,154	1,848,217
Additions - merger	1,453,939	5,260,226	34,735,163	1,079,126	1,688,837	44,217,291
Revaluation recognized in other comprehensive income, net	3,894,400	3,094,072	-	-	-	6,988,472
Revaluation recognized in profit or loss, net	853,836	-	-	-	-	853,836
Gross book value netted off against the accumulated depreciation at revaluation	-	(1,115,590)	-	-	-	(1,115,590)
Disposals	-	-	(417,907)	-	-	(417,907)
<b>Balance at 31 December 2023</b>	<b>73,330,925</b>	<b>34,240,158</b>	<b>50,981,253</b>	<b>3,194,797</b>	<b>10,509,851</b>	<b>172,256,985</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>2.644.395</b>	<b>15.552.271</b>	<b>612.055</b>	<b>2.134.443</b>	<b>20.943.164</b>
Depreciation	-	371,863	370,710	195,167	-	937,740
Depreciation - merger	-	-	6,617,062	208,230	-	6,825,292

(Continued on next page)

	Land and land improvement	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Accumulated depreciation of disposals	-	-	(417,907)	-	-	(417,907)
Gross book value netted off against the accumulated depreciation at revaluation	-	(1,115,590)	-	-	-	(1,115,590)
<b>Balance at 31 December 2023</b>	-	<b>1,900,668</b>	<b>22,122,136</b>	<b>1,015,452</b>	<b>2,134,443</b>	<b>27,172,699</b>
<b>Net carrying amounts</b>						
<b>31 December 2022</b>	<b>67,128,750</b>	<b>24,357,056</b>	<b>843,484</b>	<b>1,218,796</b>	<b>5,391,418</b>	<b>98,939,504</b>
<b>31 December 2023</b>	<b>73,330,925</b>	<b>32,339,490</b>	<b>28,859,117</b>	<b>2,179,345</b>	<b>8,375,408</b>	<b>145,084,286</b>

On 31 December 2023 Electrica SA as the absorbing company and Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as absorbed companies merged by absorption. As a result of the merger, the tangible fixed assets of the Company increased by 44,217,291 RON, following the acquisition of the assets of Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL.

As at 31 December 2023, the buildings and land include the administrative headquarter of the Company and the corresponding land, the plots of land over which the Company has obtained title deeds and the land and buildings acquired in 2020 from the subsidiary Servicii Energetice Muntenia S.A..

As at 31 December 2023, the Company performed the revaluation at fair value of tangible assets consisting of land and buildings. The revaluation was performed by an independent authorized valuer Darian DRS S.A..

Following the revaluation performed, the gain from the increase in value on the land and buildings was charged to Other Comprehensive Income in amount of RON 6,988,472 and in Profit or Loss in amount of RON 853,836.

### **Measurement of fair value**

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's land and buildings as at 31 December 2023 were performed by Darian DRS S.A. an independent valuer not related to the Company. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

There were no significant changes to the valuation technique in the period between the current revaluation performed on 31 December 2023 and the previous one performed on 31 December 2020.

The following table shows the valuation techniques used in measuring fair values (Level 3), as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Land</b>	<p><i>Market approach</i></p> <p>The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use). The market price is mainly based on recent transactions.</p>	<ul style="list-style-type: none"> <li>• Adjustment for liquidity, location, size.</li> </ul>	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> <li>• Adjustment for liquidity, location or size would be lower/ (higher)</li> </ul>
<b>Buildings</b>	<p><i>Market approach and discounted cash-flows (DCF) method</i></p> <p>Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information:</p> <p><i>Market approach</i></p> <p>The market approach is based on the selling price per square meter for buildings with similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use), adjusted liquidity, location, size etc.</p> <p><i>The DCF method</i></p> <p>The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and annual rent. The discount rate estimation considers, inter alia, the quality of a building and its location.</p>	<ul style="list-style-type: none"> <li>• Adjustment for liquidity, location, size.</li> <li>• Occupancy rates (90%)</li> <li>• Yield rates (between 9% and 10%)</li> <li>• Annual rent per sqm (between 2 and 10 EUR/sqm), depending on location;</li> </ul>	<ul style="list-style-type: none"> <li>• Adjustment for liquidity, location or size would be lower/ (higher)</li> <li>• Occupancy rates were higher/(lower)</li> <li>• Yield rates were lower/ (higher)</li> <li>• Annual rent per sqm was higher/(lower)</li> </ul>

## 22. Intangible assets

Intangible assets include mainly licenses and costs of implementation of the accounting system SAP and licenses for various software, as follows:

	Software and licenses	Goodwill	Construction in progress	Total
<b>Gross carrying amount</b>				
<b>Balance at 31 December 2022</b>	<b>1,961,005</b>	-	-	<b>1,961,005</b>
Additions	4,235	-	993,912	998,147
Additions - merger	122,345	-	-	122,345
Goodwill	-	1,446,450	-	1,446,450
Disposals	-	-	-	-
<b>Balance at 31 December 2023</b>	<b>2,087,585</b>	<b>1,446,450</b>	<b>993,912</b>	<b>4,527,947</b>
<b>Accumulated depreciation and impairment losses</b>				
<b>Balance at 31 December 2022</b>	<b>1,834,816</b>	-	-	<b>1,834,816</b>
Amortisation	55,183	-	-	55,183
Amortisation - merger	78,791	-	-	78,791
Accumulated amortization of disposals	-	-	-	-
<b>Balance at 31 December 2023</b>	<b>1,968,790</b>	-	-	<b>1,968,790</b>
<b>Net carrying amounts</b>				
<b>At 31 December 2022</b>	<b>126,189</b>	-	-	<b>126,189</b>
<b>At 31 December 2023</b>	<b>118,795</b>	<b>1,446,450</b>	<b>993,912</b>	<b>2,559,157</b>

On 31 December 2023 Electrica SA as the absorbing company and Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as absorbed companies merged by absorption. As a result of the merger, the intangible fixed assets of the Company increased by 122,345 RON, following the acquisition of the assets of Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL.

### 23. Investments in subsidiaries

The investments in subsidiaries are presented as follows:

	31 December 2023			31 December 2022		
	Gross value	Impairment	Net	Gross value	Impairment	Net
Distributie Energie Electrica Romania S.A.	1,741,959,406	-	1,741,959,406	1,741,959,406	-	1,741,959,406
Electrica Furnizare S.A.	227,181,073	-	227,181,073	227,181,073	-	227,181,073
Electrica Serv S.A.	481,803,770	(164,368,925)	317,434,846	481,803,770	(164,368,925)	317,434,846
Electrica Energie Productie S.A.	-	-	-	124,990	-	124,990
Sunwind Energy S.R.L.	5,128,655	-	5,128,655	4,393,567	-	4,393,567
New Trend Energy S.R.L.	5,588,029	-	5,588,029	5,588,029	-	5,588,029
Green Energy Consultancy & Investments S.R.L.	-	-	-	1,446,450	-	1,446,450
Foton Power Energy S.R.L.	12,636,221	-	12,636,221	-	-	-
Servicii Energetice Oltenia S.A. (in bankruptcy)	82,033,220	(82,033,220)	-	82,033,220	(82,033,220)	-
Servicii Energetice Moldova S.A. (in bankruptcy)	106,162,492	(106,162,492)	-	106,162,492	(106,162,492)	-
Servicii Energetice Banat S.A. in bankruptcy)	43,761,094	(43,761,094)	-	43,761,094	(43,761,094)	-
Servicii Energetice Dobrogea S.A. (in bankruptcy)	23,822,124	(23,822,124)	-	23,822,124	(23,822,124)	-
<b>Total</b>	<b>2,730,076,085</b>	<b>(420,147,855)</b>	<b>2,309,928,230</b>	<b>2,718,276,215</b>	<b>(420,147,855)</b>	<b>2,298,128,361</b>

\* On 31.12.2023 the merger by absorption took place between Societatea Energetica Electrica SA (ELSA) as absorbing company and Societatea Electrica Productie Energie SA (EPE), Electrica Energie Verde 1 SRL (EEVI) and Green Energy Consultancy & Investments SRL (GECI) as absorbed companies.

\*\* 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.

#### Changes in Company's subsidiaries structure in 2023

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%.

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%.

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 Company's equity interest increased from 30% to 60%, thus, Foton Power Energy S.R.L. becoming a subsidiary of Electrica Group.



Merger by absorption within the Group

On 20 December 2023, the Extraordinary General Meeting of the Company's Shareholders (EGMS) approved 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 absorbing company, Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as absorbed companies, with the effective date of the merger being 31 December 2023.

**24. Investments in associates**

On 28 July 2021 and on 7 December 2021, Electrica SA concluded four agreements for the sale-purchase of shares in four project companies having as main object of activity the production of electricity from renewable sources. The sale-purchase agreements concluded, mention the fact that in the first stage Electrica SA acquires 30% of the share capital of the four companies, remaining that in the following stages, to acquire the remaining 70% of the share capital after the conditions provided in the sale-purchase agreements will be fulfilled. By the end of 31 December 2022, two of the project companies were acquired by 60% (please see note 21), therefore they are accounted as subsidiaries, the other ones are as follows:

- **Crucea Power Park S.R.L.** develops the wind project "Crucea Est", with a projected installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea area, Constanta County. The estimated purchase price for the "Crucea Est" wind project is 70 thousand EUR/MW for the aforementioned capacity, totalling the amount of 8,470 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 2,541 thousand representing 30% of the project value, respectively 30% of the shares of Crucea Power Park SRL. On 15 May 2023, Electrica acquired a further 10% of the shares and voting interests in Crucea Power Park S.R.L. As a result, the Group's shareholding increased from 30% to 40%.

Considering the holding percentage of 40%, as at 31 December 2023, the entity is accounted for using the equity method in these separate financial statements as provided in the Company's accounting policies in note 6. The cost of the investments at acquisition date, totalling the amount of RON 12,500,195 is detailed as follows:

	<b>Crucea Power Park S.R.L.</b>
Acquisition date	31.07.2021
Percentage ownership and voting rights at acquisition date	30%
Net assets at acquisition date	(241,682)
Company's share of net assets	(72,505)
Goodwill	12,572,700
<b>Cost of investment at acquisition date</b>	<b>12,500,195</b>

Summarised financial information in respect of each of the Company's associates is set out below:

	Crucea Power Park S.R.L. 31.12.2023	Crucea Power Park S.R.L. 31.12.2022
<i>Non-current assets</i>	9,198,685	8,519,924
<i>Current assets</i>	1,186,505	1,141,674
<i>Non-current liabilities</i>	(10,375,714)	(9,885,796)
<i>Current liabilities</i>	(45,159)	(43,649)
<b>Net assets</b>	<b>(35,683)</b>	<b>(267,847)</b>
<b>Reconciliation to carrying amounts:</b>		
Opening net assets at acquisition date	(245,780)	(245,780)
Additions net assets/liabilities	293,181	-
Loss for the period	(83,084)	(22,067)
<b>Closing net assets</b>	<b>(35,683)</b>	<b>(267,847)</b>

Reconciliation of the financial information summarized above with the net value of the investments in the associated entities from the separate financial statements:

	Crucea Power Park S.R.L. 31.12.2023	Crucea Power Park S.R.L. 31.12.2022
<b>Net assets</b>	<b>(35,683)</b>	<b>(267,847)</b>
<i>Share in associates %</i>	40%	30%
<b>Company's share of net assets</b>	<b>(14,274)</b>	<b>(80,354)</b>
Goodwill	16,651,984	12,572,700
<b>Carrying amount of interest in associate</b>	<b>16,637,710</b>	<b>12,492,346</b>

The share loss in amount of RON 38,825 for the period was recognized in the separate statement of profit and loss for the year ended as at 31 December 2023 (31.12.2022: 13,044 RON).

## 25. Loans granted to subsidiaries

### a) Loans granted to subsidiaries – long term

	Loans granted to subsidiaries	
	31 December 2023	31 December 2022
Distributie Energie Electrica Romania S.A.	1,276,325,000	1,276,325,000
<b>Total loans granted to subsidiaries – long term</b>	<b>1,276,325,000</b>	<b>1,276,325,000</b>

The Company has entered into loan agreements as lender, as follows:

#### • Loans granted in 2017:

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 150,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2023, the outstanding balance is of RON 150,000,000 (31 December 2022: RON 150,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 200,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2023, the outstanding balance is of RON 200,000,000 (31 December 2022: 200,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 160,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2023, the outstanding balance is of RON 160,000,000 (31 December 2022: RON 160,000,000).

#### • Loans granted in 2018:

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 230,000,000; Purpose of the loan: to finance the investment program of 2018; Interest rate: 4.7% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2023, the outstanding balance is of RON 230,000,000 (31 December 2022: RON 230,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 160,000,000; Purpose of the loan: to finance the investment program of

2018; Interest rate: 4.7% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2023, the outstanding balance is of RON 160,000,000 (31 December 2022: RON 160,000,000);

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 130,000,000, Purpose of the loan: to finance the investment program of 2018, Interest rate: 4.7% per annum, Maturity: 84 months, Period allowed for disbursements: 12 months, Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2023, the outstanding balance is of RON 130,000,000 (31 December 2022: RON 130,000,000).

#### • Loans granted in 2021:

- Intragroup loan agreement with Distributie Energie Electrica Romania S.A. concluded in October 2021. Main provisions are: maximum loan amount: RON 246,325,000, The purpose of granting this loan is the partial repayment of loans contracted from BRD in 2016 to finance the investment plan for the year 2016 which reached the maturity in October 2021, Interest rate: 3.51% per annum, Maturity: 96 months until 12.10.2029, Period allowed for disbursements: 12 months, Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2023, the outstanding balance is RON 246,325,000 (31 December 2022: RON 246,325,000).

#### • Loans granted in 2023:

- Intragroup loan agreement with FOTON POWER ENERGY SRL concluded in October 2023. Main provisions are: maximum loan amount: RON 3,640,108, the maturity date and the duration of the contract, including the period of use, not exceeding 10.10.2024. As at 31 December 2023, the outstanding balance is RON 2,937,987.

#### b) Loans granted to subsidiaries – short term

	Loans granted to subsidiaries	
	31 December 2023	31 December 2022
Electrica Furnizare S.A.	80,000,000	-
Electrica Energie Productie S.A.	-	41,594,188
Sunwind Energy S.R.L.	2,475,699	600,000
New Trend Energy S.R.L.	7,184,000	2,400,000
Green Energy Consultancy & Investments S.R.L.	-	440,335
<b>Total loans granted to subsidiaries – short term</b>	<b>89,659,699</b>	<b>45,034,523</b>

#### • Short-term loans granted in 2022 and 2023:

- Intragroup loan agreement with Sunwind Energy S.R.L. concluded in September 2022. Main provisions are: maximum loan amount: RON 1,200,000, The purpose of granting this loan is financing the costs that are the responsibility of ELSA according to the Sale and Purchase Agreement, Interest rate: ROBOR 3M + 1.16 % per annum, Maturity: 12 months until 25.09.2024, Repayment in full at maturity. As at

31 December 2023, the outstanding balance is RON 676,500 (31 December 2022: RON 600,0000).

- Intragroup loan agreement with Sunwind Energy S.R.L. concluded in November 2022. Main provisions are: maximum loan amount: RON 147,300,000, The purpose of granting this loan is financing the investment works necessary for the completion and operation of the "Satu Mare 2" (Botiz) photovoltaic power plant, Interest rate: ROBOR 3M + 1.16 % per annum, Maturity: 12 months until 27.10.2023, Repayment in full at maturity. As at 31 December 2023 and 31 December 2022, the outstanding balance is nil.
- Intragroup loan agreement with Sunwind Energy S.R.L. concluded in April 2023. Main provisions are: maximum loan amount: RON 1,800,000, The purpose of granting this loan is financing the costs that are the responsibility of ELSA according to the Sale and Purchase Agreement, Interest rate: ROBOR 3M + 2,95 % per annum, Maturity: 12 months until 06.04.2024, Repayment in full at maturity. As at 31 December 2023, the outstanding balance is RON 1,799,199.
- Intragroup loan agreement with New Trend Energy S.R.L. concluded in June 2022. Main provisions are: maximum loan amount: RON 2,400,000, The purpose of granting this loan is financing for the payment of the land set-aside fee and the related bank commissions and the partial financing of the costs for issuing a Bank Letter of Guarantee having as beneficiary the company Distributie Energie Electrica Romania SA, Interest rate: ROBOR 3M + 1.16 % per annum, Maturity: 12 months until 13.06.2024, Repayment in full at maturity. As at 31 December 2022, the outstanding balance is RON 2,400,000. During 2023 the parties agree to supplement the loan granted by Electrica SA to New Trend Energy SRL up to the total cumulative amount of 8,517,600 Ron. Expiry date and duration of the contract, including the period of use, not exceeding 13.06.2024. As at 31 December 2023, the balance of the loan granted is RON 7,184,000.

- Intragroup loan agreement with Electrica Furnizare S.A. concluded in December 2023. Main provisions are: maximum loan amount: 100.000.000 RON, The purpose of granting this loan is to finance short-term working capital needs, Interest rate: ROBOR 3M + 1,16 % per annum, Maturity: 02 November 2024. As of 31 December 2023, the balance of the loan granted is 80,000,000 RON.

#### c) Cash pooling system at Group level

On 20 December 2019, between ING Bank N.V., Electrica SA and its subsidiaries were concluded two agreements for the implementation of two cash pooling schemes, as follows:

- a first system involving Electrica SA, as cash pool leader and its distribution subsidiaries (Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A.), as participants; The credit facility offered by the pool leader to each participant is up to the amount of RON 180,000,000; The credit facility offered by each participant to the pool leader is up to the amount of RON 50,000,000; Interest rate: ROBOR 1M + 0.83% p.a and ROBOR 3M + 2.95% and Bank Rate : ROBOR 1M + 2.25%; . However, if the amounts drawn by the participants are covered both by the internal liquidity of Electrica SA, and by drawing from the credit line granted to Electrica SA, the amount of interest due by the participants to Electrica SA will be calculated using a weighted interest rate, calculated on the basis of the ROBOR Internal Rate 1M +0.83% p.a. and the ROBOR Bank Rate 1M + 2.25% p.a. The initial due date was 20.12.2020, the convention being automatically extended at the maturity of the bank facility agreement until 27.02.2025;
- a second system involving Electrica SA, as cash pool leader and its subsidiaries, Electrica Furnizare S.A., Electrica Serv S.A., Servicii Energetice Muntenia S.A (currently absorbed by Electrica Serv S.A.), Electrica Energie Verde

1 SRL (starting with 30 December 2020) as participants;

The credit facility offered by the participants to the pool leader is up to the amount of RON 180,000,000 for Electrica Furnizare S.A.; RON 10,000,000 for Electrica Energie Verde 1 SRL; RON 50,000,000 for Electrica Serv S.A.. As at 30 November 2020 was in place the convention in amount to RON 2,000,000 with Servicii Energetice Muntenia S.A. which was absorbed by Electrica Serv S.A. being integrated in the conventions limits applicable for Electrica SERV S.A.

*\*On 31.12.2023 the merger by absorption took place between Societatea Energetica Electrica SA (ELSA) as absorbing company and Societatea Electrica Productie Energie SA (EPE), Electrica Energie Verde 1 SRL (EEV1) and Green Energy Consultancy & Investments SRL (GECI) as absorbed companies.*

Through internal agreements concluded by Electrica SA with each of the participants, subsequently amended by additional agreements, the internal interest rate was set at ROBOR 1M + 0.83% and ROBOR 3M + 2.95% and the Bank rate at ROBOR 1M + 2.25%;

In the case where the amounts drawn by the participants are covered both from Electrica SA's internal liquidity and by drawing on the credit line granted to Electrica SA, the amount of interest owed by the participants to Electrica SA will be calculated using a weighted interest rate calculated on the basis of the Internal Rate ROBOR 1M + 0.83% and the Bank Rate ROBOR 1M + 2.25%;

The initial due date was 20.12.2020, the convention being automatically extended at the maturity of the bank facility agreement until 27.02.2025;

Through which the bank will automatically transfer all available amounts existing at the end of each day in the current bank accounts of the participants to the master bank account of Electrica SA. In case the current bank accounts of the participants have a negative balance at the end of the day, the bank will transfer the necessary amounts from the master bank account of Electrica SA to the current bank accounts of the participants, so as at the end of each day the balance of the current bank accounts

of the participants is nil. In case the balance of the master bank account of Electrica SA is not sufficient to cover the negative balance of the current bank accounts of the participants, the bank will make available the necessary funds from the overdraft facility that will be signed between the bank and Electrica SA.

As of 31 December 2023, the credit facility has an outstanding balance of RON 205,520,079 (31 December 2022: RON 207,830,772). For the amounts drawn/transferred to the cash pooling systems between Electrica SA and the other participants, please refer to Note 29.

## 26. Capital and reserves

### **(a) Share capital, share premium, gains and losses referring to share issue**

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2023 (31 December 2022: 346,443,597) with a nominal value of RON 10 per share. As of 4 July 2014, after the Initial Public Offering ("IPO"), the Company's shares are listed on the Bucharest Stock Exchange and the Global Depository Receipts are listed on the London Stock Exchange.

The shares owned by the Company's shareholders that are traded on the London Stock Exchange are the global depository receipts (GDRs). A global depository receipt represents four shares. The Bank of New York Mellon is the depository bank for these securities. The GDRs' weight in Electrica's total share capital diminished following the Initial Public Offering, reaching a level of 0.7842% at the end of 2021 as compared to 10.17% at 4 July 2014.

The holders of ordinary shares are entitled to receive dividends as declared, and are entitled to one vote per share in the shareholders' meetings of the Company, except for the 6,890,593 shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equal and confer equal rights to the net assets of the Company, except for treasury shares.

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders.

After IPO privatization, the Company recognized an increase of share capital of RON 1,771,887,440 and a share premium of RON 171,128,062. The transaction costs of RON 68,078,885 were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in kind and cash contribution, with the amount of RON 5,036,680, from the amount of RON 3,459,399,290 to the amount of RON 3,464,435,970, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering are in amount of RON 963,601. Also, the Company recorded gains referring to share issue of RON 2,185,519, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

### **(b) Treasury shares reserve**

In July 2014, the Company purchased 5,206,593 ordinary shares and 421,000 Global Depository Receipts, equivalent to 1,684,000 shares (totalling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depository Receipts was RON 75,372,435.

**(c) Revaluation reserves**

The reconciliation between opening and closing balance of the revaluation reserve is as follows:

	2023	2022
<b>Balance at 1 January</b>	<b>11,806,704</b>	<b>12,397,647</b>
Revaluation of property, plant and equipment	6,988,472	-
Revaluation of property, plant and equipment – merger	2,701,689	-
Deferred tax liability arising on revaluation of property, plant and equipment	(1,138,457)	-
Deferred tax liability arising on revaluation of property, plant and equipment – merger	(62,344)	-
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(37,399)	(590,943)
<b>Balance at 31 December</b>	<b>20,258,665</b>	<b>11,806,704</b>

**(d) Legal reserves**

The Legal reserves are set up as 5% of the gross profit for the year, until the total legal reserves reach 20% of the paid-up nominal share capital of the Company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

As at 31 December 2023, the legal reserves were in amount of RON 231,595,694 (31 December 2022: RON 229,435,101).

**(e) Dividends**

The dividends distributed by the Company in 2023 and 2022 (from the statutory profits of preceding years) were as follows:

	2023	2022
<b>Distributed dividends</b>	<b>39,999,343</b>	<b>152,798,852</b>

On 27 April 2023, the General Shareholders Meeting of the Company approved the net distributable profit of 2022 as follows:

- Dividends to be distributed to shareholders: RON 39,999,343;
- Legal reserve (5% from 2022 pre-tax profit): RON 1,278,875;
- Other reserves: RON 16,973,333.

On 20 April 2022, the General Shareholders Meeting of the Company approved the net distributable profit of 2021 as follows:

- Dividends to be distributed to shareholders: RON 152,798,852;
- Legal reserve (5% from 2021 pre-tax profit): RON 16,128,587;
- Other reserves: RON 152,892,445.



The total amount of dividends to be distributed to shareholders in 2023 was of RON 39,999,343 (2022: RON 152,798,852). The value of dividends per share distributed to the shareholders of the Company were: RON 0.1178 per share (2022: RON 0.45 per share). When calculating the dividend per share, the Company's repurchased own shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 39,999,343 (2022: RON 152,798,852), the dividends paid were RON 40,136,410 (2022: RON 152,446,574), the difference representing dividends paid to shareholders for previous periods.

## 27. Trade payables

	31 December 2023	31 December 2022
Suppliers of goods and services	5,580,512	4,368,115
Capital expenditure suppliers	46,698	128,823
Suppliers – related parties (Note 29)	1,018,220	247,788
<b>Total</b>	<b>6,645,430</b>	<b>4,744,726</b>

Payables to related parties are detailed in Note 29.

## 28. Other payables

	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Cash-pooling payables	47,764,297	-	33,187,405	-
Dividends payable	1,581,577	-	1,716,675	-
Other payables to the state budget	11,730	-	7,304	-
Other liabilities	1,738,926	-	1,563,323	-
<b>Total</b>	<b>51,096,530</b>	<b>-</b>	<b>36,474,707</b>	<b>-</b>

Cash-pooling payables comprises the payable of Electrica as at 31 December 2023 as cash pool leader in the two cash-pooling systems set up at Group level (Note 23 and Note 29).

Other liabilities include mainly guarantees and sundry creditors. Dividends payable represent the dividends uncollected by the shareholders.

In August 2020, the VAT group was established at the Electrica level in accordance with the provisions of Article 269 (9) of the Tax Code and the rules for its application, National Agency for Fiscal Administration ("NAFA") Order No. 3006/2016 on the approval of the Procedure for the implementation and administration of the single tax group. The members of the VAT group are Electrica SA and its subsidiaries. The representative of the group is Electrica Furnizare S.A., having all the reporting and VAT record obligations stipulated by the legal regulations in force for the whole group.

## 29. Provisions

	<b>Litigations and other risks</b>
<b>Balance at 1 January 2023</b>	1,041,676
Provisions recognized	25,997
Provisions utilized	(228,598)
Provisions reversed	(113,991)
<b>Balance at 31 December 2023</b>	<b>725,084</b>
<b>Balance at 1 January 2022</b>	4,238,114
Provisions recognized	304,330
Provisions utilized	(1,872,108)
Provisions reversed	(1,628,660)
<b>Balance at 31 December 2022</b>	<b>1,041,676</b>

The provisions balance consists of: a) provisions in amount of RON 499,488 as at 31 December 2023 (31 December 2022: RON 702,088) referring to the benefits granted upon the termination of executive directors' and management key personnel contracts in the form of a non-compete clause and b) provision in amount of RON 225,598 as at 31 December 2023 (31 December 2022: RON 339,589) referring to various litigations.

## 30. Financial instruments – fair values and risk management

### (a) Accounting classifications and fair values

According to IFRS 9, financial assets are measured at amortized cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Company doesn't have real Group guarantees, only corporate guarantees disclosed on note 31 Commitments.

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

### (b) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These risks are further explained and detailed.

#### (i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company's receivables from customers, cash-pooling debtors, cash and cash equivalents, restricted cash and bank deposits.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Company had a high credit risk mainly from State-owned companies (see Note 16).

Cash and bank deposits are placed in financial institutions, which are considered to have good creditworthiness. The carrying amount of financial assets represents the maximum credit exposure.

### Trade receivables

The Company establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

### Impairment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2023:

	31 December 2023				
	Expected loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	0%	1,743,932	-	1,743,932	No
Past due 1-30 days	0%	945	-	945	No
Past due 31-60 days	0%	-	-	-	No
Past due 61-90 days	0%	-	-	-	No
Past due more than 90 days	100%	155,340,248	(155,337,719)	2,529	Yes
<b>Total</b>		<b>157,085,126</b>	<b>(155,337,719)</b>	<b>1,747,406</b>	

Allowances for impairment are referring mainly to Olchim in amount of RON 98,725,847 (31 December 2022: RON 98,725,847), Transenergo Com in amount of RON 37,084,601 (31 December 2022: RON 37,088,264) and to Fidelis Energy in amount of RON 11,154,320 (31 December 2022: RON 11,220,386). Please see Note 16.

An analysis of trade receivables from the point of view of the credit risk and expected credit losses for trade receivables for customers as at 31 December 2022, is as follows:

	31 December 2022				
	Expected loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	0%	708,385	-	708,385	No
Past due 1-30 days	0%	56,677	-	56,677	No
Past due 31-60 days	0%	-	-	-	No
Past due 61-90 days	0%	-	-	-	No
Past due more than 90 days	100%	160,706,221	(160,675,756)	30,464	Yes
<b>Total</b>		<b>161,471,282</b>	<b>(160,675,756)</b>	<b>795,526</b>	

**(ii) Liquidity risk**

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has significant cash and cash equivalents so that no liquidity risk is experienced.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables.

**Exposure to liquidity risk**

The following table presents the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest accrued.

Financial liabilities	Carrying amount	Total	Contractual cash flows			
			less than 1 year	1-2 years	2-5 years	more than 5 years
<b>31 December 2023</b>						
Bank overdrafts	205,520,079	205,520,079	205,520,079	-	-	-
Trade payables	6,645,430	6,645,430	6,645,430	-	-	-
Lease liability	4,069,161	4,069,161	797,944	530,385	1,028,021	1,712,811
<b>Total</b>	<b>216,234,670</b>	<b>216,234,670</b>	<b>212,963,453</b>	<b>530,385</b>	<b>1,028,021</b>	<b>1,712,811</b>
<b>31 December 2022</b>						
Bank overdrafts	207,830,772	207,830,772	207,830,772	-	-	-
Trade payables	4,744,726	4,744,726	4,744,726	-	-	-
Lease liability	269,610	269,610	215,561	54,049	-	-
<b>Total</b>	<b>212,845,108</b>	<b>212,845,108</b>	<b>212,791,059</b>	<b>54,049</b>	<b>-</b>	<b>-</b>

**(iii) Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Company. The functional currency of the Company is the Romanian Leu (RON).

The currencies in which these transactions are primarily denominated are RON and EUR. The Company also has deposits and bank accounts denominated in foreign currency (EUR). The Company's policy is to use the local currency in its transactions as far as practically possible. The Company does not use derivative or hedging instruments.

*Exposure to currency risk*

The summary of the quantitative data about the Company's exposure to currency risk is as follows:

	31 December 2023	31 December 2022
<b>in RON</b>	denominated in EUR	denominated in EUR
Cash and cash equivalents	334,404	263,291
Lease liability	(2,113,186)	(267,657)
<b>Net statement of financial position exposure</b>	<b>(1,778,782)</b>	<b>(4,366)</b>

The following significant exchange rates have been applied during the year:

RON	Average rate		Year-end spot rate	
	2023	2022	2023	2022
EUR 1	4.9464	4.9315	4.9746	4.9474

*Sensitivity analysis*

A reasonable possible appreciation (depreciation) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency, the profit before tax and the equity, respectively, by the amounts shown below. The analysis assumes that all other variables, especially the interest rates, remain constant and ignores the impact of forecasted sales and purchases.

Effect	Profit before tax	
	Appreciation	Depreciation
<b>31 December 2023</b>		
EUR (5% movement)	(88,939)	88,939
<b>31 December 2022</b>		
EUR (5% movement)	(218)	218

**Interest rate risk**

The Company exposures to interest rates on financial assets and financial liabilities are detailed below. The Company is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market. The Company does not have in place hedging contracts for interest rate.

*Exposure to interest rate risk*

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	31 December 2023	31 December 2022
<b>Fixed-rate instruments</b>		
<b>Financial assets</b>		
Call deposits	-	102,017,348
<b>Total</b>	<b>-</b>	<b>102,017,348</b>
<b>Variable-rate instruments</b>		
<b>Financial assets</b>		
Cash pooling receivables (Note 23, Note 29)	567,646,476	477,646,009
<b>Financial liabilities</b>		
Cash pooling payables (Note 23, Note 29)	(47,764,297)	(33,187,405)
Bank overdrafts (Note 18)	(205,520,079)	(207,830,772)
Lease liability	(4,069,161)	(269,610)
<b>Total</b>	<b>310,292,939</b>	<b>236,358,222</b>

*Fair value sensitivity analysis for fixed-rate instruments*

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable-rate instruments*

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Effect	Profit before tax	
	50 bp increase	50 bp decrease
<b>31 December 2023</b>		
Variable-rate instruments	1,551,465	(1,551,465)
<b>31 December 2022</b>		
Variable-rate instruments	1,181,791	(1,181,791)

### 31. Related parties

#### (a) Main shareholders

As at 31 December 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 a share of ownership of 48.79% from the share capital.

#### (b) Management and administrators' compensation

	2023	2022
<b>Management compensation</b>	4,324,861	5,905,346

Executive management compensation refers to both the managers with mandate contract and those with labour contract, concluded with Electrica SA. This also includes the benefits in the event of the termination of mandate contracts for executive directors.

Compensations granted to the members of the Board of Directors were as follows:

	2023	2022
<b>Members of Board of Directors</b>	2,616,568	2,537,558

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Meeting of Shareholders that took place 20 April 2022, the annual number of paid sessions is limited to twelve for Board of Directors meetings and to six for each of the committees. Additional committee meetings can be organized only in exceptional situations, upon the Chairs' decision, who are responsible to efficiently organize the agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.

No loans were granted to managers and administrators in 2023 and 2022.

#### (c) Transactions with the Group companies

##### (i) Balance of receivables and payables from/ to Group companies:

###### Trade Receivables/Trade Payables

	Receivables from		Payables to	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Distributie Energie Electrica Romania S.A.	1,197,710	197,031	17,091	1,784
Electrica Serv S.A.	471,687	-	867,776	23,389
Electrica Furnizare S.A.	1,575,132	1,199,088	133,353	222,615
Electrica Productie Energie S.A.	-	848	-	-
Sunwind Energy S.R.L.	3,894			
<b>Total</b>	<b>3,248,423</b>	<b>1,396,967</b>	<b>1,018,220</b>	<b>247,788</b>

As at 31 December 2023 and 31 December 2022, receivables from electricity distribution subsidiaries include mainly other services reinvoiced.

*Loans granted/interest receivable:*

	Loans granted to		Interest receivable from	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Distributie Energie Electrica Romania S.A.	1,276,325,000	1,276,325,000	19,183,225	17,937,449
Electrica Furnizare S.A.	80,000,000	-	230,533	-
Electrica Energie Productie S.A.		41,594,188	-	1,657,848
Sunwind Energy S.R.L.	2,475,699	600,000	189,908	12,370
New Trend Energy S.R.L.	7,184,000	2,400,000	316,550	102,784
Foton Power Energy S.R.L.	2,937,987	-	43,847	-
Green Energy Consultancy & Investments S.R.L.	-	440,335	-	3,753
<b>Total</b>	<b>1,368,922,686</b>	<b>1,321,359,523</b>	<b>19,964,063</b>	<b>19,714,204</b>

*Cash-pooling system 31 December 2023:*

	Amount drawn by participants	Amount contributed to by participants	Net position	Interest receivable/ (payable)
	31 December 2023	31 December 2023	31 December 2023	31 December 2023
Distributie Energie Electrica Romania S.A.	350,786,382	-	350,786,382	5,470,721
Electrica Furnizare S.A.	216,860,094	-	216,860,094	1,518,731
Electrica Energie Verde 1 S.R.L.	-	-	-	-
Electrica Serv S.A.	-	(47,764,297)	(47,764,297)	(281,932)
<b>Total</b>	<b>567,646,476</b>	<b>(47,764,297)</b>	<b>519,882,179</b>	<b>6,707,520</b>

*Cash-pooling system 31 December 2022:*

	Amount drawn by participants	Amount contributed to by participants	Net position	Interest receivable/ (payable)
	31 December 2022	31 December 2022	31 December 2022	31 December 2022
Distributie Energie Electrica Romania S.A.	311,393,113	-	311,393,113	1,859,586
Electrica Furnizare S.A.	163,250,006	-	163,250,006	1,018,277
Electrica Energie Verde 1 S.R.L.	3,002,890	-	3,002,890	17,849
Electrica Serv S.A.	-	(33,187,405)	(33,187,405)	(244,477)
<b>Total</b>	<b>477,646,009</b>	<b>(33,187,405)</b>	<b>444,458,604</b>	<b>2,651,235</b>



**(ii) Transactions with subsidiaries:***Sales/Purchases*

	Sales in 2023	Sales in 2022	Purchases in 2023	Purchases in 2022
Distributie Energie Electrica Romania S.A.	1,886,897	208,879	15,859	185,938
Electrica Furnizare S.A.	2,967,606	1,314,408	543,221	689,704
Electrica Serv S.A.	497,076	8,782	1,829,184	27,056
Electrica Energie Productie S.A.	91,439	3,339	-	-
Green Energy Consultancy & Investments S.R.L.	32,365	-	-	-
Electrica Energie Verde 1 S.R.L.	6,599	-	-	-
Sunwind Energy S.R.L.	3,272	-	-	-
<b>Total</b>	<b>5,485,254</b>	<b>1,535,408</b>	<b>2,388,264</b>	<b>902,698</b>

*Reimbursements / Borrowings*

	Borrowings granted in 2023	Borrowings granted in 2022	Reimbursements in 2023	Reimbursements in 2022
Distributie Energie Electrica Romania S.A.	-	-	-	-
Electrica Furnizare S.A.	80,000,000	100,000,000	-	130,000,000
Electrica Energie Productie S.A.	-	47,540,173	-	5,945,985
Sunwind Energy S.R.L.	1,875,699	600,000	-	-
New Trend Energy S.R.L.	4,784,000	2,400,000	-	-
Green Energy Consultancy & Investments S.R.L.	2,698,920	440,335	-	-
Foton Power Energy S.R.L.	2,937,987	-	-	-
<b>Total</b>	<b>92,296,606</b>	<b>150,980,508</b>	<b>-</b>	<b>135,945,985</b>

*Interest income for loans*

	Interest income 2023	Interest income 2022
Distributie Energie Electrica Romania S.A.	47,972,160	47,972,160
Electrica Furnizare S.A.	230,533	1,406,254
Electrica Energie Productie S.A.	3,370,918	1,711,863
Sunwind Energy S.R.L.	177,538	12,370
New Trend Energy S.R.L.	213,766	102,784
Green Energy Consultancy & Investments S.R.L.	135,945	3,753
Foton Power Energy S.R.L.	43,847	-
<b>Total</b>	<b>52,144,707</b>	<b>51,209,184</b>

*Cash pooling system – interest income/(expense)*

	Interest income/ (expense) 2023	Interest income/ (expense) 2022
Distributie Energie Electrica Romania S.A.	27,404,262	18,136,075
Electrica Energie Verde 1 S.R.L.	203,426	464,479
Electrica Serv S.A.	(2,816,408)	(2,553,799)
Electrica Furnizare S.A.	18,961,026	10,664,680
<b>Total</b>	<b>43,752,306</b>	<b>26,711,435</b>

**(d) Transactions with companies in which the state has control or significant influence**

The Company had sale and purchase transactions mainly with the following companies:

Supplier	Purchases (without VAT)		Balance (including VAT)	
	2023	2022	31 December 2023	31 December 2022
ANCOM	567,684	567,684	141,921	141,921
Others	245,147	142,640	1,437	497
<b>Total</b>	<b>812,831</b>	<b>710,324</b>	<b>143,358</b>	<b>142,418</b>

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2023		31 December 2023	
Oltchim	-	98,725,847	(98,725,847)	-
CET Braila	-	3,118,411	(3,118,411)	-
<b>Total</b>	<b>-</b>	<b>101,844,258</b>	<b>(101,844,258)</b>	<b>-</b>

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2022		31 December 2022	
Oltchim	-	98,725,847		(98,725,847)
CET Braila	-	3,118,411		(3,118,411)
<b>Total</b>	<b>-</b>	<b>101,844,258</b>		<b>(101,844,258)</b>

## 32. Contingencies

### (a) Contingent Assets

#### Litigation with National Agency of Fiscal Administration (“NAFA”)

In May 2017, after the revision of Electrica’s tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,248,818 as a result of certain tax record allocations for prior periods. Electrica SA filed a complaint with the tax authorities against the enforcement order and also filed a legal action to suspend the enforced payment by the resolution of the above mentioned complaint. These additional interest and penalties are related to the prior enforcement orders received by Electrica SA in the prior years of RON 72,460,387.

In February 2018, Electrica SA has obtained a favourable Supreme Court ruling in one of the litigations with NAFA, which essentially maintains into force a prior Court of Appeal decision, which is favourable for the Company.

Also, in April 2019, Electrica SA obtained another favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to correct the evidence of the tax receivables so that it reflects the extinction by prescription of the amount of RON 16,915,950 representing income tax as well as all the related accessories. Moreover, in November 2019, Electrica SA obtained one more favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to cancel the administrative documents issued regarding the accessory fiscal obligations in the amount of RON 39,248,818 and ordered the refund/ compensation of the amount and the correction of the tax record. Against this decision, NAFA filed an appeal, registered to the High Court of Cassation and Justice, with the Court term on 23 March 2022, which was finalized in favor of Electrica.

Following this final decision, the Bucharest District 1 Court reinstated another case for which, on 22 December 2022, annulled the enforceable title for the amount of RON 39,248,818 and of all subsequent enforcement acts issued in connection with the forced execution and also obliged NAFA to pay the litigation costs in the amount of RON 19,326. Against this decision, NAFA filed an appeal on 23 February 2023.

Thus, until 31 December 2023, the Company did not recognize a provision in this respect, taking into account that management’s best estimate is that the Company shall be able to obtain a favourable final Court decision in this case.

### (b) Contingent Liabilities

#### Other litigations and claims

The Company is involved in a series of litigations and claims (ie. with SAPE, ANRE, NAFA, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 27, the Company set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Company does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

The Company discloses, if the case, information on the most significant items of litigations or claims for which the Company did not set-up provisions as they relate to possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future

events not wholly within the control of the Company (ie. litigations for which different inconsistent sentences were issued by the Courts, or litigations which are in early stages and no preliminary ruling was issued so far).

### **Fiscal environment**

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of taxpayers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities sometimes demonstrate inconsistency in interpretation of the law. Income tax statements may be subject to revision and corrections made by tax authorities, generally for a five-year period after they are filled in. The company was the subject of fiscal inspections until 31 March 2013.

The Company may incur expenses related to tax adjustments related to previous years as a result of tax authorities inspections and disputes. The Company's management considers that adequate reserves were established in the separate financial statements for all the significant fiscal obligations, however a risk that the tax authorities could take different positions still persists.

### **(c) Transfer prices**

According to the fiscal legislation, the fiscal assessment for a transaction with affiliates is based on the market price concept for that transaction. Based on this concept, the transfer prices must be adjusted in order to reflect the market prices that would have been established between the entities having no affiliation relation and are acting independently, based on "normal market conditions".

Likely, verifications of the transfer prices may be done in the future by the fiscal authorities, in order to establish if these prices are respecting the principle of the "normal market conditions" and that the tax base for Romanian taxpayer is not distorted.

## **33. Commitments**

### **(a) Contractual commitments**

Contractual commitments as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Purchase of property, plant and equipment, intangible assets and other maintenance and repairs services	5,955,625	-
Purchase of investments	45,121,884	289,635,733
<b>Total</b>	<b>51,077,509</b>	<b>289,635,733</b>

**(b) Guarantees and pledges**

The Company has a facility for issuing bank guarantee letters in the amount of RON 185,000,000 contracted from Unicredit Bank and which is used at Group level, out of which the used amount as of 31 December 2023 is RON 139,314,062 (31 December 2022: RON 133,660,068). The maturity of the facility is on 31 December 2031. Also, the Company issued parenting guarantees for Electrica Furnizare S.A. in total amount of RON 247.549.722 (31 December 2022: RON 367,234,402).

**(c) Audit fees**

The audit fees for the individual financial statements were in amount of RON 524,318 (EUR 106,000) for the year 2023, of which:

- fee for the statutory standalone audit for the year ended 31.12.2023 is RON 24,732;
- fee for the statutory standalone audit of the financial statements prepared for the special purpose of the merger as at 30.09.2023 is RON 242,374;.
- fee for the statutory standalone audit of the financial statements prepared voluntarily as at 30.06.2023 is RON 217.642;
- Analysis and verification services on Societatea Energetica Electrica SA transactions reported through current reports in accordance with the provisions of art.108 of Law no. 24/2017 is RON 39,571.

**34. Subsequent events**

There were no significant subsequent events at the date of signing the financial statements as at 31.12.2023.

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024



**INDEPENDENT AUDITOR'S REPORT  
ON 2023 SEPARATE  
FINANCIAL STATEMENTS**



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders,  
SOCIETATEA ENERGETICA ELECTRICA S.A.

### Report on the Audit of the Financial Statements

#### Opinion

1. We have audited the separate financial statements of Societatea Energetica Electrica S.A. ("the Company"), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.
2. The separate financial statements as at December 31, 2023 are identified as follows:
  - Net assets / Equity RON 3,980.498.078
  - Net profit for the financial year RON 23,940,836
3. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards .

#### Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (herein after referred to as "the Regulation") and Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (herein after referred to as "the Law 162/2017". Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter

5. We draw attention to Note 3 to the separate financial statements which states that Company is the parent company of Electrica Group and that consolidated financial statements of Electrica Group prepared in accordance with International Financial Reporting Standards as adopted by EU have not yet been published. Notes 3 to the separate financial statements explain when consolidated financial statements will be published. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





Key audit matters	How our audit addressed the key audit matter
<p><i>Going Concern</i></p> <p>As presented in Note 8 the separate financial statements have been prepared on the going concern basis. The key judgement leading to this conclusion are set out in that note.</p> <p>In particular the subsidiaries of the Company operate in the electricity distribution and supply industry which is currently affected by the compensation and ceiling laws on sales to end customers. The Romanian authorities regulatory position is under review and there may be further laws enacted which could adversely impact the subsidiaries of the Company's operating cash flows. In the forthcoming twelve months the subsidiaries will need to obtain additional financing and given the position of the Group and its significance to the Romanian economy management expect that all necessary financing will be made available.</p> <p>The ability of the Company to continue as a going concern is dependent on the ability of its subsidiaries to continue as a going concern. The ability of the subsidiaries of the Company to continue as a going concern is dependent on successful completion of the new financing and on stabilizing of the regulatory regime on energy prices as described in note 8, which provides an appropriate margin to support servicing of the subsidiaries of the Company and Company's short and long term financings.</p> <p>In view of the significant judgements the application and disclosures of the basis of the going concern assumption are considered a Key Audit Matter.</p>	<p>We have assessed managements valuation of the going concern assumption by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We have obtained the cash flow forecasts and critically challenged the management and the Board of Directors and Audit Committee on the assumptions used;</li> <li>• We considered whether at the date of this report additional information exist from the Romanian authorities with respect to the capping mechanism;</li> <li>• We have assessed the Company's subsidiaries and Company's position on the existing debt facilities, covenant compliance and newly negotiated debt facilities, during 2024 until the date of this report;</li> <li>• We assessed the adequacy of the disclosure of the basis of going concern assumption, including the key judgements adopted;</li> </ul>

#### Other information

7. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report and the Remuneration Report, but does not include the separate financial statements and our auditor's report thereon, or the non-financial information declaration, which is being presented in a separate report.

Our opinion on the separate financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

#### Other responsibilities of reporting with respect to other information – Administrators' report

With respect to the Administrators' report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards .

On the sole basis of the procedures performed within the audit of the separate financial statements, in our opinion:

- a) the information included in the Administrators' report and the Remuneration Report, for the financial year for which the separate financial statements have been prepared is consistent, in all material respects, with these separate financial statements;



- b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards;

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrators' report and the Remuneration report. We have nothing to report in this regard.

#### **Other reporting responsibilities with respect to other information – Remuneration report**

With respect to the Remuneration report, we read it to determine if it presents, in all material respects, the information required by article 107, paragraphs (1) and (2) of Law 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

8. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

11. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.
12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
  14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
  15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

16. We were appointed by the General Meeting of Shareholders on April 27, 2023 to audit the separate financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 6 of years, covering the financial years ended December 31, 2018 and December 31, 2023.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Razvan Ungureanu.

#### **Report on compliance with Law no. 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements ("Law 162/2017"), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")**

We have undertaken a reasonable assurance engagement on the compliance with Law 162/2017, and Commission Delegated Regulation (EU) 2018/815 applicable to the separate financial statements included in the annual financial report of Societatea Energetica Electrica S.A. as presented in the digital files which contain this audit report ("**Digital Files**").

#### *(I) Responsibilities of Management and Those Charged with Governance for the Digital Files prepared in compliance with ESEF*

Management is responsible for preparing the Digital Files that comply with ESEF. This responsibility includes:

- the design, implementation and maintenance of internal controls relevant to the application of ESEF;
- ensuring consistency between the Digital Files and the separate financial statements to be submitted in accordance with Ministry of Finance Order 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards, with subsequent amendments.

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.



*(II) Auditor's Responsibilities for the Audit of the Digital Files*

Our responsibility is to express a conclusion on whether the separate financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

Our firm applies International Standard on Quality Management 1 ("ISQM1"), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files with the audited separate financial statements of the Company to be submitted in accordance with Ministry of Finance Order 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards, with subsequent amendments;
- evaluating if the separate financial statements contained in the annual report have been prepared in a valid XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the separate financial statements for the year ended 31 December 2023 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

Razvan Ungureanu, Audit Partner

*For signature, please refer to the original  
Romanian version.*

*Registered in the Electronic Public Register of Financial  
Auditors and Audit Firms under AF 4866*

On behalf of:

**DELOITTE AUDIT SRL**

*Registered in the Electronic Public Register of Financial  
Auditors and Audit Firms under FA 25*

The Mark Building, 84-98 and 100-102 Calea Griviței, 9<sup>th</sup> Floor, District 1  
Bucharest, Romania  
March 5, 2024







# **2023 CONSOLIDATED FINANCIAL STATEMENTS (OMFP 2844/2016)**

as at and for the year ended

**31 December 2023**

prepared in accordance with

**OMFP no. 2844/2016**

*Free translation from Romanian,  
which is the official and binding version*

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	Note	31 December 2023	31 December 2022
<b>Non-current assets</b>			
<b>Intangible assets related to concession arrangements</b>			
Intangible assets from the capitalization of own technological consumption	23	6,220,530	5,675,866
Other intangible assets	23	770,934	951,557
Goodwill	23	27,822	12,854
Property, plant and equipment		24,663	12,040
Investments in associates	22	594,994	499,390
Other investments	24	16,638	18,824
Deferred tax assets		7,000	7,000
Other non-current assets	17	32,404	30,180
Right of use assets		51,954	2,393
Total non-current assets		40,993	52,152
<b>Total active imobilizate</b>		<b>7,787,932</b>	<b>7,262,256</b>
<b>Current assets</b>			
Trade receivables	18	2,540,442	2,466,002
Subsidies receivable	11	2,614,535	1,280,788
Other receivables	19	93,832	127,253
Cash and cash equivalents	20	377,215	334,887
Inventories	21	115,659	113,972
Prepayments		12,935	13,874
Current income tax receivable		-	24,000
Assets held for sale		280	280
<b>Total current assets</b>		<b>5,754,898</b>	<b>4,361,056</b>
<b>Total assets</b>		<b>13,542,830</b>	<b>11,623,312</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	25	3,464,436	3,464,436
Share premium	25	103,049	103,049
Treasury shares reserve	25	(75,372)	(75,372)
Pre-paid capital contributions in kind from shareholders	25	7	7
Revaluation reserve	25	159,536	92,117
Legal reserves	25	449,363	429,583
Retained earnings		1,906,981	1,353,942
<b>Total equity attributable to the owners of the Company</b>		<b>6,008,000</b>	<b>5,367,762</b>
Non-controlling interests		(451)	(516)
<b>Total equity</b>		<b>6,007,549</b>	<b>5,367,246</b>

(Continued on next page)

	Note	31 December 2023	31 December 2022
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liability – long term		29,143	34,462
Deferred tax liabilities	17	244,666	212,555
Employee benefits	15	151,358	117,269
Other payables	27	37,161	72,432
Long-term bank borrowings	29	794,348	647,193
<b>Total non-current liabilities</b>		<b>1,256,676</b>	<b>1,083,911</b>
<b>Current liabilities</b>			
Current portion of long-term bank borrowings	29	523,294	113,520
Lease liability – short term		14,052	19,211
Bank overdrafts	29	2,851,221	2,571,037
Trade payables	26	1,671,478	1,407,097
Other payables	27	1,035,084	867,536
Deferred revenue		7,837	24,750
Employee benefits	14,15	120,548	114,174
Provisions	28	41,167	53,701
Current tax liabilities		13,924	1,129
<b>Total current liabilities</b>		<b>6,278,605</b>	<b>5,172,155</b>
<b>Total liabilities</b>		<b>7,535,281</b>	<b>6,256,066</b>
<b>Total equity and liabilities</b>		<b>13,542,830</b>	<b>11,623,312</b>

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

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

	Note	2023	2022
Revenue	9	9,816,593	10,009,896
Capitalised costs of intangible non-current assets		18,617	989,291
Other income	11	3,498,553	2,840,963
Electricity, natural gas and merchandise purchased	10	(9,057,976)	(10,506,809)
Construction costs related to concession agreements	23	(976,436)	(593,490)
Employee benefits	16	(962,065)	(823,422)
Repairs, maintenance and materials		(95,218)	(88,229)
Depreciation and amortization	22,23	(723,721)	(533,987)
Impairment for trade and other receivables, net	18,19	(75,820)	(112,311)
Other operating expenses	11	(431,399)	(352,971)
<b>Operating profit</b>		<b>1,011,128</b>	<b>828,931</b>
Finance income	12	3,425	9,718
Finance costs	12	(297,220)	(174,713)
<b>Net finance cost</b>		<b>(293,795)</b>	<b>(164,995)</b>
<b>Share of results of associates</b>	24	<b>(39)</b>	<b>(13)</b>
<b>Profit before tax</b>		<b>717,294</b>	<b>663,923</b>
Income tax expense	17	(96,914)	(105,078)
<b>Profit for the year</b>		<b>620,380</b>	<b>558,845</b>
<b>Profit for the year attributable to:</b>			
- owners of the Company		620,494	558,954
- non-controlling interests		(114)	(109)
<b>Profit for the year</b>		<b>620,380</b>	<b>558,845</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (RON)	13	1.83	1.65

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

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

	Note	2023	2022
<b>Profit for the year</b>		<b>620,380</b>	<b>558,845</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of property, plant and equipment	22	85,510	-
Tax related to revaluation of property, plant and equipment	17	(13,699)	-
Re-measurements of the defined benefit liability	15	(11,918)	9,503
Tax related to re-measurements of the defined benefit liability	17	1,907	(1,479)
<b>Other comprehensive income, net of tax</b>		<b>61,800</b>	<b>8,024</b>
<b>Total comprehensive income</b>		<b>682,180</b>	<b>566,869</b>
<b>Total comprehensive income attributable to:</b>			
- owners of the Company		<b>682,294</b>	<b>566,978</b>
- non-controlling interests		(114)	(109)
<b>Total comprehensive income</b>		<b>682,180</b>	<b>566,869</b>

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

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

FOR THE YEAR ENDED 31 DECEMBER 2023

ELECTRICA S.A

Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity	Non-controlling interests	Total equity
<b>Balance at 1 January 2023</b>	3,464,436	103,049	(75,372)	7	92,117	429,583	1,353,942	5,367,762	(516)	5,367,246
<b>Comprehensive income</b>										
Profit for the year	-	-	-	-	-	-	620,494	620,494	(114)	620,380
Other comprehensive profit	-	-	-	-	71,811	-	(10,011)	61,800	-	61,800
<b>Total comprehensive profit</b>	-	-	-	-	71,811	-	610,483	682,294	(114)	682,180
<b>Transactions with owners of the Company</b>										
<b>Contributions and distributions</b>										
Dividends to the owners of the Company	-	-	-	-	-	-	(39,999)	(39,999)	-	(39,999)
<b>Changes in ownership interests</b>										
	-	-	-	-	-	-	-	-	179	179
<b>Total changes in ownership interests</b>										
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	-	(39,999)	(39,999)	179	(39,820)
<b>Other changes in equity</b>										
Set up of legal reserves	-	-	-	-	-	19,780	(19,780)	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(4,392)	-	4,392	-	-	-
Acquisition of subsidiary with non-controlling interests acquired without change of control	-	-	-	-	-	-	(2,057)	(2,057)	-	(2,057)
<b>Balance at 31 December 2023</b>	3,464,436	103,049	(75,372)	7	159,536	449,363	1,906,981	6,008,000	(451)	6,007,549

(Continued on next page)

Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Legal reserves	Retained earnings	Total equity	Non-controlling interests	Total equity
<b>Balance at 1 January 2022</b>	3,464,436	103,049	(75,372)	7	408,405	950,228	4,953,582	-	4,953,582
<b>Comprehensive income</b>									
Profit for the year	-	-	-	-	-	558,954	558,954	(109)	558,845
Other comprehensive profit	-	-	-	-	-	8,024	8,024	-	8,024
<b>Total comprehensive profit</b>						<b>566,978</b>	<b>566,978</b>	<b>(109)</b>	<b>566,869</b>
<b>Transactions with owners of the Company</b>									
<b>Contributions and distributions</b>									
Dividends to the owners of the Company	-	-	-	-	-	(152,798)	(152,798)	-	(152,798)
<b>Total transactions with owners of the Company</b>						<b>(152,798)</b>	<b>(152,798)</b>	<b>-</b>	<b>(152,798)</b>
<b>Other changes in equity</b>									
Set up of legal reserves	-	-	-	-	21,178	(21,178)	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(10,712)	10,712	-	-	-
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	(407)	(407)
<b>Balance at 31 December 2022</b>	<b>3,464,436</b>	<b>103,049</b>	<b>(75,372)</b>	<b>7</b>	<b>429,583</b>	<b>1,353,942</b>	<b>5,367,762</b>	<b>(516)</b>	<b>5,367,246</b>

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

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

	Note	2023	2022
<b>Cash flows from operating activities</b>			
<b>Profit for the year</b>		<b>620,380</b>	<b>558,845</b>
<b>Adjustments for:</b>			
Depreciation	22	16,391	19,915
Amortisation	23	707,330	514,203
Capitalised costs of intangible non-current assets	23	(18,617)	(989,291)
Reversal of impairment of property, plant and equipment and intangible assets, net	22,23	-	(5)
Revaluation of property, plant and equipment recognized in profit or loss, net	22	(2,081)	-
Loss on disposal of property, plant and equipment and intangible assets	22,23	(82)	(393)
Impairment of trade and other receivables, net	18,19	75,820	112,311
Change in provisions, net	28	(12,534)	18,779
Net finance cost	12	293,795	164,995
Changes due to employee benefits		-	(4,358)
Share of loss of associates	24	39	13
Income tax expense	17	96,914	105,078
		<b>1,777,355</b>	<b>500,092</b>
<b>Changes in:</b>			
Trade receivables		(309,158)	(1,286,734)
Subsidies receivable		(1,333,747)	(1,280,788)
Other receivables		5,636	(138,335)
Prepayments		939	(8,840)
Inventories		(1,687)	(41,014)
Trade payables		244,355	494,611
Other payables		110,399	722,407
Provisions and employee benefits		28,545	(6,454)
Deferred revenue		(16,913)	15,088
<b>Cash used in operating activities</b>		<b>505,724</b>	<b>(1,029,967)</b>
Interest paid		(278,462)	(149,397)
Income tax paid		(58,993)	(1,232)
<b>Net cash flow used in operating activities</b>		<b>168,269</b>	<b>(1,180,596)</b>

(Continued on next page)



	Note	2023	2022
<b>Cash flows from investing activities</b>			
Payments for purchases of property, plant and equipment		(10,391)	(8,295)
Payments for network construction related to concession agreements	23	(845,331)	(537,782)
Payments for purchase of other intangible assets		(21,313)	(7,829)
Proceeds from sale of property, plant and equipment		232	614
Interest received		3,270	2,847
Acquisition of investments in associates	24	(4,149)	(3)
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)	-
<b>Net cash flow used in investing activities</b>		<b>(885,914)</b>	<b>(554,900)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term bank borrowings	29	742,658	217,561
Proceeds from overdrafts		271,943	1,900,371
Repayment of long-term bank loans	29	(187,730)	(92,925)
Payment of lease liabilities		(26,762)	(24,163)
Dividends paid	25	(40,136)	(152,291)
<b>Net cash generated from financing activities</b>		<b>759,973</b>	<b>1,848,553</b>
<b>Net increase in cash and cash equivalents</b>		<b>42,328</b>	<b>113,057</b>
Cash and cash equivalents at 1 January	20	334,887	(405,572)
Reclassification of overdrafts previously presented as cash and cash equivalents	20	-	627,402
<b>Cash and cash equivalents at 31 December</b>	<b>20</b>	<b>377,215</b>	<b>334,887</b>

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

The non-cash transactions are disclosed in Note 20.

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

## 1. Reporting entity and general information

### (a) General information about the Group

These financial statements are the consolidated financial statements of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the year ended 31 December 2023.

The registered office of the Company is no. 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register registration number J40/7425/2000.

As at 31 December 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 a share of ownership of 48.79% from the share capital.

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

#### As at 31 December 2023 the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%
Electrica Furnizare S.A. ("EFSA")	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%
Electrica Serv S.A. ("SERV")	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%
Sunwind Energy S.R.L.	Electricity generation	42910478	Bucuresti	100%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	60%

#### As at 31 December 2022 the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%
Electrica Furnizare S.A. ("EFSA")	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%
Electrica Serv S.A. ("SERV")	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%

Subsidiary	Activity	Sole registration code	Head Office	% shareholding
Electrica Producție Energie S.A. ("EPE")	Electricity generation	44854129	Bucuresti	99.9920%
Electrica Energie Verde 1 SRL* ("EEV1" – formerly Long Bridge Milenium SRL)	Electricity generation	19157481	Bucuresti	100%*
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	60%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%
Green Energy Consultancy & Investments S.R.L.	Electricity generation	29172101	Prahova	75%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	30%

\* Indirect ownership – Electrica Energie Verde 1 SRL is 100% owned by the subsidiary Electrica Furnizare S.A.

\*\* On 31.12.2023 the merger by absorption took place between Societatea Energetica Electrica SA (ELSA) as absorbing company and Societatea Electrica Productie Energie SA (EPE), Electrica Energie Verde 1 SRL (EEV1) and Green Energy Consultancy & Investments SRL (GECI) as absorbed companies.

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

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

#### Changes in Group structure during 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 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%.

### Merger by absorption within the Group

On 20 December 2023, the Extraordinary General Meeting of the Company's Shareholders (EGMS) approved 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 absorbing company, Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as absorbed companies, with the effective date of the merger being 31 December 2023.

### **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.

The Company's distribution subsidiary, Distributie Energie Electrica Romania S.A. which resulted from the merger through absorption of the three distribution subsidiaries Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. now operates electric lines in 18 counties, from three geographical areas of the country, representing 40.7% of the Romanian territory,

and serves over 3.93 million users. It invoices the electricity distribution service to electricity suppliers (mainly to Electrica Furnizare S.A. subsidiary) which further invoices the electricity consumption to final consumers.

Electrica Furnizare S.A. is active on both the competitive market and as the supplier of last resort for approx. 3.4 million clients. Electrica Furnizare S.A. holds an electricity supply license that covers the entire territory of Romania, which was extended in 2021 for a period of 10 years. At the same time, Electrica Furnizare S.A. ensures the supply of electricity for household customers in a universal service regime. At the same time, it also holds a license for carrying out the activity of natural gas supply, valid until 2032. In 2023, Electrica Furnizare S.A. was designated supplier of last resort („FUI“) for electricity in May and October, and for natural gas it was nominated supplier of last resort in April and November 2023.

Through the acquisition of the new subsidiary Electrica Energie Verde 1 S.R.L. (formerly Long Bridge Milenium S.R.L.) as of 31 August 2020, establishment of a new legal entity Electrica Productie Energie S.A. and also the five shares sales and purchase agreements in five project companies having as main activity the production of energy from renewable sources the Group entered on the electricity generation segment, in particular from renewable sources. Currently, one of the project companies has been absorbed through merger by the parent company where a photovoltaic park with a capacity of 12 MW is being developed.

Through the merger that took place on 31 December 2023 between the parent company and its former subsidiary, Electrica Energie Verde 1 S.R.L., Electrica SA became a producer of electricity from renewable sources that operates a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of MW 7.5 (operating capacity limited MW to 6.8). In 2023 the operation of the plant was continuous, with no significant events leading to production shutdowns, producing in total MWh 9,599 (2022: MWh 10,466). According to Law no. 220/2008 and based on the accreditation issued by ANRE, Stanesti park receives a number of 6 green certificates („GC“) for each MWh produced and delivered, of which until 2020, 4 GC were issued for trading and 2 GC were postponed (the

amendment is introduced by Law no. 184/2018). The postponed green certificates will be reinserted starting from 1 January 2021, in equal monthly tranches until 31 December 2030.

## **(b) Regulations in the energy sector**

### **Regulatory environment**

The activity in the energy sector is regulated by the Romanian Energy Regulatory Authority.

Some of the main responsibilities of ANRE are to approve prices and tariffs and to issue substantiation methodologies used to set regulated prices and tariffs.

### **Electricity distribution**

In 2019, a new regulatory period began, governed by the provisions of ANRE Order no. 169/2018 for the approval of the Methodology for establishing the tariffs for the electricity distribution service (IV regulatory period: 2019-2023).

The following items are considered by ANRE when setting the target revenue for one year of the regulatory period: controllable and non-controllable operating and maintenance costs; costs of electricity purchased for own technological consumption (related to distribution network); regulated depreciation charge; the return on the regulated assets base ("RAB"); revenues from reactive energy and revenues from other activities, as well as corrections from previous periods.

Starting with 13 May 2020, the regulated rate of return („RRR”) of RAB is 6.39% to which is added:

- 1% incentive for new investments in RED, approved by ANRE;
- 2% incentive for investments in the electricity distribution network financed from own funds in projects in which European non-reimbursable funds are also attracted, if the investments are performed and put into function by operators after 1 February 2021, approved by ANRE;
- 1% incentive for investments in projects of common interest (PIC), approved by ANRE.

Regarding the costs of electricity purchased for own technological consumption ("NL"):

- ANRE has the right to correct the projection of distribution tariffs for a regulatory period or for one year, if there have been significant variations in prices on the electricity market, which lead to an important change in distribution service costs;
- at the justified request of the Distribution Operator, the regulated revenue of year  $t + 1$  may include a cost adjustment of regulated network losses ("NL") forecast for year  $t + 1$ , by changing the reference price, depending on the evolution of prices on the electricity market and the result of the analysis of the evolution of tariffs for the current regulatory period.

In 2022, according to the Government's emergency ordinance (GEO) no. 119/2022, the additional costs for purchased electricity (determined as the difference between the realized costs and the costs included in the approved distribution tariffs), made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption, compared to the costs included in the tariffs regulated (and not only borrowings), are capitalized quarterly and remunerated with 50% of the regulated rate of return (RRR) approved by ANRE, applicable during the amortization period of the respective costs and are recognized as a distinctive component in the regulated tariffs, called the component related to additional costs with NL. Also, ANRE elaborated the Methodological norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the network losses compared to the costs included in the regulated tariffs, the purpose of these norms is to establish the substantiation of additional costs with the purchase of electricity to cover the NL, as well as the conditions for their recognition in the regulated income, based on which the distribution tariffs are established. Law no. 357/2022 regarding the approval of GEO no. 119/2022 provides for the capitalization of additional costs with the purchase of 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, 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.

In 2023 ANRE amended the Methodology for setting tariffs for the electricity distribution service, by ANRE Order no. 79/2023 (Order) and defined 2024 as the transition period from the fourth regulatory period (PR4) to the fifth regulatory period (PR5). Thus, for DEER, in 2024 the zonal distribution tariffs established on the basis of a single regulated revenue and single NL targets for the total DEER are maintained.

#### *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 March 2025, in order to cover the own technological consumption (NL) for economic operators for energy transport and distribution services are capitalised. These are recognized as a distinctive component in the regulated tariffs, named component related to additional network losses costs. Also, law no. 357/2022 regarding the approval of GEO no. 119/2022 provides for the capitalization of additional costs with the purchase of electricity made between 1 January 2022 and 31 March 2025.

#### ***Electricity and natural gases supply***

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

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

#### *Regulated market*

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

*Competitive market*

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

The following support mechanisms have been put in place:

- compensation of household consumers for part of the costs incurred by the electricity invoices (1 November 2021 until 31 March 2022);
- capping the selling price for household and non-household consumers (1 November 2021 – 31 March 2025);
- exemption (1 November 2021 until 31 January 2022) of several types of non-household consumers from payment of regulated tariffs and other taxes/contributions.

The amounts compensated will be received from the National Agency for Payments and Social Inspection for household consumers and a from the Ministry of Energy for non-household consumers. (for further details please refer to Note 18).

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

- Price capped for electricity for household and non-domestic customers according to GEO no. 27/2022, with subsequent amendments and additions
- The limitation of the average purchase price considered for determining the amounts to be recovered from the state budget initially to 1,300 RON/MWh; and currently at 900 RON/MWh (according to Law no. 206/2023, which approves GEO 153/2022), except of the purchase intended for supply as a last resort, where this limitation does not apply;

- The obligation to store natural gas was calculated by ANRE according to two criteria: the obligation of all suppliers to store a quantity of gas that covers 90% of Romania's storage capacity and the market share that each supplier has had it in 2022;
- The obligation of natural gas producers to sell at the price of 150 RON/MWh the necessary quantities to the suppliers of domestic customers/heat energy producers.
- The mechanism provides - OPCOM, as sole acquirer, buys electricity from producers (electricity producers with an installed power equal to or greater than 10 MW) and sells the purchased electricity to electricity suppliers that have contracts with final customers, the transmission system operator electricity and distribution system operators electricity to cover their own technological consumption; the price paid by OPCOM to electricity producers, for the quantities of electricity sold by them is 450 RON/MWh and the sale price of OPCOM to the economic operators is also 450 RON/MWh (OPCOM has the right to charge market participants tariffs/commissions at the level of costs recorded by organizing the centralized electricity purchase mechanism); In order to carry out the transactions, OPCOM shall organize an annual procurement procedure as well as an additional procurement procedure each month for the quantities of electricity to be delivered in the following month; annual and monthly electricity quantities are firm obligations of electricity producers and economic operators and are evenly distributed across all settlement intervals each month (contracts are concluded by signing, within maximum 3 working days.

The categories of customers to whom the electricity price capped applies in 2023:

- household customers (tranche <100 kWh/month - maximum price 0.68 lei/kWh, tranche 100-300 kWh/month - with the distinct estimate of the volume exceeding 255 kWh/month - respectively the price level capped at 0.800 lei/kWh and with a maximum price of 1.3 lei/kWh.

- non-household customers – divided separately into the category of customers benefiting from capping for 85% of consumption with a price capped at 1 leu/KWh, category of customers benefiting from capping for 100% of consumption, price capped at 1 leu/KWh and the rest of the companies at a maximum price of 1.300 lei/KWh.

The categories of customers to whom the natural gas price capped applies in 2023:

- household customers – the maximum price is capped at 0.310 lei/KWh;
- non-household customers – the maximum price is capped at 0.370 lei/KWh for an annual consumption of up to 50 GWh.

The compensated amounts are settled by the National Agency for Payments and Social Inspection („ANPIS”) for household consumers and by the Ministry of Energy for non-household consumers.

#### *Green certificates*

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final consumers. The cost of green certificates is invoiced to final consumers separately from the tariffs for electricity.

#### **Electricity generation**

##### *Green certificates*

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

Starting from February 2013, the Stanesti photovoltaic park has the right to receive (the month from which

it started injecting electricity into the network), for a period of 15 (fifteen) years, 6 (six) green certificates for each MWh of electricity produced and delivered to the grid, out of which, for the period 1 July 2013 – 31 December 2020, according to Law 23/2014 and Law 184/2018, 2 (two) green certificates were postponed from trading. Those two GC postponed from trading are to be recovered in equal monthly tranches starting from 1 January 2021 until 31 December 2030.

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

#### **Increase in Energy price impact**

The regulatory framework in the electricity sector 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 for final consumers and the capitalization of additional costs with own technological consumption.

As a result, for **the distribution segment**, Romanian Regulatory Authority for Energy – ANRE (<https://www.anre.ro/>) has to adopt similar measures through its Order 129/12.10.2022 approving the Methodological Norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the network losses compared to the costs included in the regulated tariffs, carried out between 1 January 2022 – 31 March 2025.

This change in energy sector has generated last year 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 („NL”) as intangible asset which has to be depreciated linearly over next 5 years (please see note 6 and 23).



According to EGO 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 EGO 119/2022 are changes the recuperation of the additional cost of NL by splitting it in current operating expenses ("OPEX") and capitalised costs ("CAPEX"), there is a portion of unit costs recuperated at cost at 450 RON/MWh (ex-ante tariffs recognition) and for the difference above this level of 450 RON/MWh up to the effective average price, recognized by ANRE, there is a linear depreciation over 5 years stipulated with return at 50% of Regulated Rate of Return (RRR). These changes are also applicable to the year 2023.

For **the supply segment**, both in 2023 and in 2022 the effect of retail prices for electricity was covered as grants received from the state authorities, as a result of the application of the mechanism of capping the prices for electricity and natural gas, as a result of the application of Ordinance 27/2022, with subsequent amendments and additions. The implementation method of these schemes and the settlement mechanism of the amounts granted as support to clients, ex post from the state budget to the electricity suppliers, have generated constraints in terms of cash flow, as well as uncertainties regarding the recovery the full amount of the respective amounts by the suppliers. In this context, EFSA has adapted its medium and long-term strategy, so as to manage the impact of these measures on the company's activities in a responsible and sustainable manner in the context of a regulatory framework that has seen numerous successive and major changes in the recent period.

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

### **Geopolitical tensions**

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

## **2 Basis of accounting**

These annual consolidated financial statements have been prepared in accordance with OMFP no. 2844/2016. The consolidated financial statements were authorized for issue by the Board of Directors on 05 March 2024 and will be submitted for shareholders' approval in the meeting scheduled on 25 April 2024.

These consolidated 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, which is capitalized quarterly, the first asset (intangible asset) being registered on 30 September 2022. Order of the Ministry of Public Finance (OMFP) no. 3900/2022 was issued and brings additional accounting specifications to the accounting regulations in force at OMFP no. 2844/2016, which provided for the financial-accounting treatment applied to the additional costs not recovered through the tariff related to the own technological consumption of the distribution operators (OD).

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements. Details of the Group's accounting policies are included in Note 6.

### 3 Functional and presentation currency

These consolidated financial statements are presented in Romanian Lei (RON), which is the functional currency of all Group companies. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### 4 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### (a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below.

#### Revenue recognition

The Group assesses its revenue arrangements based on specific criteria to determine if it is acting as a principal or an agent. The Group has identified that it acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP") and thus recognises revenue as the net amount of the commission earned by the Group. The Group concluded that it is acting as a principal in all other revenue arrangements.

#### Service Concession Arrangements

The distribution subsidiaries (as operators) that merged into one single distribution operator as of 31 December 2020 concluded concession contracts with the Ministry of Economy (as grantor) in 2005, updated by subsequent addendums. These contracts concern the operation of electricity distribution service in the established territory (Transilvania Nord, Transilvania Sud, Muntenia Nord), on the risk and responsibility of the operators and taking into account the regulations applicable to the operation, modernization, rehabilitation and development of energy distribution networks specified in the Electricity Law, the terms and conditions of the licenses for electricity distribution and the regulations issued by ANRE. The distribution operator resulting from the merger of the three distribution operators within the Group, Distribuție Energie Electrica Romania concluded addendums to the concession agreements signed with the Ministry of Economy for the operation of electricity distribution service in all three areas.

IFRIC 12 "Service Concession Arrangements" deals with public-to-private service concession arrangements. IFRIC 12 applies to public-to-private service concession arrangements if:

- (a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- (b) the grantor controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

The control or regulation referred to in condition (a) could be by contract or otherwise (such as through a regulator). The activities of the electricity distribution operators, including distribution tariffs, are regulated by ANRE.

The concession contracts are concluded for a period of 49 years and may be extended for a period equal to no more than half of that period. As a price for the concession, the operators pay an annual royalty fee recognized in the distribution tariff of 1/1000 of the revenues from electricity distribution. According to the concession contracts, the operators use the assets representing the distribution network owned by them located in the above-mentioned territory for electricity distribution. According to the concession contracts, the grantor will buy at the end of the term of concession contract the ownership right of the „relevant assets“, that are mainly the electricity distribution networks, at a price equal to the value of the regulated assets base at the end of the concession.

Within the arrangements, the Group incurs significant expenditure in relation to the development and maintenance of the infrastructure. The construction works are either outsourced by the Group to sub-contractors, or performed internally. Significant management judgment is involved in accounting for the concession arrangements under IFRIC 12, including those in respect of the recognition of revenue based on the separation of construction or upgrade services from operation services.

The concessionaires act as service suppliers (they build, modernize and maintain the distribution network). This results in revenues and expenditures being recognized in the profit and loss account (related to the construction and modernization of infrastructure), as well as of a margin resulting from rendering the construction services established by the Group. Starting with 30 June 2023, the Group reassessed the margin applied and a margin of 4.35% is applied for period 01 January 2023 – 31 December 2023, based on the Group's experience in working with external contractors. Until 31 December 2022, the margin applied was 3%, as presented in the annual consolidated financial statements as at and for the year ended 31 December 2022.

#### (b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve-month period is included in the following notes:

- Note 6 d) – assumptions regarding recognition of revenue from supply and distribution of electricity to consumers based on estimates for electricity delivered and for which no reading was performed yet;
- Notes 18 and 30 – assumptions and estimates about measurement of the allowance for trade receivables at the level of expected credit losses (ECL), respectively in determining the loss rates;
- Note 22 – assumptions regarding the revalued value of tangible assets;
- Notes 28 and 32 – recognition and measurement of provisions and contingencies;
- Note 18 – assumptions and estimates of amounts to be received from the state following the application of the compensation and capping scheme.

#### **Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, which the Group can access;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 30 – Financial instruments;
- Note 22 – Property, plant and equipment.

## 5 Basis of measurement

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

## 6 Accounting policies

### (a) Going concern

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

- A continuation of the support scheme until 31 March 2025 according to the applicable legislation but with a more stable flow of repayments of the reimbursement requests for subsidies as compared with last year, as the mechanism has been operationally improved;
- The renewal of confirmed debt facilities is planned up to a limit of RON 4,961,482 thousand,

including RON 2,736,419 thousand overdraft limits and RON 2,225,063 thousand long term loans limit;

- The utilization of not yet confirmed facilities, overdrafts amounting to RON 574,111 thousand which will be drawn during the forecast period and of which RON 250,000 thousand will be reimbursed during the forecast period.

At the date of issuance of these consolidated financial statements the regulatory position may be further amended and there may be further laws enacted which could adversely impact the Groups operating cash flows during the forecast period. Given the current market uncertainties, the Group is closely monitoring the market context and is continuously analysing the opportunities for optimisation of debt and increase of bank overdrafts and long-term loans. In light of the importance of the Group as the supplier and distributed of electricity on the Romanian market, having 39.7 % (according to the latest ANRE report 2022 for the distribution segment) as market share on the electricity distribution and 17.72 % (according to the latest ANRE report October 2022 for the supply segment) as market share on the electricity supply market and having as main shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from market uncertainty and Group will be able to meet its obligations as they fall due.

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

**(b) Basis of consolidation***(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidation perimeter from the date that control commences until the date on which control ceases.

*(ii) Loss of control*

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

*(iii) Non-controlling interests*

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

*(iv) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the

investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**(c) Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

**(d) Revenue**

Revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Group is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

*Supply and distribution of electricity*

The revenue from supply and distribution of electricity to consumers is recognized when electricity is delivered to consumers (consumed by consumers), based on meter readings and based on estimates for electricity delivered and for which no reading was performed yet. The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on meter readings or on estimated consumptions based on the historical data of each consumer. Electricity supplied to consumers which is not yet billed as at the reporting date is accrued on the basis of recent average consumption or based on subsequent meter readings. Differences between estimated and actual amounts are recorded in subsequent periods.

Revenues from electricity distribution and supply also include the cost of green certificates recharged by the

Group to final consumers (see paragraph (k)).

The Group acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP"). Thus, in its quality as an agent, the Group recognizes revenue for the commission earned in exchange for facilitating the transfer of goods or services. Any holder of a production/supply/distribution license must be established as a Balancing Responsible Party or must delegate this responsibility to a Balancing Responsible Party. By delegating this responsibility to a BRP, there is the benefit of imbalance aggregation in the meaning of Balancing Market cost reduction by comparison with the case where the producer/supplier/distributor would act itself as a Balancing Responsible Party.

Electrica Furnizare S.A. acts as BRP for a large number of participants, electricity producers as well as electricity suppliers and distribution operators. For the settlement of imbalances, BRP Electrica is using the "method of internal redistribution of payments", ensuring benefits of imbalance aggregation for all the participants included in the BRP. BRP Electrica provides the transmission of physical notifications to CNTEE Transelectrica SA and its role is to balance the differences between the electricity contracted and the electricity measured at the level of the entire BRP.

#### *Generation and sale of electricity*

The electricity produced by the Group is mainly sold on the Day Ahead Market and the revenue is recognized when the electricity is injected into the network and is being sold on the market.

#### *Sale of green certificates*

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. Cost of green certificates is invoiced to final customers separately from the tariffs for electricity.

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWh of electricity produced from renewable sources and injected into the network. The green

certificates can be sold on the spot market, term market or a combination of both. The selling price must fall between the minimum and maximum values set by Law no. 220/2008 for establishing the system for promoting the production of electricity from renewable energy sources, republished, with subsequent amendments. Revenue from green certificates is recognized in the profit or loss statement when the green certificates are sold on the trading market.

#### *Service concession arrangement*

Revenue related to construction or upgrade services under service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the accounting policy on recognising revenue on construction contracts, as follows:

- Revenue in respect of variations to contracts and incentive payments is recognised when there is an enforceable right to payment and it is highly probable it will be agreed by the customer. Variable consideration is assessed on a contract by contract basis according to the facts, circumstances and terms of each project and only recognised to the extent that it is highly probable not to significantly reverse in the future. Revenue in respect of claims is recognised only if it is highly probable not to reverse in future periods.
- If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.
- Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately as expense.

**(e) Other income***Revenues from the subsidies*

Revenues from subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate, as a result of the application of the electricity price cap. These subsidies are recoverable from the National Agency for Payments and Social Inspection for household consumers and from the Ministry of Energy for non-household consumers, as a result of the application of the electricity and natural gas price ceiling mechanism and are applicable for period 1 November 2021 – 31 March 2025. Starting with April 2022, the revenues from subsidies are recorded as the difference between the income calculated at the contract price and the income invoiced to the customer at the capped price.

**(f) Finance income and finance costs**

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- foreign currency gains or losses on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

**(g) Employee benefits***(i) Short-term employee benefits*

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*(ii) Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*(iii) Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

*(iv) Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs

for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

### (h) (h) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

#### (i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

#### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they

can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that the future taxable profits will be available against which they can be used.

In such a circumstance, the Group shall recognise and measure its current or deferred tax asset or liability based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation.

The Group assesses whether it is probable (more than 50% chances) that a tax authority will accept an uncertain tax treatment.

Thus, the Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

- (a) the most likely amount – the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.
- (b) the expected value – the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.



**(i) Green certificates**Electricity supply

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers.

The cost of green certificates is accrued in the profit or loss based on the quantitative quota determined by the regulator representing the quantity of the green certificates that the Group has to purchase for the year and based on the price of green certificates acquired on the centralized market. The obligation for covering the annual acquisition quota is accrued in profit or loss.

Electricity generation

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWH of electricity produced from renewable sources and injected into the network.

Green certificates are recognized as inventories when the producer has the right to receive as a result of energy produced and delivered into the network, at nil nominal value. Recognition in the profit and loss account is done at the time of their sale.

**(j) Inventories**

Inventories consist mainly of spare parts that do not meet the recognition criteria for property, plant and equipment, consumables, goods for resale, other inventories and the natural gas storage.

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average cost method. The cost of inventories includes all the acquisition costs and other expenses related to bringing the inventories to their current place and condition.

Consumables used for the repairs and maintenance of the electricity network are included in profit and

loss when consumed and presented in "Repairs, maintenance and materials".

**(k) Property, plant and equipment***(i) Recognition*

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation. The other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses. Revaluations of land and buildings are made with sufficient regularity to ensure that the carrying amount does not differ materially from the one that would be determined using the fair value at the end of the reporting period. When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

*(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

**Depreciation**  
Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives (years)
Buildings	45-70
Equipment	3-25
Motor vehicles and office equipment	3-10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Intangible asset in a service concession arrangement**

*(i) Recognition and measurement*

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses.

*(ii) Amortization*

The amortization method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset, and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. The Group determined that the amortization method that reflects appropriately the expected pattern of consumption of the expected future economic benefits is correlated with the amortisation of the regulated asset base "RAB".

**(c) Connection fees**

According to art. 25 paragraph (1) of Law no. 123/2012 on electricity and natural gas, as subsequently amended and supplemented, access to power grids of public interest is a mandatory service provided under regulatory conditions, which the transmission and system operator as well as the distribution operators must ensure.

At the request of a new or pre-existing customer, the distribution operators are obliged to communicate the technical and economic conditions for the connection network and to cooperate with the applicant to choose the most advantageous technical and economic solution. Afterwards, a connection contract is concluded between the distribution operator and the customer at a regulated tariff. The actual construction of the connection installation is carried out by a construction supplier certified by ANRE.

The Group collects cash from customers, which is used only to pay for the construction of the connection station, and the Group must then use this asset to connect customers to the network. According to ANRE Order no. 59/2013, with subsequent amendments, these assets remain in the ownership of the network operator.

The Group recognizes the assets at nil value, net of the amount of the deferred income representing the contributions from customers. The assets financed from connection fees received from the new users of the distribution network are not included in the RAB. At the end of the concession contract, the assets built from the connection tariff will be transferred to the

concessionaire free of charge together with the assets part of RAB.

In the case of non-household customers, the value of the connection works, including those for the design/construction of the connection/connection, is entirely borne by the customers. Assets resulting from connection work:

- In the period from 1 January 2022 to 24 July 2022, they enter the distribution operator's assets from the time of commissioning, on the basis of GEO no. 143/2021, without being recognised by ANRE as part of the regulated asset base.
- From 25 July 2022 they do not become part of the distribution operator's assets, on the basis of Law no. 248/2022 and ANRE Order no. 133/2022, they are only transferred to the distribution operator for operation.

Starting with 2021, according to ANRE Order no. 160/2020 amending ANRE Order no.59/2013, the connection installations that are financed by the customers will remain in their ownership and are being exploited by the network operator. However, according to ANRE Order no. 17/2021 for the connection installations of all household consumers and of the non-household with lengths less than 2.5 km, the distribution operator has the obligation to finance them and these will remain in the ownership of the network operator.

#### **(d) Intangible assets related to the capitalization of own technological consumption ("NL")**

The difference between the purchase price of electricity for own technological consumption versus the ex-ante purchase price recognized by ANRE in the related regulated tariffs 2022 related to the purchase of electricity and natural gas, made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption (NL) for economic operators for energy transport and distribution services are capitalised.

According to ANRE regulations, the capitalised costs of intangible assets are recorded in the accounting records and therefore on the annual financial

statements according to the instructions developed by the Ministry of Finance. ANRE will determine the recognized annual amounts of the capitalized costs based on the quantities and prices recognized for NL.

#### *(i) Recognition and measurement*

The computation of the capitalized amounts is carried out in compliance with the legislation specific to the entities that are the subject of GEO 119/2022, with subsequent additions and changes.

According to the legislation in force, the following intangible assets will be created for the NL difference (in correspondence with "Capitalised costs of intangible non-current assets"):

- The first intangible asset - for the NL cost difference recorded between January 2022 and September 2022 will be recorded on 30 September 2022;
- The second intangible asset - for the NL cost difference recorded between October 2022 and December 2022 will be recorded on 31 December 2022;
- The third intangible asset - for the NL cost difference recorded between January 2023 and March 2023 will be recorded on 31 March 2023;
- The fourth intangible asset - for the NL cost difference recorded between April 2023 and June 2023 will be recorded on 30 June 2023;
- The fifth intangible asset - for the NL cost difference recorded between July 2023 and August 2023 will be recorded on 31 August 2023.
- The sixth intangible assets - for the NL cost difference recorded between September 2023 and December 2023 will be recorded on 31 December 2023.
- Quarterly, on the last day of each quarter, for the corresponding amounts, between 1 January 2024 and 31 March 2025.

Currently, in the financial statements are recognized only the intangible assets mentioned above.

In the future, the following additional intangible assets will be recognized if it is the case quarterly until 31 March 2025.

*(ii) Amortization*

The capitalized costs are amortized through the straight-line method over a period of 5 years from the date of capitalization.

**(e) Other intangible assets**

*(i) Recognition and measurement*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

*(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*(iii) Amortization*

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(f) Goodwill**

Goodwill is measured as the value of the consideration transferred (fair value) plus the amount of any non-

controlling interest (NCI) plus the fair value of previous equity interests minus the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**(g) Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**(i) Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are initially measured at fair value and subsequently at amortized cost, as they are held in a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal reimbursements, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

#### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

#### *Loans and receivables*

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Loans and receivables comprise trade receivables, cash and cash equivalents and deposits.

#### *Trade receivables*

Trade receivables include mainly unsettled invoices issued until reporting date for supply and distribution of electricity and services, late payment penalties and accrued revenue for electricity delivered and services rendered until the end of the year, but invoiced after the end of the year.

#### *Other receivables from capping schemes*

The compensation of household consumers for part of the costs incurred by the electricity invoices was applicable between 1 November 2021 until 31 March 2022.

The exemption was applicable between 1 November 2021 until 31 January 2022 for several types of non-household consumers from payment of regulated tariffs and other taxes/contributions.

#### *Cash and cash equivalents*

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

#### **(ii) Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) valued as at fair value, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Other financial liabilities include bank borrowings, bank overdrafts, financing for network construction related to concession agreements and trade payables.

#### **(iii) Share capital**

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

*Repurchase and reissue of ordinary shares (treasury shares)*

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

**(iv) Impairment**

*Impairment of financial assets*

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group

has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(ii) Write-off policy*

The Group writes off a financial asset after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

*(iii) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**(h) Revaluation reserve**

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognised as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

**(i) Dividends**

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

**(j) Pre-paid capital contributions in kind from shareholders**

These contributions from a shareholder represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

**(k) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present, legal or constructive

obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

**(l) Contingent assets and liabilities**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events that is not recognised because:
  - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the Group's financial statements, but disclosed when an inflow of economic benefits is probable.

## (m) Leases

### (i) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets (of less than USD 5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the default rate in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured

by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

### (ii) Rental income

Rental income from property, plant and equipment other than investment property is recognised as Other income. Rental income is recognised on a straight-line basis over the term of the lease.

## (n) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the



profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate.

### **(o) Segment reporting**

Segment results that are reported to the Company's Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### **(p) Subsequent events**

Events occurring after the reporting date 31 December 2023, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

## 7 Disclosure for the additional set of the consolidated financial statements

The Company also issues a set of consolidated financial statements prepared in accordance with IFRS-EU.

Until 31 December 2021, the consolidated financial statements prepared in accordance with OMFP no. 2844/2016 were equivalent to IFRS-EU. Starting with 31 December 2022, according to Order of Ministry of Public Finances (OMFP) no. 3900/2022 that has included a new clause related to the regulatory accounts to cover for own technological consumption network additional expenses for actual energy costs as compared with the ex-ante ANRE prices recognised in distribution tariffs. On the additional set of the consolidated financial statement in accordance with IFRS-EU, these expenses have a different accounting treatment (please see the voluntary set of financial statements in accordance with IFRS-EU).

## 8 Operating segments

### (a) Basis for segmentation

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
<b>Electricity and natural gas supply</b>	Buying and supplying electricity and natural gas to final consumers (includes Electrica Furnizare S.A.)
<b>Electricity distribution</b>	Operation, maintenance and construction of electricity networks operated by the Group (includes Distribuție Energie Electrica Romania S.A. and the activity performed by Electrica Serv S.A within the distribution network).
<b>Electricity generation</b>	Production of electricity from renewable sources (Sunwind Energy S.R.L., New Trend Energy S.R.L., and Foton Power Energy S.R.L and the activity carried out by Electrica S.A. in the electricity production segment).
<b>External electricity network maintenance</b>	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).
<b>Headquarter</b>	Consulting activities for business and management, the parent company also carrying out corporate activities in relation to its subsidiaries (Electrica S.A. but without the activity carried out in the electricity production segment)

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

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

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

**(b) Information about reportable segments**

Year ended 31 December 2023	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	7,226,692	2,542,950	7,903	38,826	9,816,371	222	-	9,816,593
Inter-segment revenue	53,558	1,868,513	6,176	66,182	1,994,429	-	(1,994,429)	-
<b>Segment revenue</b>	<b>7,280,250</b>	<b>4,411,463</b>	<b>14,079</b>	<b>105,008</b>	<b>11,810,800</b>	<b>222</b>	<b>(1,994,429)</b>	<b>9,816,593</b>
Other income	3,391,201	154,982	-	22,210	3,568,393	1,220	(71,060)	3,498,553
Capitalised costs of intangible non-current assets	-	18,617	-	-	18,617	-	-	18,617
<b>Segment profit before tax</b>	<b>129,728</b>	<b>548,922</b>	<b>3,335</b>	<b>3,479</b>	<b>685,464</b>	<b>18,109</b>	<b>13,721</b>	<b>717,294</b>
Net finance income/(cost)	(160,229)	(209,786)	(4,232)	12,554	(361,693)	67,898	-	(293,795)
Amortization and depreciation	(15,555)	(695,956)	(2,341)	(8,421)	(722,273)	(1,448)	-	(723,721)
Reversal of impairment of property, plant and equipment and intangible assets, net	41	-	159	1,027	1,227	854	-	2,081
Adjusted EBITDA*	305,471	1,454,664	9,749	(1,682)	1,768,202	(49,195)	13,721	1,732,728
(Impairment)/ Reversal of impairment of trade and other receivables, net	(67,338)	(9,212)	-	161	(76,389)	569	-	(75,820)
Segment profit after tax	98,403	486,036	2,151	826	587,416	19,243	13,721	620,380
Employee benefits	(104,688)	(794,524)	(264)	(32,301)	(931,777)	(30,288)	-	(962,065)
Capital expenditure	9,681	726,485	10,000	1,981	748,147	2,846	-	750,993
<b>-Segment assets</b>	<b>5,703,052</b>	<b>10,389,940</b>	<b>187,691</b>	<b>481,669</b>	<b>16,762,352</b>	<b>125,943</b>	<b>(3,345,465)</b>	<b>13,542,830</b>
Trade and other receivables	2,662,875	1,784,184	8,999	109,668	4,565,726	3,055	(1,934,507)	2,634,274
Cash and cash equivalents	184,140	166,103	19,299	3,898	373,440	3,775	-	377,215
Trade and other payables and short-term employee benefits	3,129,486	1,520,819	12,388	52,979	4,715,672	61,885	(1,913,286)	2,864,271
Bank overdrafts	1,869,706	774,529	-	-	2,644,235	206,986	-	2,851,221
Lease liability	6,813	21,180	12,068	994	41,055	2,140	-	43,195
Bank borrowings	200,000	900,874	-	-	1,100,874	216,768	-	1,317,642

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

Year ended 31 December 2022	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	8,153,190	1,817,054	14,180	25,472	10,009,896	-	-	10,009,896
Inter-segment revenue	32,824	1,579,572	7,200	55,612	1,675,208	-	(1,675,208)	-
<b>Segment revenue</b>	<b>8,186,014</b>	<b>3,396,626</b>	<b>21,380</b>	<b>81,084</b>	<b>11,685,104</b>	-	<b>(1,675,208)</b>	<b>10,009,896</b>
Other income	2,754,954	159,505	49	42,295	2,956,803	5,180	(121,020)	2,840,963
Capitalised costs of intangible non-current assets	-	989,291	-	-	989,291	-	-	989,291
<b>Segment profit before tax</b>	<b>315,170</b>	<b>359,377</b>	<b>9,526</b>	<b>(2,399)</b>	<b>681,674</b>	<b>25,603</b>	<b>(43,354)</b>	<b>663,923</b>
Net finance income/(cost)	(63,168)	(152,049)	(2,482)	11,361	(206,338)	65,857	(24,514)	(164,995)
Amortization and depreciation	(12,557)	(506,016)	(2,480)	(11,348)	(532,401)	(1,586)	-	(533,987)
Reversal of impairment of property, plant and equipment and intangible assets, net	-	-	-	-	-	5	-	5
Adjusted EBITDA*	390,895	1,017,442	14,488	(2,412)	1,420,413	(38,673)	(18,843)	1,362,897
(impairment)/ Reversal of impairment of trade and other receivables, net	(131,794)	19,177	-	204	(112,413)	102	-	(112,311)
Segment profit after tax	261,099	308,152	8,006	(673)	576,584	25,615	(43,354)	558,845
Employee benefits	(102,619)	(661,963)	(171)	(30,055)	(794,808)	(28,614)	-	(823,422)
Capital expenditure	9,058	612,664	-	1,342	623,064	2,323	-	625,387
<b>Segment assets</b>	<b>4,141,083</b>	<b>9,076,633</b>	<b>146,743</b>	<b>418,940</b>	<b>13,783,399</b>	<b>213,625</b>	<b>(2,373,712)</b>	<b>11,623,312</b>
Trade and other receivables	2,579,678	960,913	5,265	90,557	3,636,413	378	(1,043,536)	2,593,255
Cash and cash equivalents	148,919	69,826	4,889	5,623	229,257	105,630	-	334,887
Trade and other payables and short-term employee benefits	2,365,894	1,026,377	16,101	42,313	3,450,685	44,399	(1,033,845)	2,461,239
Bank overdrafts	1,589,801	772,098	-	-	2,361,899	209,138	-	2,571,037
Lease liability	8,469	33,830	12,088	(983)	53,404	269	-	53,673
Bank borrowings	-	660,713	-	-	660,713	100,000	-	760,713

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

## 9 Revenue

	2023	2022
Electricity distribution and supply	8,457,651	8,991,986
Supply of natural gas	191,339	322,320
Construction revenue related to concession agreements (Note 23)	1,018,912	611,294
Repairs, maintenance and other services rendered	74,077	45,937
Proceeds from sale of green certificates	3,212	3,741
Re-connection fees	14,362	3,824
Consulting services	106	-
Sales of merchandise	56,934	30,794
<b>Total</b>	<b>9,816,593</b>	<b>10,009,896</b>

In respect to the timing of the revenue recognition, most of the Group's services provided are transferred to the customer over time, only a small part amounting to RON 2,921 thousand (2022: RON 2,694 thousand) being transferred at a point in time (e.g. metering services provided by the distribution companies, providing periodic data analysis to the customer for certain taxes collected on behalf of them).

## 10 Electricity, natural gas and merchandise purchased

	2023	2022
Electricity purchased	8,238,811	9,380,690
Green certificates purchased	543,359	609,107
Natural gas purchased	221,255	493,847
Cost of merchandise	54,551	23,165
<b>Total</b>	<b>9,057,976</b>	<b>10,506,809</b>

The cost of electricity and natural gas purchased includes the cost of the green certificates purchased by the supply subsidiary which has a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. The cost of green certificates is then invoiced to final customers separately from electricity tariffs.

## 11 Other income and expenses

### (a) Other income

	2023	2022
Subsidies related to electricity supply (Note 18)	3,306,839	2,687,131
Rental income	92,332	92,486
Late payment penalties from customers	71,075	52,110
Other	28,307	9,236
<b>Total</b>	<b>3,498,553</b>	<b>2,840,963</b>

Rental income refers mainly to the subsidies, following by rental of the electricity poles by the distribution subsidiary to telecom operators.

During 2023, the Group recognized subsidies on the supply segment recognized subsidies of RON 3,306,839 thousand, out of which RON 2,614,535 thousand outstanding receivable from the Ministry of Energy following the application of the electricity and natural gas price capping and compensation mechanism, approved by Order no.118/2021 with subsequent amendments and GEO no.27/2022, the latter being amended by GEO no.119/2022.

### **(b) Other operating expenses**

	2023	2022
Utilities	63,138	56,643
Other taxes and duties	51,549	46,950
IT services	51,151	34,929
Fines and penalties	48,404	12,948
Printing and distribution of invoices services	36,341	44,092
Meters reading expenses	29,831	39,748
Bank fees	26,635	10,836
Security services	19,795	17,549
Advertising and publicity expenses	14,654	7,440
Penalties to State budgets	14,482	2,135
Cash collection services	13,148	14,632
Postage and telecommunication services	12,047	18,998
Call centre services	12,461	10,929
Rent	11,448	21,010
Other	26,315	14,132
<b>Total</b>	<b>431,399</b>	<b>352,971</b>

### **12. Net finance income/(cost)**

	2023	2022
Interest income	3,270	2,847
Other finance income	155	6,871
<b>Total finance income</b>	<b>3,425</b>	<b>9,718</b>
Interest expense	(280,463)	(156,985)
Interest cost for employee benefits (Note 15)	(10,043)	(7,354)
Foreign exchange losses, net	(6,714)	(10,374)
<b>Total finance costs</b>	<b>(297,220)</b>	<b>(174,713)</b>
<b>Net finance cost</b>	<b>(293,795)</b>	<b>(164,995)</b>

### 13 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share has been based on the following profit attributable to Company's shareholders and weighted-average number of ordinary shares outstanding:

*Profit/(Loss) attributable to shareholders*

	2023	2022
Profit for the year attributable to the owners of the Company	620,494	558,954
<b>Profit attributable to shareholders of the Company</b>	<b>620,494</b>	<b>558,954</b>

*Number of ordinary shares (in number of shares)*

	2023	2022
<b>Number of ordinary shares at 31 December</b>	<b>339,553,004</b>	<b>339,553,004</b>

For the calculation of basic and diluted earnings per share, treasury shares (6,890,593 shares) were not treated as outstanding ordinary shares and were deducted from the number of issued ordinary shares.

	2023	2022
<b>Basic and diluted earnings/(loss) per share (RON)</b>	<b>1.83</b>	<b>1.65</b>

### 14 Short-term employee benefits

	31 December 2023	31 December 2022
Personnel payables	70,598	70,105
Current portion of defined benefit liability and other employee benefits	12,871	11,548
Social security charges	31,192	27,301
Tax on salaries	5,887	5,220
<b>Total</b>	<b>120,548</b>	<b>114,174</b>

For details of the related employee benefit expenses, see Notes 16.

In Romania, all employers and employees, as well as other persons, are contributors to the State social security system. The social security system covers pensions, child benefit, temporary inability to work situations, risks of work accidents and professional diseases and other social assistance services, redundancy payments and incentives granted to employers for creating new job.



## 15 Post-employment and other long-term employee benefits

The Group provides cash benefits to employees depending on seniority in the form of jubilee bonuses and depending on the years of service at retirement in the form of retirement bonuses. The post-employment and other long-term employee benefits are stipulated in the Collective Labour Contracts.

In 2023 and 2022, employee benefit obligations were computed by an independent actuary using the projected unit credit method with benefits calculated proportionally to the period of service.

	31 December 2023	31 December 2022
Defined benefit liability	55,839	41,675
Other long-term employee benefits	108,923	87,762
<b>Total</b>	<b>164,762</b>	<b>129,437</b>
- Current portion*	13,404	12,168
- Non-current portion	151,358	117,269

\*included in Personnel payables in Note 14

### (i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation from the opening balances to the closing balances for the defined benefit liability and other long-term employee benefits and its components. There are no plan assets.

Defined benefit liability	2023	2022
<b>Balance at 1 January</b>	<b>41,675</b>	<b>79,078</b>
<b>Included in profit or loss</b>		
Current service cost	4,904	4,893
Past service cost	-	(23,367)
Interest cost	3,278	3,100
<b>Included in other comprehensive income</b>		
Remeasurements loss		
- Actuarial loss	11,918	(9,503)
<b>Other</b>		
Benefits paid	(5,936)	(12,526)
<b>Balance at 31 December</b>	<b>55,839</b>	<b>41,675</b>

Other long-term employee benefits	2023	2022
<b>Balance at 1 January</b>	<b>87,761</b>	<b>88,356</b>
<b>Included in profit or loss</b>		
Current service cost	7,580	7,786
Past service cost	-	(353)
Actuarial (gain)/ loss	16,637	(4,509)
<b>Interest cost</b>	<b>6,764</b>	<b>4,256</b>
Other		
<b>Benefits paid</b>	<b>(9,819)</b>	<b>(7,775)</b>
<b>Balance at 31 December</b>	<b>108,924</b>	<b>87,761</b>

Defined benefits refer to the retirement bonuses granted according to the seniority within the Group and other long-term benefits refer to the jubilee bonuses granted for seniority.

**(ii) Actuarial assumptions**

The following were the main actuarial assumptions at each reporting date:

**(a) Macroeconomic assumptions:**

- inflation. The actuary used information from the *National Commission for Strategy and Prognosis*:

Year	Valuation date 31 December 2023	Valuation date 31 December 2022
2023	10.4%	7.5%
2024	4.8%	4.9%
2025	3.5%	3%
2026	3%	2.5%
2027+	2.5%	2.5%

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 6% for the year 2023 (2022: 8.1%);
- taxes and social charges are those in force as at the reporting date.

**(b) Group specific assumptions:**

- For the year 2023 were taken into consideration the salaries' growth rates budgeted by the Group. Starting with the year 2024, salaries' growth is forecasted at the inflation rate;
- Employees' turnover: based on historical data;
- Jubilee and retirement bonuses granted based on seniority as per the collective labour contracts, as follows:

**Jubilee bonus based on years of service in the Group**

Seniority	No of gross monthly base salaries	
	31 December 2023	31 December 2022
20 years	1	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

**Retirement bonus based on years of service in the Group**

Seniority	No of gross monthly base salaries	
	31 December 2023	31 December 2022
Between 8 and 10 years	2	2
Between 10 and 25 years	3	3
More than 25 years	4	4

## Termination benefits

### a. Termination benefits for individual lay-offs at the Group's initiative

In accordance with the Collective Labour Contracts concluded between the Group and the Unions, when individual labour contract are terminated at the Group's initiative, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries	
	31 December 2023	31 December 2022
1 – 2 years	2	2
2 – 5 years	3	3
5 – 10 years	4	4
10 – 20 years	5	5
More than 20 years	8	8

### b. Termination benefits for collective lay-offs at the Group's initiative:

For collective lay-offs, according to the Collective Labour Contracts, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries	
	31 December 2023	31 December 2022
1 – 3 years	3	3
3 – 5 years	6	6
5 – 10 years	7	7
10 – 20 years	11	11
More than 20 years	16	16

The above mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above stipulations do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Group's reorganization and restructuring. Employees who are re-employed within the Group after lay-off are not entitled to the above-mentioned benefits.

### (iii) Sensitivity analysis

Significant actuarial assumptions for the determination of the benefit obligation are the discount rate, expected salary increase and retirement age. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Increase by 1%		Decrease by 1%	
	2023	2022	2023	2022
Discount rate	(11,301)	(9,237)	12,675	8,611
Salary growth	13,195	9,415	(11,930)	(10,049)

	Increase by 1 year		Decrease by 1 year	
	2023	2022	2023	2022
Retirement age	1,135	812	(1,135)	(812)

The sensitivity analysis presented above may not be representative of the actual change in the benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the benefit obligation liability recognized in the statement of financial position.

## 16 Employee benefit expenses

	2023	2022
Average number of employees	7,676	7,760
Number of employees at 31 December	7,960	7,874

	2023	2022
Wages and salaries*	911,995	790,425
Social security contributions	27,163	20,694
Meal tickets	46,583	33,187
Termination benefits	1,015	267
<b>Total employees benefits for the year</b>	<b>986,756</b>	<b>844,573</b>
Capitalised employee benefit expenses	(24,691)	(21,151)
<b>Total employees benefits in the statement of profit or loss</b>	<b>962,065</b>	<b>823,422</b>

\* Wages and salaries includes also current service cost, defined benefits and other long-term employee benefits

Management remuneration is disclosed in Note 31 b) Related parties.

## 17 Income taxes

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Group considers that the accounting records for taxes due are adequate for all open tax years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period when such a determination is made.

### (i) Amounts recognised in profit or loss

	2023	2022
Current tax expense	78,819	2,576
Deferred tax expense	18,095	102,502
<b>Total expense related to income tax</b>	<b>96,914</b>	<b>105,078</b>

### (ii) Amounts recognised in other comprehensive income

	2023			2022		
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Revaluation of property, plant and equipment	85,510	(13,699)	71,811	-	-	-
Remeasurement of defined benefit liability	(11,918)	1,907	(10,011)	9,503	(1,479)	8,024
<b>Total</b>	<b>73,592</b>	<b>(11,792)</b>	<b>61,800</b>	<b>9,503</b>	<b>(1,479)</b>	<b>8,024</b>

### (iii) Reconciliation of effective tax rate

	2023		2022	
<b>Profit before tax</b>		<b>717,294</b>		<b>663,923</b>
<b>Tax using Company's domestic tax rate</b>	<b>16%</b>	<b>114,767</b>	<b>16%</b>	<b>106,230</b>
Non-deductible expenses	2%	17,338	4%	28,843
Non-taxable income	-4%	(25,426)	-3%	(22,083)
Deduction of legal reserves	0%	(3,165)	-1%	(3,388)
Other tax effects	-1%	(5,622)	0%	(137)
Recognition of tax effect of previously unrecognised tax losses	0%	(978)	-1%	(4,387)
<b>Income tax expense</b>	<b>14%</b>	<b>96,914</b>	<b>16%</b>	<b>105,078</b>

**(iv) Movement in deferred tax balances**

2023	Balance at 31 December 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	8,837	13,699	59,516	-	59,516
Intangible assets related to concession agreements	208,015	21,679	-	229,694	-	229,694
Employee benefits	(21,101)	(4,236)	(1,907)	(27,244)	(27,244)	-
Impairment of trade receivables	(30,930)	5,370	-	(25,560)	(25,560)	-
Tax loss carried forward	(6,068)	1,712	-	(4,356)	(4,356)	-
Other items	(4,521)	(15,267)	-	(19,788)	(19,788)	-
<b>Tax liabilities/(assets) before set-off</b>	<b>182,375</b>	<b>18,095</b>	<b>11,792</b>	<b>212,262</b>	<b>(76,948)</b>	<b>289,210</b>
Set off of tax	-	-	-	-	44,544	(44,544)
<b>Net tax liabilities/(assets)</b>	<b>182,375</b>	<b>18,095</b>	<b>11,792</b>	<b>212,262</b>	<b>(32,404)</b>	<b>244,666</b>

2022	Balance at 31 December 2022					
	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	39,838	(2,858)	-	36,980	-	36,980
Intangible assets related to concession agreements	187,500	20,515	-	208,015	-	208,015
Employee benefits	(23,940)	1,360	1,479	(21,101)	(21,101)	-
Impairment of trade receivables	(24,732)	(6,198)	-	(30,930)	(30,930)	-
Tax loss carried forward	(95,972)	89,904	-	(6,068)	(6,068)	-
Other items	(4,299)	(222)	-	(4,521)	(4,521)	-
<b>Tax liabilities/(assets) before set-off</b>	<b>78,395</b>	<b>102,501</b>	<b>1,479</b>	<b>182,375</b>	<b>(62,620)</b>	<b>244,995</b>
Set off of tax	-	-	-	-	32,440	(32,440)
<b>Net tax liabilities/(assets)</b>	<b>78,395</b>	<b>102,501</b>	<b>1,479</b>	<b>182,375</b>	<b>(30,180)</b>	<b>212,555</b>

**(v) Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the certain tax losses generated by the Company, because it is not probable that future taxable profit will be available against which the entity generating it can use the benefits therefrom.

	2023	2022
<b>Tax losses</b>	<b>318,176</b>	<b>337,136</b>

**18 Trade receivables**

	31 December 2023	31 December 2022
Trade receivables, gross	3,180,660	3,118,691
Bad debt allowance	(640,218)	(652,689)
<b>Total trade receivables, net</b>	<b>2,540,442</b>	<b>2,466,002</b>

Trade receivables from related parties are presented in Note 31.

Trade receivables, gross, comprise:

	31 December 2023	31 December 2022
Electricity distribution and supply	2,603,238	2,482,266
Late payment penalties receivable	89,346	80,658
Customers with judicial execution titles	333,682	347,667
Repairs, maintenance and other services	20,904	11,850
Other	133,490	196,250
<b>Total trade receivables, gross</b>	<b>3,180,660</b>	<b>3,118,691</b>

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 to final consumers will be recovered from the Romanian State through National Agency for Payments (domestic consumers) and Social Inspection and Ministry of Energy (non-household consumers).

***Electricity distribution and supply***

On 31 December 2023, the amounts estimated to be received from the Ministry of Energy for non-household consumers are 10,130 thousand RON (31 December 2022: 20,480 thousand RON) and from the National Agency for Payments and Social Inspection for household consumers are 36,496 thousand RON (31 December 2022: 21,043 thousand RON). The receivables are booked under the caption "Electricity distribution and supply".

***Grants to be received***

As at 31 December 2023, the estimated amount for subsidies to be received from the Ministry of Energy is RON 2,595,554 thousand (31 December 2022: RON 1,280,788 thousand) and from County Agency for

Payments and Social Inspection is RON 18,981 thousand. From the total amount of subsidies to be received, RON 1,528,679 thousand represent uncollected claims submitted to the state authorities and RON 1,085,856 thousand claims not yet submitted to the state authorities as at 31 December 2023.

According to the legal provisions and regulations adopted regarding the recovery of these subsidies, the amounts should be recovered within 40 days after submission of the required documentation to the National Agency for Payments and Social Inspection or the Ministry of Energy, as the case may be.

The amounts should be recovered within 40 days of submission of the required documentation to the National Agency for Payments and Social Inspection or the Ministry of Energy, as appropriate. Claims are recorded under the line "Electricity distribution and supply".

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables in the form of lifetime expected credit losses is as follows:

Lifetime expected credit losses	2023	2022
<b>Balance as at 1 January</b>	<b>652,689</b>	<b>980,858</b>
Loss allowance recognized	111,271	146,203
Decrease in loss allowance	(35,198)	(34,248)
Amounts written off	(88,544)	(440,124)
<b>Balance as at 31 December</b>	<b>640,218</b>	<b>652,689</b>

The aging of trade receivables is presented in Note 30.

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

A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Group will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. The amounts written-off in 2022 relates to Oltchim (please see Note 18 from prior year financial statements).

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 111,271 thousand.

## 19 Other receivables

	31 December 2023	31 December 2022
VAT receivable	12,762	13,024
Receivables from EU funds	45,194	13,932
Other receivables	56,103	120,777
Lifetime expected credit losses	(20,227)	(20,480)
<b>Total other receivables, net</b>	<b>93,832</b>	<b>127,253</b>

Other receivables include mainly guarantees from energy suppliers and receivables to be recovered from state authorities in respect to medical leave indemnities.



The reconciliation between the opening balances and the closing balances of the impairment for other receivables is as follows:

Loss allowance	2023	2022
<b>Balance as at 1 January</b>	20,480	20,124
Decrease in loss allowance	(253)	356
<b>Balance as at 31 December</b>	<b>20,227</b>	<b>20,480</b>

## 20 Cash and cash equivalents

	31 December 2023	31 December 2022
Bank current accounts	223,213	141,656
Call deposits	153,997	193,219
Cash in hand	5	12
<b>Total cash and cash equivalents in the consolidated statement of financial position</b>	<b>377,215</b>	<b>334,887</b>

In the context of the consolidated statement of cash flows, non-cash activity includes the netting of trade receivables and trade payables in the amount of RON 160,104 thousand in 2023 (31 December 2022: RON 53,106 thousand).

## 21 Inventories

As at 31 December 2023 and 31 December 2022, inventories are as follows:

	31 December 2023	31 December 2022
Spare parts	35,057	29,589
Consumables and other materials	50,060	53,527
Natural gas	25,536	23,319
Other inventories	13,692	17,004
Allowance for impairment of inventories	(8,686)	(9,467)
<b>Total inventories</b>	<b>115,659</b>	<b>113,972</b>

Inventories include mainly spare parts, consumables and the natural gas storage (applicable only for the supply subsidiary) that was set up according to ANRE's regulations. Spare parts refer mainly to items such as cables, conductors, sockets, switches which are used for the distribution network.

As at 31 December 2023, the remaining quantity of natural gas stored is of MWh 143,870 (31 December 2022: MWh 107,472), amounting to RON 25,536 thousand (31 December 2022: RON 23,319 thousand).

## 22 Property, plant and equipment

The movements in property, plant and equipment in 2023 and 2022 are as follows:

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
<b>Gross carrying amount</b>						
<b>Balance at 31 December 2021</b>	<b>252,798</b>	<b>202,557</b>	<b>91,801</b>	<b>96,950</b>	<b>29,188</b>	<b>673,297</b>
Reclassification of assets held for sale	1,024	4,115	-	-	-	5,139
<b>Balance at 1 January 2022</b>	<b>253,822</b>	<b>206,672</b>	<b>91,801</b>	<b>96,950</b>	<b>29,188</b>	<b>678,433</b>
Additions	1,179	-	1,977	804	5,475	9,435
Transfer from construction in progress	85	1,133	2,386	269	(3,778)	95
Disposals	(3,276)	(1,093)	(1,844)	(838)	(9)	(7,060)
Acquisition of subsidiary	25	-	-	-	3,875	3,900
<b>Balance at 31 December 2022</b>	<b>251,835</b>	<b>206,712</b>	<b>94,320</b>	<b>97,185</b>	<b>34,751</b>	<b>684,803</b>
Additions	763	936	239	371	21,872	24,181
Transfer from construction in progress	-	124	1,862	110	-	2,096
Disposals	(576)	-	(5,236)	(1,308)	(1,271)	(8,391)
Effect of revaluation recognised in other comprehensive income	46,999	38,511	-	-	-	85,510
Effect of revaluation recognised in profit or loss	2,462	(381)	-	-	-	2,081
Decrease in gross value through reversal of accumulated depreciation	-	(23,907)	-	-	-	(23,907)
<b>Balance at 31 December 2023</b>	<b>301,483</b>	<b>221,995</b>	<b>91,185</b>	<b>96,358</b>	<b>55,352</b>	<b>766,373</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 January 2022</b>	<b>-</b>	<b>13,478</b>	<b>44,588</b>	<b>91,175</b>	<b>18,634</b>	<b>167,875</b>
Depreciation	-	8,022	7,378	4,515	-	19,915
Accumulated depreciation of disposals	-	-	(1,778)	(594)	-	(2,372)
Impairment loss	-	(5)	-	-	-	(5)
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>21,495</b>	<b>50,188</b>	<b>95,096</b>	<b>18,634</b>	<b>185,413</b>
Depreciation	-	7,450	6,499	2,442	-	16,391
Accumulated depreciation of disposals	-	-	(5,375)	(1,635)	-	(7,010)
Cancellation of accumulated depreciation	-	(23,416)	-	-	-	(23,416)
<b>Balance at 31 December 2023</b>	<b>-</b>	<b>5,529</b>	<b>51,312</b>	<b>95,903</b>	<b>18,634</b>	<b>171,378</b>

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
<b>Net carrying amounts</b>						
<b>At 1 January 2022</b>	252,798	189,079	47,213	5,775	10,554	505,419
<b>At 31 December 2022</b>	251,835	185,217	44,132	2,089	16,117	499,390
<b>At 31 December 2023</b>	301,483	216,466	39,873	455	36,718	594,994

Tangible assets include mainly land, buildings and equipment.

As at 31 December 2023, the Group carried out a revaluation to fair value of property, plant and equipment consisting of land, land improvements and buildings. The revaluation was carried out by an independent chartered valuer Darian DRS S.A.

As a result of the revaluation, the gain recorded in the Consolidated Statement of Comprehensive Income was RON 85,510 thousand and the gain recorded in the Consolidated Statement of Profit or Loss was RON 2,081 thousand.

#### **Measurement of fair value**

The Group's land, land improvements and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's land, land improvements and buildings as at 31 December 2023 were performed by Darian DRS S.A., an independent valuer not related to the Group. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

There were no significant changes to the valuation technique in the period between the current revaluation performed on 31 December 2023 and the previous one performed on 31 December 2020.

The following table shows the valuation techniques used in measuring fair values (Level 3), as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Land and land improvements</b>	<p><i>Market approach</i></p> <p>The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties and best use). The market price is mainly based on recent transactions.</p>	<ul style="list-style-type: none"> <li>Adjustment for liquidity, location, size.</li> </ul>	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> <li>Adjustment for liquidity, location or size would be lower/ (higher)</li> </ul>
<b>Buildings</b>	<p>Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information:</p> <p><i>The income approach:</i></p> <p>The income approach is based on the determination of the reproducible annual flow, derived from the rental of the property and a determination of the capitalization rate and implicitly the multiplier factor.</p> <p><i>Market approach</i></p> <p>The market approach is based on the selling price per square meter for buildings with similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use), adjusted for liquidity, location, size etc.</p> <p><i>The cost approach</i></p> <p>It was applied for fixed assets where it was not possible to apply the market or income approach, as is the case with rural housing. The cost approach assumes that the maximum value of a good for an informed buyer is the amount needed to buy or build a new good with equivalent utility. When the good is not new, all the forms of depreciation that can be attributed to the good must be deducted (deducted) from the current new cost, until the evaluation date.</p>	<ul style="list-style-type: none"> <li>Adjustment for liquidity, location, size.</li> </ul> <p><i>Office space rent</i></p> <ul style="list-style-type: none"> <li>Occupancy rates (between 85% and 90%)</li> <li>Capitalisation rates (between 7% and 8%)</li> <li>Annual rent per sqm (between 15 and 20 EUR/sqm), depending on location;</li> </ul> <p><i>Commercial space rent</i></p> <ul style="list-style-type: none"> <li>Occupancy rates (between 80% and 90%)</li> <li>Capitalisation rates (between 7% and 8%)</li> <li>Annual rent per sqm (between 10 and 60 EUR/sqm), depending on location</li> </ul>	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> <li>Adjustment for liquidity, location or size would be lower/ (higher)</li> <li>Occupancy rates were higher/ (lower)</li> <li>Yield rates were lower/ (higher)</li> <li>Annual rent per sqm was higher/ (lower)</li> </ul>

## 23 Intangible assets

Intangible assets include mainly intangible assets related to distribution service concession agreements recorded in accordance with IFRIC 12 "Service Concession Arrangements", as well as licenses and costs of SAP ERP implementation, customer management and billing system and other software, as follows:

	Intangible assets related to concession agreements	Intangible assets from capitalization	Software and licenses	Intangible assets in progress	Total
<b>Gross book value</b>					
<b>Balance at 1 January 2022</b>	<b>10,132,347</b>	<b>-</b>	<b>193,401</b>	<b>1,909</b>	<b>10,327,657</b>
Additions	611,294	989,291	7,694	140	1,608,419
Transfers from intangible assets in progress	-	-	2	(2)	-
Disposals	-	-	(1,006)	-	(1,006)
<b>Balance at 31 December 2022</b>	<b>10,743,641</b>	<b>989,291</b>	<b>200,091</b>	<b>2,047</b>	<b>11,935,070</b>
Additions	1,018,912	18,617	20,759	994	1,059,282
Transfers from tangible assets in progress	-	-	680	(680)	-
Disposals	-	-	(11,106)	-	(11,106)
<b>Balance at 31 December 2023</b>	<b>11,762,553</b>	<b>1,007,908</b>	<b>210,424</b>	<b>2,361</b>	<b>12,983,246</b>
<b>Accumulated amortization and impairment losses</b>					
<b>Balance at 1 January 2022</b>	<b>4,617,790</b>	<b>-</b>	<b>186,327</b>	<b>-</b>	<b>4,804,117</b>
Amortization	449,987	37,734	3,960	-	491,681
Accumulated amortization of disposals	-	-	(1,005)	-	(1,005)
<b>Balance at 31 December 2022</b>	<b>5,067,777</b>	<b>37,734</b>	<b>189,282</b>	<b>-</b>	<b>5,294,793</b>
Amortization	474,246	199,240	6,171	-	679,657
Accumulated amortization of disposals	-	-	(10,490)	-	(10,490)
<b>Balance at 31 December 2023</b>	<b>5,542,023</b>	<b>236,959</b>	<b>184,963</b>	<b>-</b>	<b>5,963,960</b>
<b>Net carrying amounts</b>					
<b>At 1 January 2022</b>	<b>5,514,557</b>	<b>-</b>	<b>7,074</b>	<b>1,909</b>	<b>5,523,540</b>
<b>At 31 December 2022</b>	<b>5,675,864</b>	<b>951,557</b>	<b>10,809</b>	<b>2,047</b>	<b>6,640,277</b>
<b>At 31 December 2023</b>	<b>6,220,530</b>	<b>770,934</b>	<b>25,461</b>	<b>2,361</b>	<b>7,019,286</b>

The Group applies IFRIC 12 for the accounting of the transactions under these concession contracts. (See further details in Notes 4, 6(d) and 6(i)).

For the year ended 31 December 2023, the Group has recognized construction revenue related to the concession agreements of RON 1,018,912 thousand (2022: RON 611,294 thousand) and construction costs of RON 976,436 thousand (2022: RON 593,490 thousand).

The main information related to the current concession contracts agreements and the intangible assets amounts recognized for each network distribution area is summarized below:

Network distribution areas	Contract date	Concession period (years)	Contract expiry date	Concession period remaining (years)	Renewal option	Net carrying amount at 31 December 2023	Net carrying amount at 31 December 2022
Muntenia Nord area	2005	49	2054	33	Yes	2,197,712	1,968,811
Transilvania Nord area	2005	49	2054	33	Yes	2,007,855	1,890,409
Transilvania Sud area	2005	49	2054	33	Yes	2,014,963	1,816,644
<b>Total</b>						<b>6,220,530</b>	<b>5,675,864</b>

The concession contracts can be prolonged for a period up to half of the initial established period of 49 years.

The investments in relation to the development and modernization of the infrastructure incurred in 2023 refers mainly to:

- Modernization of the current transformer points and stations, current underground and overhead power lines in amount of RON 484,220 thousand (2022: RON 139,487 thousand);
- Investments related to improvements for electricity distribution network in amount of RON 81,660 thousand (2022: RON 79,132 thousand).
- Significant construction works of new transformer stations, new underground and overhead power lines in amount of 2023: RON 144,980 thousand (2022: RON 148,404 thousand);
- Acquisition of own car fleet, including utilities vehicles and specialized vehicles in amount of RON 0 thousand; (2022: RON 58,256 thousand);
- Modernization and inclusion in SCADA (which is an automatic control system which monitors the equipment) of transformers points and stations, in amount of RON 24,880 thousand (2022: RON 164 thousand);

During 2022 and 2023, the additional expenses for actual energy costs as compared with the ex-ante ANRE prices recognised in distribution tariffs are capitalised as intangible assets. These costs will be recuperated in tariffs in 5 years.

The capitalised costs with own technological consumption are recognized for each network distribution area, the first asset being recorded on 30 September 2022 and the second one on 31 December 2022, is summarized below:

Network distribution areas	Intangible asset 01 Jan–30 Sep 2022 (gross value)	Intangible asset 01 Oct–31 Dec 2022 (gross value)	Amortisation during 2022	Net carrying amount at 31 December 2022
Muntenia Nord area	302,413	87,321	15,121	374,613
Transilvania Nord area	258,513	84,342	12,919	329,937
Transilvania Sud area	193,881	62,820	9,694	247,007
<b>Total</b>	<b>754,807</b>	<b>234,483</b>	<b>37,734</b>	<b>951,557</b>

During 2023, capitalized costs with own technological consumption were RON 18,617 thousand, related to the Muntenia Nord distribution area, as shown in the table below:

Network distribution areas	Net carrying amount at 31 December 2022	Intangible asset 01 Oct-31 Dec 2023 (gross value)	Amortisation during 2023	Net carrying amount at 31 December 2023
Muntenia Nord area	374,613	18,617	78,045	315,185
Transilvania Nord area	329,937	-	65,965	263,972
Transilvania Sud area	247,007	-	55,230	191,777
<b>Total</b>	<b>951,557</b>	<b>18,617</b>	<b>199,240</b>	<b>770,934</b>

## 24 Investments in associates

On 28 July 2021 and on 7 December 2021, Electrica SA concluded four agreements for the sale-purchase of shares in four project companies having as main activity the production of electricity from renewable sources. The sale-purchase agreements concluded, mention the fact that in the first stage the Group acquires 30% of the share capital of the four companies, remaining that in the following stages, to acquire the remaining 70% of the share capital after the conditions provided in the sale-purchase agreements will be fulfilled. By the end of 31 December 2023, three of the project companies were acquired by at least 60% (please see Note 1), therefore they are accounted as subsidiaries, the other one is as follows:

- **Crucea Power Park SRL.** develops the wind project „Crucea Est”, with a projected installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea area, Constanta County. The estimated purchase price for the „Crucea Est” wind project is 70 thousand EUR/MW for the aforementioned capacity, totalling the amount of 8,470 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 2,541 thousand representing 30% of the project value, respectively 30% of the shares of Crucea Power Park SRL. On 15 May 2023, Electrica acquired a further 10% of the shares and voting interests in Crucea Power Park S.R.L. As a result, the Group’s shareholding increased from 30% to 40%.

Considering the holding percentage of 40%, as at 31 December 2023, the entity is accounted for using the equity method in these consolidated financial statements as provided in the Group’s accounting policies in Note 6.

The cost of the investments at acquisition date, totalling the amount of RON 12,500 thousand, is detailed as follows:

	Crucea Power Park S.R.L.
Acquisition date	31.07.2021
Percentage ownership and voting rights at acquisition date	30%
Net assets at acquisition date	(242)
Group’s share of net assets	(73)
Goodwill	12,573
<b>Cost of investment at acquisition date</b>	<b>12,500</b>

Summarised financial information in respect of the Group's associate is set out below:

	<b>Crucea Power Park S.R.L. 31.12.2023</b>
<i>Non-current assets</i>	9,199
<i>Current assets</i>	1,187
<i>Non-current liabilities</i>	(10,376)
<i>Current liabilities</i>	(45)
<b>Net assets</b>	<b>(36)</b>
<b>Reconciliation to carrying amounts:</b>	
Opening net assets at acquisition date	(246)
Additions net assets/liabilities	293
Loss for the period	(83)
<b>Closing net assets 31.12.2023</b>	<b>(36)</b>

Reconciliation of the financial information summarized above with the net accounting value of the participation in the associated entity recognized in the consolidated financial statements:

	<b>Crucea Power Park S.R.L.</b>
<b>Closing net assets of associates 31.12.2023</b>	<b>(36)</b>
<i>Group's share in associates %</i>	40%
<b>Group's share of net assets as at 31.12.2023</b>	<b>(14)</b>
Goodwill	16,652
<b>Carrying amount of interest in associate 31.12.2023</b>	<b>16,638</b>

The share loss in amount of RON 39 thousand for the period was recognized in the consolidated statement of profit and loss for the year ended as at 31 December 2023.

## 25 Capital and reserves

### (a) Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2023 (31 December 2022: 346,443,597) with a nominal value of RON 10 per share. As of 4 July 2014, after the Initial Public Offering ("IPO"), the Company's shares are listed on the Bucharest Stock Exchange and the Global Depository Receipts are listed on the London Stock Exchange.

The shares owned by the Company's shareholders that are traded on the London Stock Exchange are the global depository receipts (GDRs). A global depository receipt represents four shares. The Bank of New York Mellon is the depository bank for these securities. The GDRs' weight in Electrica's total share capital diminished following the Initial Public Offering, reaching a level of 0.7842% at the end of 2021 as compared to 10.17% at 4 July 2014.



The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share in the shareholders' meetings of the Company, except for the 6,890,593 treasury shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equally and confer equal rights to the net assets of the Company's, except for treasury shares.

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders.

The share premium resulted at IPO was RON 171,128 thousand. The transaction costs of RON 68,079 thousand were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in kind and in cash contribution, with the amount of RON 5,037 thousand, from the amount of RON 3,459,399 thousand to the amount of RON 3,464,436 thousand, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering were in amount of RON 964 thousand. Also, the Company recorded gains referring to share issue of RON 2,186 thousand, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

#### **(b) Treasury shares reserve**

In July 2014, the Company purchased 5,206,593 ordinary shares and 421,000 Global Depositary Receipts, equivalent to 1,684,000 shares (totalling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depositary Receipts was RON 75,372 thousand.

#### **(c) Revaluation reserve**

The reconciliation between opening and closing balance of revaluation reserve is as follows:

	2023	2022
<b>Balance at 1 January</b>	<b>92,117</b>	<b>102,829</b>
Revaluation reserve for tangible fixed assets	85,510	-
Deferred tax relating to the revaluation reserve	(13,699)	-
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(4,392)	(10,712)
<b>Balance as at 31 December</b>	<b>159,536</b>	<b>92,117</b>

As at 31 December 2023, the Group has revalued its land, land improvements and buildings to fair value. The previous revaluation was carried out on 31 December 2020 (see note 22).

**(d) Legal reserves**

Legal reserves are set up as 5% of the gross profit for the year in the statutory individual financial statements of the companies within the Group, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

	<b>Legal reserves</b>
<b>Balance at 1 January 2022</b>	<b>408,405</b>
Set-up of legal reserves	21,178
<b>Balance at 31 December 2022</b>	<b>429,583</b>
Set-up of legal reserves	19,780
<b>Balance at 31 December 2023</b>	<b>449,363</b>

**(e) Dividends**

Romanian companies may distribute dividends from statutory profits, according to the separate financial statements prepared in accordance with Romanian accounting regulations.

The dividends declared by the Company in 2023 and 2022 (from the statutory profits of previous years) are as follows:

	<b>Distribution of dividends</b>	
	<b>2023</b>	<b>2022</b>
To the owners of the Company	39,999	152,799
<b>Total</b>	<b>39,999</b>	<b>152,799</b>

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). When calculating the dividend per share, the Company's repurchased own shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 39,999 thousand (2022: RON 152,799 thousand), the dividends paid were of RON 39,894 thousand (2022: RON 152,447 thousand) the remaining difference represents dividends uncollected by the shareholders.

**26 Trade payables**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Electricity suppliers	1,005,761	970,815
Capital expenditure suppliers	453,014	243,715
Other suppliers	212,703	192,567
<b>Total</b>	<b>1,671,478</b>	<b>1,407,097</b>

Electricity suppliers are mainly state-owned electricity producers, as detailed in Note 31, but also other participants to the electricity market.

Other suppliers include suppliers of services, materials, consumables, etc.

## 27 Other payables

	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
VAT payable	588,814	-	565,075	-
Liabilities towards the State	33,372	-	11,733	-
Other liabilities	412,898	37,161	290,728	72,432
<b>Total</b>	<b>1,035,084</b>	<b>37,161</b>	<b>867,536</b>	<b>72,432</b>

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

## 28 Provisions

	Tax related	Other	Total
<b>Balance at 1 January 2023</b>	1,084	52,617	53,701
Provisions recognized	-	7,924	7,924
Provisions utilised	-	(229)	(229)
Provisions reversed	-	(20,229)	(20,229)
<b>Balance at 31 December 2023</b>	<b>1,084</b>	<b>40,083</b>	<b>41,167</b>

As at 31 December 2023, provisions refer mainly to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause amounting to RON 710 thousand (31 December 2022: RON 1,839 thousand) and for various claims and litigations involving the Group companies in amount of RON 40,457 thousand (31 December 2022: RON 51,862 thousand) of which the most significant was for the distribution segment amounting to RON 24,345 thousand for a dispute with ANCOM.

For the supply segment, starting with July 2022, from the amendment of the Performance Standard 82/2021, the compensations are calculated daily or weekly and paid to the customers. Thus, for the provision recognised until 31 December 2022, amounting to RON 11,020 thousand, a reversal of RON 8,770 thousand was recorded during 2023 and an additional provision of RON 1,482 thousand was set up for the period January–December 2023.

## 29 Bank borrowings and overdrafts

Drawings and repayments of borrowings during the year ended 31 December 2023 were as follows:

	Currency	Interest rate	Maturity year	Amount (RON thousand)
<b>Balance at 1 January 2023</b>				<b>760,713</b>
<b>Drawings of borrowings during the period,</b> out of which:				
EBRD	RON	Floating rate (2.1% + interbank rate + ROBOR spread)	2028	180,000
Exim Bank Romania	RON	ROBOR 3M+1.65%	2024	245,890
Vista Bank	RON	ROBOR 3M+2.95%	2024	25,000
CEC Bank	RON	ROBOR 3M+2.85%	2026	200,000
ERSTE Group Bank and Raiffeisen Bank	RON	ROBOR 3M +1.16%	2024	91,768
<b>Total drawings</b>				<b>742,658</b>
Accumulated interest				11,125
Payment of interest out of which paid in 2022				(9,124)
<b>Reimbursements, out of which:</b>				<b>187,730</b>
BRD	RON	3.99%	2026	20,800
BRD	RON	3.85%	2028	14,286
BRD	RON	3.85%	2028	11,425
Banca Transilvania	RON	4.59%	2027	17,857
Unicredit Bank	RON	3.85%	2026	9,600
BCR	RON	ROBOR 3M+1%	2028	18,950
EBRD	RON	Floating rate (1.15% + interbank rate + ROBOR spread)	2031	11,478
Exim Bank Romania	RON	ROBOR 3M+1.65%	2024	83,334
<b>Balance at 31 December 2023</b>				<b>1,317,642</b>

As at 31 December 2023, respectively 31 December 2022, the bank borrowings is as follows:

Lender	Borrower	Balance at 31 December 2023	Balance at 31 December 2022
Banca Transilvania	Distributie Energie Electrica Romania (formerly SDEE Transilvania Sud S.A.)	62,508	80,367
UniCredit Bank	Distributie Energie Electrica Romania (formerly SDEE Transilvania Nord S.A.)	29,103	38,793
BRD	Distributie Energie Electrica Romania (formerly SDEE Muntenia Nord S.A.)	62,400	83,200
BRD	Distributie Energie Electrica Romania (formerly SDEE Transilvania Nord S.A.)	64,286	78,571
BRD	Distributie Energie Electrica Romania (formerly SDEE Transilvania Sud S.A.)	51,467	62,904

Lender	Borrower	Balance at 31 December 2023	Balance at 31 December 2022
BCR	Distributie Energie Electrica Romania (formerly SDEE Muntenia Nord S.A.)	90,542	109,785
EBRD	Distributie Energie Electrica Romania	189,971	202,983
EBRD	Distributie Energie Electrica Romania	182,773	-
CEC Bank	Electrica Furnizare S.A.	200,000	-
Exim Bank Romania	Distributie Energie Electrica Romania	167,825	4,110
Vista Bank	Societatea Energetica Electrica S.A.	125,000	100,000
ERSTE Group Bank and Raiffeisen Bank	Societatea Energetica Electrica S.A.	91,768	-
<b>Total</b>		<b>1,317,642</b>	<b>760,713</b>
Less: current portion of the long-term bank borrowings		(512,169)	(104,400)
Less: accumulated interest		(11,125)	(9,120)
<b>Total long-term borrowings, net of current portion</b>		<b>794,348</b>	<b>647,193</b>

### **Bank Borrowings description:**

#### *a) Investment loan granted by Banca Transilvania*

On 18 July 2019, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with Banca Transilvania an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 125,000 thousand; Interest rate: fixed, 4.59% per annum; Reimbursements: quarterly instalments until 30.06.2027; Grace period: 12 months. As at 31 December 2023, the outstanding balance is of RON 62,508 thousand, of which RON 62,500 thousand principal and RON 8 thousand accrued interest. (Outstanding balance as at 31 December 2022: RON 80,367 thousand).

#### *b) Investment loan granted by Unicredit Bank*

On 13 November 2019, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with Unicredit Bank an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum

loan amount: RON 60,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 13.11.2026; Grace period: 12 months. As at 31 December 2023, the outstanding balance is of RON 29,103 thousand, of which RON 28,800 thousand principal and RON 303 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 31 December 2023, the outstanding balance is of RON 62,400 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 Distribuție a Energiei Electrice Transilvania Nord S.A., currently Distribuție Energie Electrica Romania S.A., as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 100,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2023, the outstanding balance is of RON 64,286 thousand. (Outstanding balance as at 31 December 2022: RON 78,571 thousand).

e) *Investment loan granted by BRD – Groupe Societe Generale*

On 25 June 2020, Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A., currently Distribuție Energie Electrica Romania S.A. as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 80,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2023, the outstanding balance is RON 51,467 thousand, of which RON 51,429 thousand principal and RON 39 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 Distribuție a Energiei Electrica Muntenia Nord S.A., currently Distribuție 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

anum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2023, the outstanding balance is RON 90,542 thousand, of which RON 90,011 thousand principal and RON 531 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 ("EBRD")*

On 2 July 2021, Societatea de Distribuție Energie Electrica Romania SA, as a borrower, concluded with the European Bank for Reconstruction and Development a credit agreement for investments in order to finance investments in the electricity distribution network according to the 2021–2023 investment plan. The main provisions are: The maximum value of the loan RON 195,136 thousand; Interest rate: agreed individually for each tranche drawn; Repayments: 17 half-yearly instalments until 31.07.2031; Grace period: 24 months. As at 31 December 2023, the outstanding balance is RON 189,970 thousand, of which RON 183,657 thousand principal and RON 6,313 thousand accrued interest. The loan agreement is guaranteed by Electrica SA. (Outstanding balance as at 31 December 2022: RON 202,983 thousand).

h) *Investment loan granted by the European Investment Bank ("EIB")*

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 210,000 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 31 December 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 ("EIB")*

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 210,000 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 31 December 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 31 December 2023, the outstanding balance is RON 167,825 thousand. The loan benefits from a guarantee in the name and account of the state and is guaranteed by Electrica SA. (Outstanding balance as at 31 December 2022: RON 4,110 thousand).

*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 31 December 2023, the balance of the loan is 125,000 thousand RON. (Outstanding balance as at 31 December 2022: RON 100,000 thousand).

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

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. Maximum credit amount: 180,000 thousand RON; Interest rate: ROBOR 3M + 2.10%. As at 19 December 2023, the value of the loan increased to 240,000 thousand RON. As at 31 December 2023, the outstanding balance is RON 182,775 thousand, of which RON 180,000 thousand principal and RON 2,775 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 31 December 2023, the outstanding balance is RON 200,000 thousand. The loan agreement is guaranteed by Electrica SA.

*n) Syndicated credit facility granted by Erste Group Bank AG and Raiffeisen Bank SA*

On 2 November 2021, Electrica S.A., as borrower, entered into a syndicated credit facility with Erste Group Bank AG and Raiffeisen Bank SA. The main provisions are: Maximum loan amount RON 750,000 thousand; Interest rate: ROBOR 3M+1.16%. On 3 November 2023 the loan was extended for a period of one year and the maximum loan amount was reduced to RON 450,000,000. As at 31 December 2023 the balance of the loan is RON 91,768 thousand, of which principal RON 91,768 thousand and accrued interest RON 619 thousand (31 December 2022: RON 0.0 thousand).

### **Overdrafts**

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

The overdraft facilities are used for financing activities. The outstanding balance of the overdraft facilities as at 31 December 2023 is of RON 2,851,221 thousand (31 December 2022: RON 2,571,037 thousand).

<b>Lender (overdrafts)</b>	<b>Borrower</b>	<b>Balance at 31 December 2023</b>	<b>Balance at 31 December 2022</b>
ING Bank N.V	Societatea Energetica Electrica S.A.	206,986	209,138
Alpha Bank	Electrica Furnizare S.A.	213,702	147,497
BCR	Electrica Furnizare S.A.	378,887	227,311
BRD	Electrica Furnizare S.A.	218,817	216,570
Banca Transilvania	Electrica Furnizare S.A.	187,194	185,528
ING Bank N.V	Electrica Furnizare S.A.	170,602	169,600
Raiffeisen Bank	Electrica Furnizare S.A.	369,274	343,001
UniCredit Bank	Electrica Furnizare S.A.	302,399	300,294
BNP Paribas	Electrica Furnizare S.A.	28,830	-
BCR	Distributie Energie Electrica Romania S.A	210,593	208,412
Banca Transilvania	Distributie Energie Electrica Romania S.A	159,544	158,965
ING Bank N.V	Distributie Energie Electrica Romania S.A	49,682	49,855
Intesa San Paolo	Distributie Energie Electrica Romania S.A	135,815	135,096
Raiffeisen Bank	Distributie Energie Electrica Romania S.A	218,895	219,770
<b>Total overdrafts</b>		<b>2,851,221</b>	<b>2,571,037</b>

### **Financial Covenants**

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

### **Pledged Assets**

On 31 December 2023, for several overdrafts the Group has pledges (guarantees) for trade receivables amounts, as specified on contracts.

### **Bank Guarantees**

The maximum limit of the facility for issuing bank guarantees (credit facility for issuing guarantee instruments and multi-product lines) RON 3,110,456 thousand, of which non-cash uses RON 1,104,986 thousand.



## 30 Financial instruments – fair values and risk management

### (a) Accounting classifications and fair values

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

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

### (b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These risks are further explained and detailed.

#### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, restricted cash and bank deposits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Group had a high credit risk mainly from State-owned companies.

Cash and bank deposits are placed in financial institutions which are considered to have low risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

#### **Trade receivables**

The Group's credit risk in respect of receivables was concentrated in the past around state-controlled companies and in the recent years refers to clients that are facing financial difficulties in their industries due to specific changes in circumstances in their industry sector. The Group has implemented a policy on credit risk management and is also considering securing trade receivables. Also, the electricity supply contracts include termination clauses in certain circumstances.

The Group establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rate.

## Impairment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2023:

31 December 2023					
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	2,229,339	(35,330)	2,194,009	No
Past due 1-30 days	7%	255,100	(16,875)	238,225	No
Past due 31-60 days	14%	47,635	(6,670)	40,965	No
Past due 61-90 days	37%	25,927	(9,640)	16,287	No
Past due more than 90 days	92%	622,659	(571,703)	50,956	Yes
<b>Total</b>		<b>3,180,660</b>	<b>(640,218)</b>	<b>2,540,442</b>	

The Group performed a sensitivity analysis and a 5% increase in the expected credit loss rates would not lead a material impact on the results of the Group.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2022:

31 December 2022					
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	3%	1,951,656	(60,310)	1,891,346	No
Past due 1-30 days	4%	490,985	(19,342)	471,643	No
Past due 31-60 days	16%	66,365	(10,488)	55,877	No
Past due 61-90 days	35%	27,259	(9,671)	17,588	No
Past due more than 90 days	95%	582,426	(552,878)	29,548	Yes
<b>Total</b>		<b>3,118,691</b>	<b>(652,689)</b>	<b>2,466,002</b>	

Details of the main movements in the allowances for doubtful debts are disclosed in Note 18.

## (ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts (refer to Note 29).

**Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

Financial liabilities	Carrying amount	Total	Contractual cash flows			
			less than 1 year	1-2 years	2-5 years	more than 5 years
<b>31 December 2023</b>						
Bank overdrafts	2,851,221	2,851,221	2,851,221	-	-	-
Lease liability	43,195	43,195	14,052	9,920	3,980	15,243
Long term bank borrowings	1,317,642	1,317,642	523,294	258,923	475,905	59,520
Trade payables	1,671,478	1,671,478	1,671,478	-	-	-
<b>Total</b>	<b>5,883,536</b>	<b>5,883,536</b>	<b>5,060,045</b>	<b>268,843</b>	<b>479,885</b>	<b>74,763</b>
<b>31 December 2022</b>						
Bank overdrafts	2,571,037	2,571,037	2,571,037	-	-	-
Lease liability	53,673	53,673	19,211	10,795	10,645	13,022
Long-term bank borrowings	760,713	760,713	113,520	354,471	200,505	92,217
Trade payables	1,407,097	1,407,097	1,407,097	-	-	-
<b>Total</b>	<b>4,792,520</b>	<b>4,792,520</b>	<b>4,110,865</b>	<b>365,266</b>	<b>211,150</b>	<b>105,239</b>

**(iii) Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency risk**

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is RON. Certain liabilities are denominated in foreign currency (EUR). The Group also has deposits and bank accounts denominated in foreign currency (EUR). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

### Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk is as follows:

	31 December 2023	31 December 2022
<b>in thousands of RON</b>	denominated in EUR	denominated in EUR
Cash and cash equivalents	347	277
Lease liability	(42,231)	(21,004)
<b>Net statement of financial position exposure</b>	<b>(41,844)</b>	<b>(20,727)</b>

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
	2023	2022	2023	2022
RON				
EUR 1	4.9465	4.9315	4.9746	4.9474

### Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect	Profit before tax	
	Strengthening	Weakening
<b>31 December 2023</b>		
EUR (5% movement)	(2,092)	2,092
<b>31 December 2022</b>		
EUR (5% movement)	(1,036)	1,036

### Interest rate risk

For financing purposes, the Group uses both medium and long-term bank loans and short-term loans in the form of overdraft facilities (please see Note 29).

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings (please see Note 29), as the long-term borrowings are contracted mainly at fixed rates, while the overdraft facilities bear variable rates. The Group does not have in place hedging contracts for interest rate.

The Groups exposures to interest rates on financial assets and financial liabilities are detailed below. The Group is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market.

*Exposure to interest rate risk*

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 December 2023	31 December 2022
<b>Fixed-rate instruments</b>		
<b>Financial assets</b>		
Call deposits	153,997	193,219
<b>Financial liabilities</b>		
Long-term bank borrowings	(1,068,912)	(651,752)
Lease liability	(32,312)	(37,378)
<b>Total</b>	<b>(947,227)</b>	<b>(495,911)</b>
<b>Variable-rate instruments</b>		
<b>Financial liabilities</b>		
Lease liability	(10,883)	(16,295)
Long-term bank borrowings	(248,730)	(108,961)
Bank overdrafts	(2,851,221)	(2,571,037)
<b>Total</b>	<b>(3,110,834)</b>	<b>(2,696,293)</b>

*Fair value sensitivity analysis for fixed-rate instruments*

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable-rate instruments*

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	50 bp decrease
<b>31 December 2023</b>		
Variable-rate instruments	(15,554)	15,554
<b>31 December 2022</b>		
Variable-rate instruments	(13,481)	13,481

### 31 Related parties

#### (a) Main shareholders

As at 31 December 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 a share of ownership of 48.79% from the share capital.

#### (b) Management and administrators' compensation

	2023	2022
<b>Executive Management compensation</b>	36,623	34,726

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:

	2023	2022
<b>Members of Board of Directors</b>	4,151	3,063

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Meeting of Shareholders that took place on 20 April 2022, the annual number of paid sessions is limited to twelve for Board of Directors meetings and to six for each of the committees. Additional committee meetings can be organized only in exceptional situations, upon the Chairs' committee decision, who are responsible to efficiently organize the agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.

No loans were granted to directors or administrators in 2023 and 2022.

#### (c) Transactions with companies in which the state has control or significant influence

The Group has transactions with companies in which the State has control or significant influence in the ordinary course of business, related mainly to the acquisition of electricity, transport and system services and sale of electricity. Significant purchases and balances are mainly with energy producers/suppliers, as follows:

Supplier	Purchases (without VAT)		Balance (including VAT)	
	2023	2022	31 December 2023	31 December 2022
OPCOM	2,879,757	2,727,101	212,746	23,981
Transelectrica	671,172	968,470	170,242	185,856
Nuclearelectrica	799,117	866,763	107,671	93,013
Hidroelectrica	44,631	581,598	37	42,493
Complexul Energetic Oltenia	1,107,474	478,813	132,693	45,257
OMV Petrom SA	-	261,123	-	26,349
SNGN Romgaz SA	52,689	197,490	9,081	7,445

Supplier	Purchases (without VAT)		Balance (including VAT)	
	2023	2022	31 December 2023	31 December 2022
Electrocentrale Bucuresti	-	191,862	-	-
ANRE	16,763	10,458	12	14
Transgaz	7,638	8,029	1,850	986
Others	5,945	7,768	1,513	1,168
<b>Total</b>	<b>5,585,186</b>	<b>6,299,475</b>	<b>635,845</b>	<b>426,562</b>

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

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2023		31 December 2023	
OPCOM	37,429	2,174	-	2,174
Transelectrica	157,861	44,220	-	44,220
C.N.C.F CFR S.A.	114,009	33,841	5	33,836
SNGN Romgaz SA	32,762	-	-	-
Hidroelectrica	288,923	32,882	-	32,882
CN Romarm	25,158	4,279	-	4,279
CFR Electrificare	19,043	2,347	-	2,347
Transgaz	1,684	544	-	544
CN Remin SA	923	71,347	71,216	131
C.N.C.A.F MINVEST SA	-	26,802	26,802	-
Oltchim	-	115,426	115,426	-
CET Braila	14	3,378	3,361	17
Termoelectrica	-	1,206	1,206	-
County Agency for Payments and Social Inspection	18,981	18,981	-	18,981
Ministry of Energy/ National Agency for Payments and Social Inspection	3,287,858	2,605,684	-	2,605,684
Others	211,691	9,173	364	8,809
<b>Total</b>	<b>4,196,336</b>	<b>3,008,780</b>	<b>218,380</b>	<b>2,790,400</b>

(\*) In the 12-month period ended 31 December 2023, Electrica Furnizare S.A. recognised subsidies amounting to RON 3,306,839 thousand, to be received from the Ministry of Energy/National Agency for Payments and Social Inspection, as a result of the application of the price cap mechanism for electricity and natural gas according to the legislation in force.

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	2022		31 December 2022	
OPCOM	326,640	22,630	-	22,630
Transelectrica	314,253	112,754	-	112,754
SNGN Romgaz SA	86,353	2,253	9	2,245
Hidroelectrica	68,716	16,429	-	16,429
CN Romarm	17,386	648	-	648
CFR Electrificare	10,332	2,089	-	2,089
Transgaz	11,580	764	-	764
CN Remin SA	704	71,279	71,148	132
C.N.C.A.F MINVEST SA	-	26,802	26,802	-
Oltchim	-	115,943	115,943	-
CET Braila	5	3,365	3,361	3
Termoelectrica	-	1,206	1,206	-
Ministry of Energy/ National Agency for Payments and Social Inspection	2,687,131	1,322,311	-	1,322,311
Others	127,686	11,277	522	10,754
<b>Total</b>	<b>3,650,786</b>	<b>1,709,750</b>	<b>218,991</b>	<b>1,490,759</b>

## 32 Contingencies

### Contingent liabilities

#### Fiscal environment

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

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

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



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

The subsidiary SDEE Muntenia Nord S.A. (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 building taxes paid for the period 2012–2016. The tax audit was finalized in December 2019, when the fiscal inspection report was communicated to the subsidiary. The fiscal report established additional payment obligations for the subsidiary representing building tax for the period 01.01.2012–31.12.2015 in the total amount of RON 24,831 thousand, of which principal in amount of RON 12,051 thousand and related late penalties computed as of October 2019, in amount of RON 12,780 thousand. The amount of late charges was recalculated to RON 13,021 thousand between the tax inspection report date and principal debt payment date. Litigious actions were started in order to challenge the tax inspection report.

The Group recognised an expense in amount of RON 12,051 thousand during the year ended 31 December 2019 in accordance with IFRIC 23 „*Uncertainty over Income Tax Treatments*”. At the same time, for the late penalties in the amount of RON 13,021 thousand, a letter of bank guarantee was established in the amount of RON 13,021 thousand valid until 14 August 2024, in order to mitigate the associated risks.

**Other litigations and claims**

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

As summarised in Note 28, the Group set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

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

**33 Commitments****(a) Contractual commitments**

Contractual commitments as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Purchase of electricity	707,797	802,252
Purchase of green certificates	172,979	129,246
Purchase of property, plant and equipment and intangible assets	626,617	446,937
Purchase of investments	45,122	289,636
<b>Total</b>	<b>1,552,515</b>	<b>1,668,071</b>

**(b) Investment program**

The investment program at Group level estimated to be approved for the year 2024 is as follows:

	<b>2024</b>
Distribution activity	865,480
Supply activity	53,290
Maintenance activity	10,300
Production activity	588,130
Other	16,600
<b>Total</b>	<b>1,533,790</b>

The capital expenditures actually incurred may differ from the ones planned.

**(c) Guarantees and pledges**

At 31 December 2023 and 31 December 2022, the Group has guarantees on its bank accounts opened at ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, Intesa Sanpaolo Bank and Alpha Bank for the overdrafts contracted (please see Note 29), and also on its bank accounts opened at BRD – Group Societe Generale, Unicredit Bank, Banca Transilvania, Banca Comerciala Romana, Vista Bank and CEC Bank for the long-term borrowings contracted (please see Note 29).

At 31 December 2023, the Group has outstanding bank letters of guarantee of RON 1,193,823 thousand (31 December 2022: RON 952,008 thousand) issued in favour of its suppliers.

**(d) Audit fees**

The audit fees for the consolidated financial statements were in amount of 1,075 thousand RON, and during the year 2023, non-audit services fees were in amount of 174 thousand RON (limited review of the interim consolidated financial statements). The audit fees for the individual financial statements is mentioned in the annual individual financial statements of Electrica S.A..

**34 Subsequent events**

On 15 February 2024, the subsidiary Distributie Energie Electrica Romania (DEER) has obtained approval for EUR 171 million in non-reimbursable European funding through the Modernisation Fund (FM), representing 80% of the eligible expenditure for seven new investment projects in the electricity distribution network, projects with an estimated value of approximately EUR 266 million (with VA).

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea





**INDEPENDENT AUDITOR'S REPORT  
ON 2023 CONSOLIDATED FINANCIAL  
STATEMENTS (OMFP 2844/2016)**



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders,  
SOCIETATEA ENERGETICA ELECTRICA S.A.

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

1. We have audited the consolidated financial statements of Societatea Energetica Electrica S.A. and its subsidiaries ("the Group"), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.
2. The financial statements as at December 31, 2023 are identified as follows:
  - Net assets / Equity RON 6,008,000 thousand
  - Net profit for the financial year RON 620,380 thousand
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments.

#### **Basis for Opinion**

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (herein after referred to as "the Regulation") and Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (herein after referred to as "the Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of Matter**

5. We draw attention to Note 7 of the consolidated financial statements, which describes that the Group prepares two sets of consolidated financial statements, one under statutory regulations, namely Ministry of Finance Order 2844/2016 with subsequent amendments and one under International Financial Reporting Standards as adopted by the European Union ("IFRS"). These consolidated financial statements are prepared under OMF 2844/2016 with subsequent amendments, which differs from IFRS as summarized in Note 7. Consequently these consolidated financial statements do not comply with IFRS. Our audit report is not modified in respect of this matter.

#### **Key Audit Matters**

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matters	How our audit addressed the key audit matter
<p><i>Going Concern</i></p> <p>As presented in Note 6 the consolidated financial statements have been prepared on the going concern basis. The key judgement leading to this conclusion are set out in that note.</p> <p>In particular the Group operates in the electricity distribution and supply industry which is currently affected by the capping laws on sales to end customers. The Romanian authorities regulatory position is under review and there may be further laws enacted which could adversely impact the Group’s operating cash flows. In the forthcoming twelve months the Group will need to obtain additional financing and given the position of the Group and its significance to the Romanian economy management expects that all necessary financing will be made available.</p> <p>The ability of the Group to continue as a going concern is dependent on the successful extension of the existing debt facilities, drawdown of new financing and on stabilizing of the regulatory regime on energy prices as described in note 6 which provides an appropriate margin to support servicing of the Group’s short and long term financings.</p> <p>In view of the significant judgements, the application and disclosures of the basis of the going concern assumption are considered a Key Audit Matter.</p>	<p>We have assessed managements valuation of the going concern assumption by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We have obtained the cash flow forecasts and critically challenged the management and the Board of Directors and Audit Committee on the assumptions used;</li> <li>• We considered whether at the date of this report additional information exist from the Romanian authorities with respect to the capping mechanism;</li> <li>• We have assessed the Group’s position on the existing debt facilities, covenant compliance and newly negotiated debt facilities, during 2024 until the date of this report;</li> <li>• We assessed the adequacy of the disclosure of the basis of going concern assumption, including the key judgements adopted;</li> </ul>
<p><i>Valuation of Retail accrued revenue, related to electricity supplied to households</i></p> <p>The Group recognizes at the end of each reporting period accrued revenue from the energy supply activity, related to the household population. If the actual meter readings are not available at the end of the reporting period, energy supplied to households is estimated based on internal information related to historical patterns of consumption. The degree of estimation uncertainty reduces from one period to another, however judgement is inherent in the valuation of the accrued revenue related to the household population.</p> <p>Because of the significance of the estimations around the accrued revenue related to the households and the inability of relying on the effectiveness of the controls, we consider the valuation of retail accrued revenue, related to households a key audit matter.</p>	<p>The group has a number of IT systems across the businesses and we were not able to rely on the effectiveness of IT controls within the revenue cycle. The audit procedures adopted were substantive in nature and included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the accounting policies used in the preparation of the consolidated financial statements, with respect to revenue recognition;</li> <li>• Testing the reconciliation made by the Group between the quantity of electricity purchased for supply purposes and the quantity of electricity delivered from the supply activity;</li> <li>• Testing the acquired electricity for supply purposes through a combination of direct confirmations received from the electricity producers and other supporting documents;</li> <li>• Testing the revenues related to electricity supplied to final customers through a combination of direct confirmations and other supporting documents;</li> <li>• Performing analytical procedures on all electricity sales.</li> </ul>

**Other information**

7. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' Consolidated report and the Remuneration report, but does not include the consolidated financial statements and our auditor's report thereon, or the non-financial information declaration, which is being presented in a separate report.

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Other reporting responsibilities with respect to other information – Administrators' consolidated report**

With respect to the Administrators' consolidated report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

- a) the information included in the Administrators' consolidated report and the Remuneration report for the financial year for which the consolidated financial statements have been prepared, is consistent, in all material respects, with the consolidated financial statements;
- b) the Administrators' consolidated report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the financial statements prepared at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrators' consolidated report and the Remuneration report. We have nothing to report in this regard.

**Other reporting responsibilities with respect to other information – Remuneration report**

With respect to the Remuneration report, we read it to determine if it presents, in all material respects, the information required by article 107, paragraphs (1) and (2) of Law 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

8. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

11. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.





12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

***Report on Other Legal and Regulatory Requirements***

16. We were appointed by the General Meeting of Shareholders on April 27, 2023 to audit the financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 6 of years, covering the financial years ended December 31, 2018 to December 31, 2023.



We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Răzvan Ungureanu.

Răzvan Ungureanu, Audit Partner

*For signature, please refer to the original  
signed Romanian version.*

*Registered in the Electronic Public Register of Financial  
Auditors and Audit Firms under AF 4866*

On behalf of:

**DELOITTE AUDIT SRL**

*Registered in the Electronic Public Register of Financial  
Auditors and Audit Firms under FA 25*

The Mark Building, 84-98 and 100-102 Calea Griviței, 9<sup>th</sup> Floor, District 1  
Bucharest, Romania  
March 5, 2024







# 2023 CONSOLIDATED FINANCIAL STATEMENTS (IFRS-EU)

as at and for the year ended

**31 December 2023**

prepared in accordance with

**International Financial Reporting Standards  
as adopted by the European Union**

*Free translation from Romanian,  
which is the official and binding version*

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	Note	31 December 2023	31 December 2022 (restated)*
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets related to concession arrangements	25	6,220,530	5,675,866
Other intangible assets	25	27,822	12,854
Goodwill		24,663	12,040
Property, plant and equipment	24	594,994	499,390
Investments in associates	26	16,638	18,824
Other investments		7,000	7,000
Deferred tax assets	19	32,404	30,180
Other non-current assets		51,954	2,393
Right of use assets		40,993	52,152
<b>Total non-current assets</b>		<b>7,016,998</b>	<b>6,310,699</b>
<b>Current assets</b>			
Trade receivables	20	2,540,442	2,466,002
Subsidies receivable	13	2,614,535	1,280,788
Other receivables	21	93,832	127,253
Cash and cash equivalents	22	377,215	334,887
Inventories	23	115,660	113,972
Prepayments		12,935	13,874
Current income tax receivable		-	24,000
Assets held for sale		280	280
<b>Total current assets</b>		<b>5,754,899</b>	<b>4,361,056</b>
<b>Total assets</b>		<b>12,771,897</b>	<b>10,671,755</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	27	3,464,436	3,464,436
Share premium	27	103,049	103,049
Treasury shares reserve	27	(75,372)	(75,372)
Pre-paid capital contributions in kind from shareholders	27	7	7
Revaluation reserve	27	159,536	92,117
Legal reserves	27	449,363	429,583
Retained earnings		1,259,396	554,634
<b>Total equity attributable to the owners of the Company</b>		<b>5,360,415</b>	<b>4,568,454</b>
Non-controlling interests		(451)	(516)
<b>Total equity</b>		<b>5,359,964</b>	<b>4,567,938</b>

\*please see Note 5

(Continued on next page)



	Note	31 December 2023	31 December 2022 (restated)*
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liability – long term		29,143	34,462
Deferred tax liabilities	19	121,318	60,306
Employee benefits	16	151,358	117,269
Other payables	29	37,161	72,432
Long-term bank borrowings	31	794,348	647,193
<b>Total non-current liabilities</b>		<b>1,133,328</b>	<b>931,662</b>
<b>Current liabilities</b>			
Current portion of long-term bank borrowings	31	523,294	113,520
Lease liability – short term		14,052	19,211
Bank overdrafts	31	2,851,221	2,571,037
Trade payables	28	1,671,478	1,407,097
Other payables	29	1,035,084	867,536
Deferred revenue		7,837	24,750
Employee benefits	16,17	120,548	114,174
Provisions	30	41,167	53,701
Current tax liabilities		13,924	1,129
<b>Total current liabilities</b>		<b>6,278,605</b>	<b>5,172,155</b>
<b>Total liabilities</b>		<b>7,411,933</b>	<b>6,103,817</b>
<b>Total equity and liabilities</b>		<b>12,771,897</b>	<b>10,671,755</b>

\*please see Note 5

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

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

	Note	2023	2022 (restated)*
Revenue	11	9,816,593	10,009,896
Other income	5,13	3,498,553	2,840,963
Electricity, natural gas and merchandise purchased		(9,057,976)	(10,506,809)
Construction costs related to concession agreements	25	(976,436)	(593,490)
Employee benefits	18	(962,065)	(823,422)
Repairs, maintenance and materials		(95,218)	(88,229)
Depreciation and amortization	24,25	(524,481)	(496,253)
Impairment for trade and other receivables, net	20,21	(75,820)	(112,311)
Other operating expenses	13	(431,399)	(352,971)
<b>Operating profit</b>		<b>1,191,751</b>	<b>(122,626)</b>
Finance income	14	3,425	9,718
Finance costs	14	(297,220)	(174,713)
<b>Net finance cost</b>		<b>(293,795)</b>	<b>(164,995)</b>
<b>Share of results of associates</b>	26	<b>(39)</b>	<b>(13)</b>
<b>Profit/(Loss) before tax</b>		<b>897,917</b>	<b>(287,634)</b>
Income tax (expense)/benefit	5,19	(125,814)	47,171
<b>Profit/(Loss) for the year</b>		<b>772,103</b>	<b>(240,463)</b>
<b>Profit/(Loss) for the year attributable to:</b>			
- owners of the Company		772,217	(240,354)
- non-controlling interests		(114)	(109)
<b>Profit/(Loss) for the year</b>		<b>772,103</b>	<b>(240,463)</b>
<b>Earnings/(Loss) per share</b>			
Basic and diluted earnings/(loss) per share (RON)	15	2.27	(0.71)

\*please see Note 5

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

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

	Note	2023	2022 (restated)*
<b>Profit/(Loss) for the year</b>		<b>772,103</b>	<b>(240,463)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of property, plant and equipment	24	85,510	-
Tax related to revaluation of property, plant and equipment	19	(13,699)	-
Re-measurements of the defined benefit liability	17	(11,918)	9,503
Tax related to re-measurements of the defined benefit liability	19	1,907	(1,479)
<b>Other comprehensive income, net of tax</b>		<b>61,800</b>	<b>8,024</b>
<b>Total comprehensive income/(loss)</b>		<b>833,903</b>	<b>(232,439)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
- owners of the Company		<b>834,017</b>	<b>(232,330)</b>
- non-controlling interests		(114)	(109)
<b>Total comprehensive income/(loss)</b>		<b>833,903</b>	<b>(232,439)</b>

\*please see Note 5

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

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity	Non-controlling interests	Total equity
<b>Balance at 1 January 2023</b>	3,464,436	103,049	(75,372)	7	92,117	429,583	554,634	4,568,454	(516)	4,567,938
<b>Comprehensive income</b>										
Profit for the year	-	-	-	-	-	-	772,217	772,217	(114)	772,103
Other comprehensive profit	-	-	-	-	71,811	-	(10,011)	61,800	-	61,800
<b>Total comprehensive profit</b>	-	-	-	-	71,811	-	762,206	834,017	(114)	833,903
<b>Transactions with owners of the Company</b>										
<b>Contributions and distributions</b>										
Dividends to the owners of the Company	-	-	-	-	-	-	(39,999)	(39,999)	-	(39,999)
<b>Changes in ownership interests</b>	-	-	-	-	-	-	-	-	179	179
<b>Total changes in ownership interests</b>	-	-	-	-	-	-	-	-	179	179
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	-	(39,999)	(39,999)	179	(39,820)
<b>Other changes in equity</b>										
Set up of legal reserves	-	-	-	-	-	19,780	(19,780)	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(4,392)	-	4,392	-	-	-
Acquisition of subsidiary with non-controlling interests acquired without change of control	-	-	-	-	-	-	(2,057)	(2,057)	-	(2,057)
<b>Balance at 31 December 2023</b>	3,464,436	103,049	(75,372)	7	159,536	449,363	1,259,396	5,360,415	(451)	5,359,964

(Continued on next page)

Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity	Non-controlling interests	Total equity
	3,464,436	103,049	(75,372)	7	102,829	408,405	950,228	4,953,582	-	4,953,582
<b>Balance at 1 January 2022</b>										
<b>Comprehensive income</b>										
Loss for the year (restated)*	-	-	-	-	-	-	(240,354)	(240,354)	(109)	(240,463)
Other comprehensive loss	-	-	-	-	-	-	8,024	8,024	-	8,024
<b>Total comprehensive loss</b>							<b>(232,330)</b>	<b>(232,330)</b>	<b>(109)</b>	<b>(232,439)</b>
<b>Transactions with owners of the Company</b>										
<b>Contributions and distributions</b>										
Dividends to the owners of the Company	27	-	-	-	-	-	(152,798)	(152,798)	-	(152,798)
<b>Total transactions with owners of the Company</b>							<b>(152,798)</b>	<b>(152,798)</b>	<b>-</b>	<b>(152,798)</b>
<b>Other changes in equity</b>										
Set up of legal reserves	27	-	-	-	-	21,178	(21,178)	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	27	-	-	-	(10,712)	-	10,712	-	-	-
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	(407)	(407)
<b>Balance at 31 December 2022 (restated)*</b>	<b>3,464,436</b>	<b>103,049</b>	<b>(75,372)</b>	<b>7</b>	<b>92,117</b>	<b>429,583</b>	<b>554,634</b>	<b>4,568,454</b>	<b>(516)</b>	<b>4,567,938</b>

\*please see Note 5

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

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

25 March 2024

	Note	2023	2022 (restated)*
<b>Cash flows from operating activities</b>			
<b>Profit/(Loss) for the year</b>		<b>772,103</b>	<b>(240,463)</b>
<b>Adjustments for:</b>			
Depreciation	24	16,391	19,915
Amortisation	25	508,090	476,469
Reversal of impairment of property, plant and equipment and intangible assets, net	24,25	-	(5)
Revaluation of property, plant and equipment recognized in profit or loss, net	24	(2,081)	-
Gain on disposal of property, plant and equipment and intangible assets	24,25	(82)	(393)
Impairment of trade and other receivables, net	20,21	75,820	112,311
Change in provisions, net	30	(12,534)	18,779
Net finance cost	14	293,795	164,995
Changes due to employee benefits		-	(4,358)
Share of loss of associates	26	39	13
Income tax expense/(benefit)	19	125,814	(47,171)
		<b>1,777,355</b>	<b>500,092</b>
<b>Changes in:</b>			
Trade receivables		(309,158)	(1,286,734)
Subsidies receivable		(1,333,747)	(1,280,788)
Other receivables		5,636	13,914
Prepayments		939	(8,840)
Inventories		(1,688)	(41,014)
Trade payables		244,355	494,611
Other payables		110,400	570,158
Provisions and employee benefits		28,545	(6,454)
Deferred revenue		(16,913)	15,088
<b>Cash used in operating activities</b>		<b>505,724</b>	<b>(1,029,967)</b>
Interest paid		(278,462)	(149,397)
Income tax paid		(58,993)	(1,232)
<b>Net cash flow from/(used in) operating activities</b>		<b>168,269</b>	<b>(1,180,596)</b>

\*Please see Note 5

(Continued on next page)

	Note	2023	2022 (restated)*
<b>Cash flows from investing activities</b>			
Payments for purchases of property, plant and equipment		(10,391)	(8,295)
Payments for network construction related to concession agreements	25	(845,331)	(537,782)
Payments for purchase of other intangible assets		(21,313)	(7,829)
Proceeds from sale of property, plant and equipment		232	614
Interest received		3,270	2,847
Acquisition of investments in associates	26	(4,149)	(3)
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)	-
<b>Net cash flow used in investing activities</b>		<b>(885,914)</b>	<b>(554,900)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term bank borrowings	31	742,658	217,561
Proceeds from overdrafts		271,943	1,900,371
Repayment of long-term bank loans	31	(187,730)	(92,925)
Payment of lease liabilities		(26,762)	(24,163)
Dividends paid	27	(40,136)	(152,291)
<b>Net cash generated from financing activities</b>		<b>759,973</b>	<b>1,848,553</b>
<b>Net increase in cash and cash equivalents</b>		<b>42,328</b>	<b>113,057</b>
Cash and cash equivalents at 1 January	22	334,887	(405,572)
Reclassification of overdrafts previously presented as cash and cash equivalents	22	-	627,402
<b>Cash and cash equivalents at 31 December</b>	22	<b>377,215</b>	<b>334,887</b>

\*please see Note 5

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

The non-cash transactions are disclosed in Note 22.

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

## 1 Reporting entity and general information

### (a) General information about the Group

These financial statements are the consolidated financial statements of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the year ended 31 December 2023.

The registered office of the Company is no. 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register registration number J40/7425/2000.

As at 31 December 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 a share of ownership of 48.79% from the share capital.

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

As at 31 December 2023 the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%
Electrica Furnizare S.A. ("EFSA")	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%
Electrica Serv S.A. ("SERV")	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	100%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	60%

As at 31 December 2022 the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%
Electrica Furnizare S.A. ("EFSA")	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%
Electrica Serv S.A. ("SERV")	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%



Subsidiary	Activity	Sole registration code	Head Office	% shareholding
Electrica Producție Energie S.A. ("EPE")	Electricity generation	44854129	Bucuresti	99.9920%
Electrica Energie Verde 1 SRL* ("EEV1" – formerly Long Bridge Milenium SRL)	Electricity generation	19157481	Bucuresti	100%*
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	60%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%
Green Energy Consultancy & Investments S.R.L.	Electricity generation	29172101	Prahova	75%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	30%

\* Indirect ownership – Electrica Energie Verde 1 SRL is 100% owned by the subsidiary Electrica Furnizare S.A.

\*\* On 31.12.2023 the merger by absorption took place between Societatea Energetica Electrica SA (ELSA) as absorbing company and Societatea Electrica Productie Energie SA (EPE), Electrica Energie Verde 1 SRL (EEV1) and Green Energy Consultancy & Investments SRL (GECI) as absorbed companies.

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

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

### Changes in Group structure during 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 "Vulturu", with a designed installed capacity of 12 MWp DC (peak power at the panels level) and 9.75 MW AC (authorised power for delivery into the grid), located near Vulturu locality, Vrancea county. The project is in the "ready-to-build" phase.

On 24 March 2023, Electrica completed the acquisition of 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 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%.

#### Merger by absorption within the Group

On 20 December 2023, the Extraordinary General Meeting of the Company's Shareholders (EGMS) approved 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 absorbing company, Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as absorbed companies, with the effective date of the merger being 31 December 2023.

#### **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.

The Company's distribution subsidiary, Distributie Energie Electrica Romania S.A. which resulted from the merger through absorption of the three distribution subsidiaries Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. now operates electric lines in 18 counties, from three geographical areas of the country, representing 40.7% of the Romanian territory, and serves over 3.93 million users. It invoices the electricity distribution service to electricity suppliers (mainly to Electrica Furnizare

S.A. subsidiary) which further invoices the electricity consumption to final consumers.

Electrica Furnizare S.A. is active on both the competitive market and as the supplier of last resort for approx. 3.4 million clients. Electrica Furnizare S.A. holds an electricity supply license that covers the entire territory of Romania, which was extended in 2021 for a period of 10 years. At the same time, Electrica Furnizare S.A. ensures the supply of electricity for household customers in a universal service regime. At the same time, it also holds a license for carrying out the activity of natural gas supply, valid until 2032. In 2023, Electrica Furnizare S.A. was designated supplier of last resort („FUI") for electricity in May and October, and for natural gas it was nominated supplier of last resort in April and November 2023.

Through the acquisition of the new subsidiary Electrica Energie Verde 1 S.R.L. (formerly Long Bridge Milenium S.R.L.) as of 31 August 2020, establishment of a new legal entity Electrica Productie Energie S.A. and also the five shares sales and purchase agreements in five project companies having as main activity the production of energy from renewable sources the Group entered on the electricity generation segment, in particular from renewable sources. Currently, one of the project companies has been absorbed through merger by the parent company where a photovoltaic park with a capacity of 12 MW is being developed.

Through the merger that took place on 31 December 2023 between the parent company and its former subsidiary, Electrica Energie Verde 1 S.R.L., Electrica SA became a producer of electricity from renewable sources that operates a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of MW 7.5 (operating capacity limited MW to 6.8). In 2023 the operation of the plant was continuous, with no significant events leading to production shutdowns, producing in total MWh 9,599 (2022: MWh 10,466). According to Law no. 220/2008 and based on the accreditation issued by ANRE, Stanesti park receives a number of 6 green certificates ("GC") for each MWh produced and delivered, of which until 2020, 4 GC were issued for trading and 2 GC were postponed (the amendment is introduced

by Law no. 184/2018). The postponed green certificates will be reinserted starting from 1 January 2021, in equal monthly tranches until 31 December 2030.

## **(b) Regulations in the energy sector**

### **Regulatory environment**

The activity in the energy sector is regulated by the Romanian Energy Regulatory Authority.

Some of the main responsibilities of ANRE are to approve prices and tariffs and to issue substantiation methodologies used to set regulated prices and tariffs.

### **Electricity distribution**

In 2019, a new regulatory period began, governed by the provisions of ANRE Order no. 169/2018 for the approval of the Methodology for establishing the tariffs for the electricity distribution service (IV regulatory period: 2019–2023).

The following items are considered by ANRE when setting the target revenue for one year of the regulatory period: controllable and non-controllable operating and maintenance costs; costs of electricity purchased for own technological consumption (related to distribution network); regulated depreciation charge; the return on the regulated assets base ("RAB"); revenues from reactive energy and revenues from other activities, as well as corrections from previous periods.

Starting with 13 May 2020, the regulated rate of return („RRR”) of RAB is 6.39% to which is added:

- 1% incentive for new investments in RED, approved by ANRE;
- 2% incentive for investments in the electricity distribution network financed from own funds in projects in which European non-reimbursable funds are also attracted, if the investments are performed and put into function by operators after 1 February 2021, approved by ANRE;
- 1% incentive for investments in projects of common interest (PCI), approved by ANRE.

Regarding the costs of electricity purchased for own technological consumption ("NL"):

- ANRE has the right to correct the projection of distribution tariffs for a regulatory period or for one year, if there have been significant variations in prices on the electricity market, which lead to an important change in distribution service costs;
- at the justified request of the Distribution Operator, the regulated revenue of year  $t + 1$  may include a cost of electricity purchased for own technological consumption ("NL") forecast for year  $t + 1$ , by changing the reference price, depending on the evolution of prices on the electricity market and the result of the analysis of the evolution of tariffs for the current regulatory period.

In 2022, according to the Government's emergency ordinance (GEO) no. 119/2022, the additional costs for purchased electricity (determined as the difference between the realized costs and the costs included in the approved distribution tariffs), made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption, compared to the costs included in the tariffs regulated (and not only borrowings), are capitalized quarterly and remunerated with 50% of the regulated rate of return (RRR) approved by ANRE, applicable during the amortization period of the respective costs and are recognized as a distinctive component in the regulated tariffs, called the component related to additional costs with NL. Also, ANRE elaborated the Methodological norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the 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 regarding the approval of GEO no. 119/2022 provides for the capitalization of additional costs with the purchase of 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, 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.

In 2023 ANRE amended the Methodology for setting tariffs for the electricity distribution service, by ANRE Order no. 79/2023 (Order) and defined 2024 as the transition period from the fourth regulatory period (PR4) to the fifth regulatory period (PR5). Thus, for DEER, in 2024 the zonal distribution tariffs established on the basis of a single regulated revenue and single NL targets for the total DEER are maintained.

#### *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 March 2025, in order to cover the costs of electricity purchased for own technological consumption ("NL") for economic operators for energy transport and distribution services are capitalised. These are recognized as a distinctive component in the regulated tariffs, named component related to additional network losses costs. Also, law no. 357/2022 regarding the approval of GEO no. 119/2022 provides for the capitalization of additional costs with the purchase of electricity made between 1 January 2022 and 31 March 2025.

#### **Electricity supply**

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

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

#### *Regulated market*

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

### Competitive market

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

The following support mechanisms have been put in place:

- compensation of household consumers for part of the costs incurred by the electricity invoices (1 November 2021 until 31 March 2022);
- capping the selling price for household and non-household consumers (1 November 2021 – 31 March 2025);
- exemption (1 November 2021 until 31 January 2022) of several types of non-household consumers from payment of regulated tariffs and other taxes/contributions.

The amounts compensated will be received from the National Agency for Payments and Social Inspection for household consumers and a from the Ministry of Energy for non-household consumers (for further details please refer to Note 20).

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

- Price capped for electricity for household and non-domestic customers according to GEO no. 27/2022, with subsequent amendments and additions
- The limitation of the average purchase price considered for determining the amounts to be recovered from the state budget initially to 1,300 RON/MWh; and currently at 900 RON/MWh (according to Law no. 206/2023, which approves GEO 153/2022), except of the purchase intended for supply as a last resort, where this limitation does not apply;
- The obligation to store natural gas was calculated by ANRE according to two criteria: the obligation of all suppliers to store a quantity

of gas that covers 90% of Romania's storage capacity and the market share that each supplier has had it in 2022;

- The obligation of natural gas producers to sell at the price of 150 RON/MWh the necessary quantities to the suppliers of domestic customers/heat energy producers;
- The mechanism provides - OPCOM, as sole acquirer, buys electricity from producers (electricity producers with an installed power equal to or greater than 10 MW) and sells the purchased electricity to electricity suppliers that have contracts with final customers, the transmission system operator electricity and distribution system operators electricity to cover their own technological consumption; the price paid by OPCOM to electricity producers, for the quantities of electricity sold by them is 450 RON/MWh and the sale price of OPCOM to the economic operators is also 450 RON/MWh (OPCOM has the right to charge market participants tariffs/commissions at the level of costs recorded by organizing the centralized electricity purchase mechanism); In order to carry out the transactions, OPCOM shall organize an annual procurement procedure as well as an additional procurement procedure each month for the quantities of electricity to be delivered in the following month; annual and monthly electricity quantities are firm obligations of electricity producers and economic operators and are evenly distributed across all settlement intervals each month (contracts are concluded by signing, within maximum 3 working days).

The categories of customers to whom the electricity price capped applies in 2023:

- household customers (tranche <100 kWh/month - maximum price 0.68 lei/kWh, tranche 100-300 kWh/month - with the distinct estimate of the volume exceeding 255 kWh/month - respectively the price level capped at 0.800 lei/kWh and with a maximum price of 1.3 lei/kWh;
- non-household customers - divided separately into the category of customers benefiting from capping for 85% of consumption with

a price capped at 1 leu/KWh, category of customers benefiting from capping for 100% of consumption, price capped at 1 leu/KWh and the rest of the companies at a maximum price of 1.300 lei/KWh.

The categories of customers to whom the natural gas price capped applies in 2023:

- household customers – the maximum price is capped at 0.310 lei/KWh;
- non-household customers – the maximum price is capped at 0.370 lei/KWh for an annual consumption of up to 50 GWh.

The compensated amounts are settled by the National Agency for Payments and Social Inspection („ANPIS”) for household consumers and by the Ministry of Energy for non-household consumers.

#### *Green certificates*

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final consumers. The cost of green certificates is invoiced to final consumers separately from the tariffs for electricity.

#### **Electricity generation**

##### *Green certificates*

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

Starting from February 2013, the Stanesti photovoltaic park has the right to receive (the month from which it started injecting electricity into the network), for a period of 15 (fifteen) years,

6 (six) green certificates for each MWh of electricity produced and delivered to the grid, out of which, for the period 1 July 2013 – 31 December 2020, according to Law 23/2014 and Law 184/2018, 2 (two) green certificates were postponed from trading. Those two GC postponed from trading are to be recovered in equal monthly tranches starting from 1 January 2021 until 31 December 2030.

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

#### ***Increase in Energy price impact***

The regulatory framework in the electricity sector 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 for final consumers and the capitalization of additional costs with own technological consumption.

As a result, for **the distribution segment**, Romanian Regulatory Authority for Energy – ANRE (<https://www.anre.ro/>) has to adopt similar measures through its Order 129/12.10.2022 approving the Methodological Norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the network losses compared to the costs included in the regulated tariffs, carried out between 1 January 2022 – 31 March 2025.

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 EGO 119/2022 are changes the recuperation of the additional cost of NL by splitting it in current operating expenses ("OPEX") and capitalised costs ("CAPEX"), there is a portion of unit costs recuperated at cost at 450 RON/MWh (ex-ante tariffs recognition) and for the difference above this level of 450 RON/MWh up to the effective average price, recognized by ANRE, there is a linear depreciation over 5 years stipulated with return at 50% of Regulated Rate of Return (RRR). These changes are also applicable for the year 2023.

For **the supply segment**, both in 2023 and in 2022 the effect of retail prices for electricity was covered as grants received from the state authorities, as a result of the application of the mechanism of capping the prices for electricity and natural gas, as a result of the application of Ordinance 27/2022, with subsequent amendments and additions. The implementation method of these schemes and the settlement mechanism of the amounts granted as support to clients, ex post from the state budget to the electricity suppliers, have generated constraints in terms of cash flow, as well as uncertainties regarding the recovery the full amount of the respective amounts by the suppliers. In this context, EFSA has adapted its medium and long-term strategy, so as to manage the impact of these measures on the company's activities in a responsible and sustainable manner in the context of a regulatory framework that has seen numerous successive and major changes in the recent period.

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

effects on the activity of Group companies and over the financial results will be analyzed.

### **Geopolitical tensions**

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

## **2 Basis of accounting**

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-EU"). The consolidated financial statements were authorized for issue by the Board of Directors on 25 March 2024 and will be submitted for shareholders' approval in the meeting scheduled on 25 April 2024.

Starting with the year ended 31 December 2022, the Company also issues a primary set of the consolidated financial statements prepared in accordance with OMFP no. 2844/2016 (statutory financial statements). Until 31 December 2021, the consolidated financial statements prepared in accordance with OMFP no. 2844/2016 were equivalent to IFRS-EU. Starting with 31 December 2022, according to Order of Ministry of Public Finances (OMFP) no. 3900/2022 that has included a new clause related to the regulatory accounts to capitalise the additional expenses for actual energy costs as compared with the ex-ante ANRE prices recognised in distribution tariffs for own

technological consumption network, which are recognised as intangible assets (please see the primary set of financial statements in accordance with OMFP no. 2844/2016). Also, according to ANRE regulations issued in 2022, the capitalised costs of intangible non-current assets for the period 01 January 2022 – 31 March 2025 are recorded in the accounting records on the annual financial statements according to the instructions developed by the Ministry of Finance OMFP no. 2844/2016 with subsequent amendments (Romanian GAAP).

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements. Details of the Group's accounting policies are included in Notes 7 and 8.

#### **Other matters – format in accordance with the European Securities and Markets Authority (“ESMA”)**

Due to the technical limitations of the software used to present the consolidated financial statements in the European single electronic format (“ESEF”), the tables included in the footnotes are displayed in a linear, logical, and understandable manner.

### **3 Functional and presentation currency**

These consolidated financial statements are presented in Romanian Lei (RON), which is the functional currency of all Group companies. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### **4 Use of judgements and estimates**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### *(a) Judgements*

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below.

##### *Revenue recognition*

The Group assesses its revenue arrangements based on specific criteria to determine if it is acting as a principal or an agent. In applying IFRS 15, the Group has identified that it acts in the capacity of an agent in case of transactions as Balancing Responsible Party (“BRP”) and thus recognises revenue as the net amount of the commission earned by the Group. The Group concluded that it is acting as a principal in all other revenue arrangements.

##### *Service Concession Arrangements*

The distribution subsidiaries (as operators) that merged into one single distribution operator as of 31 December 2020 concluded concession contracts with the Ministry of Economy (as grantor) in 2005, updated by subsequent addendums. These contracts concern the operation of electricity distribution service in the established territory (Transilvania Nord, Transilvania Sud, Muntenia Nord), on the risk and responsibility of the operators and taking into account the regulations applicable to the operation, modernization, rehabilitation and development of energy distribution networks specified in the Electricity Law, the terms and conditions of the licenses for electricity distribution and the regulations issued by ANRE. The distribution operator resulting from the merger of the three distribution operators within the Group, Distribuție Energie Electrica Romania concluded addendums to the concession agreements signed with the Ministry of Economy for the operation of electricity distribution service in all three areas.

IFRIC 12 “Service Concession Arrangements” deals with public-to-private service concession arrangements. IFRIC 12 applies to public-to-private service concession arrangements if:



- (a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

The control or regulation referred to in condition (a) could be by contract or otherwise (such as through a regulator). The activities of the electricity distribution operators, including distribution tariffs, are regulated by ANRE.

The concession contracts are concluded for a period of 49 years and may be extended for a period equal to no more than half of that period. As a price for the concession, the operators pay an annual royalty fee recognized in the distribution tariff of 1/1000 of the revenues from electricity distribution. According to the concession contracts, the operators use the assets representing the distribution network owned by them located in the above-mentioned territory for electricity distribution. According to the concession contracts, the grantor will buy at the end of the term of concession contract the ownership right of the „relevant assets”, that are mainly the electricity distribution networks, at a price equal to the value of the regulated assets base at the end of the concession.

Within the arrangements, the Group incurs significant expenditure in relation to the development and maintenance of the infrastructure. The construction works are either outsourced by the Group to sub-contractors, or performed internally. Significant management judgment is involved in accounting for the concession arrangements under IFRIC 12, including those in respect of the recognition of revenue based on the separation of construction or upgrade services from operation services.

The concessionaires act as service suppliers (they build, modernize and maintain the distribution network) and the revenues related to the construction or improvement of infrastructure is recorded according to IFRS 15. This results in

revenues and expenditures being recognized in the profit and loss account (related to the construction and modernization of infrastructure), as well as of a margin resulting from rendering the construction services established by the Group. Starting with 30 June 2023, the Group reassessed the margin applied and a margin of 4.35% is applied for period 01 January 2023 – 31 December 2023, based on the Group's experience in working with external contractors. Until 31 December 2022, the margin applied was 3%, as presented in the annual consolidated financial statements as at and for the year ended 31 December 2022.

*(b) Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve-month period is included in the following notes:

- Note 8 d) – assumptions regarding recognition of revenue from supply and distribution of electricity to consumers based on estimates for electricity delivered and for which no reading was performed yet;
- Notes 20 and 32 – assumptions and estimates about measurement of the allowance for trade receivables at the level of expected credit losses (ECL), respectively in determining the loss rates;
- Note 24 – assumptions regarding the revalued value of tangible assets;
- Notes 30 and 34 – recognition and measurement of provisions and contingencies;
- Note 20 – assumptions and estimates of amounts to be received from the state following the application of the compensation and capping scheme.

**Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 32 – Financial instruments;
- Note 24 – Property, plant and equipment.

## 5 Restatements

During 2023, the Group reassessed its previous position with the consolidated financial statements, related to the recognition of financial asset from the amendment of the concession agreements, described in Note 4. As of 31 December 2022, the Group recognised a financial asset in the amount of RON 951,557 thousand as a result of such amendment in the balance sheet, representing the difference between the net cost with the purchase of the energy for NL and the NL cost included in the regulatory tariff by ANRE, for the period 1 January – 31 December 2022. An equivalent amount was also recognised in the profit or loss as „Other income“.

The following table summarise the impact on the Group’s consolidated financial statements:

**Consolidated statement of financial position**

	31 December 2022 as reported previously	31 December 2022 reclassifications	31 December 2022 as restated
Financial assets related to concession arrangements – non current portion	761,246	(761,246)	-
Financial assets related to concession arrangements – current portion	190,311	(190,311)	-
Retained earnings	1,353,942	(799,308)	554,634
Deferred tax liabilities	212,555	(152,249)	60,306
<b>Total assets</b>	<b>11,623,312</b>	<b>(951,557)</b>	<b>10,671,755</b>
<b>Total equity</b>	<b>5,367,246</b>	<b>(799,308)</b>	<b>4,567,938</b>
<b>Total liabilities</b>	<b>6,256,066</b>	<b>(152,249)</b>	<b>6,103,817</b>

**Consolidated statement of profit or loss**

	31 December 2022 as reported previously	31 December 2022 reclassifications	31 December 2022 as restated
Other income	3,792,520	(951,557)	2,840,963
Income tax benefit/(expense)	(105,078)	152,249	47,171
<b>Profit for the year</b>	<b>558,845</b>	<b>(799,308)</b>	<b>(240,463)</b>
Earnings/(Loss) per share	1.65	2.35	(0.71)
Basic and diluted earnings/(loss) per share (RON)			

**Consolidated statement of cash flows**

	31 December 2022 as reported previously	31 December 2022 reclassifications	31 December 2022 as restated
<b>Cash flows from operating activities</b>			
Profit	558,845	(799,308)	(240,463)
Other income from initial recognition of financial assets arising from concession agreements amendments	(951,557)	951,557	-
Income tax (benefit)/expense	105,078	(152,249)	(47,171)
<b>Changes in:</b>			
Other receivables	(138,335)	152,249	13,914
Other payables	722,407	(152,249)	570,158
<b>Net cash flow used in operating activities</b>	<b>(1,029,967)</b>	<b>-</b>	<b>(1,029,967)</b>

## 6 Basis of measurement

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

## 7 Changes in significant accounting policies

### Adopting new standards

The Group has not adopted new standards issued by the International Accounting Standards Board (IASB) and adopted by the EU applicable on 1 January 2023, so there is no significant change in the consolidated statements of the Group.

### Adoption of new changes to existing standards

The group adopted the Presentation of information regarding accounting policy (Amendments to IAS 1 and Statement 2 regarding IFRS practice). Although the amendments did not lead to any change in the accounting policies themselves, they had an impact on the information presented in the consolidated financial statements regarding the accounting policies. The management reviewed the accounting policies and updated the information presented in „Note 8 Accounting Policies” and Note 9 “Adoption of new and revised standards” (31 December 2022: „Note 6 Significant Accounting Policies” and Note 7 “Adoption of new and revised standards”) in certain cases, in accordance with the changes.

Except the above, the new amendments to existing standards that are effective starting with 1 January 2023 do not have a material impact over the Group’s consolidated financial statements.

## 8 Accounting policies

### (a) Going concern

The consolidated financial statements have been prepared on the going concern basis. In making this judgement management considers current trading performance and access to finance resources. The

Group has prepared a forecast that includes the following assumptions:

- A continuation of the support scheme until 31 March 2025 according to the applicable legislation but with a more stable flow of repayments of the reimbursement requests for subsidies as compared with last year, as the mechanism has been operationally improved;
- The renewal of confirmed debt facilities is planned up to a limit of RON 4,961,482 thousand, including RON 2,736,419 thousand overdraft limits and RON 2,225,063 thousand long term loans limit;
- The utilization of not yet confirmed facilities, overdrafts amounting to RON 574,111 thousand which will be drawn during the forecast period and of which RON 250,000 thousand will be reimbursed during the forecast period.

At the date of issuance of these consolidated financial statements the regulatory position may be further amended and there may be further laws enacted which could adversely impact the Groups operating cash flows during the forecast period. Given the current market uncertainties, the Group is closely monitoring the market context and is continuously analysing the opportunities for optimisation of debt and increase of bank overdrafts and long-term loans. In light of the importance of the Group as the supplier and distributed of electricity on the Romanian market, having 39.7 % (according to the latest ANRE report 2022 for the distribution segment) as market share on the electricity distribution and 17.72 % (according to the latest ANRE report October 2022 for the supply segment) as market share on the electricity supply market and having as main shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from market uncertainty and Group will be able to meet its obligations as they fall due.

Based upon the above projections and other information, given the measures already

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

## **(b) Basis of consolidation**

### *(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidation perimeter from the date that control commences until the date on which control ceases.

### *(ii) Loss of control*

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### *(iii) Non-controlling interests*

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-

controlling interests are based on a proportionate amount of the net assets of the subsidiary.

### *(iv) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## **(c) Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

## **(d) Revenue**

The Group recognize the revenues from contracts with customers in accordance with IFRS 15.

Under the standard, Revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Group is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

### *Supply and distribution of electricity*

The revenue from supply and distribution of electricity to consumers is recognized when

electricity is delivered to consumers (consumed by consumers), based on meter readings and based on estimates for electricity delivered and for which no reading was performed yet. The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on meter readings or on estimated consumptions based on the historical data of each consumer. Electricity supplied to consumers which is not yet billed as at the reporting date is accrued on the basis of recent average consumption or based on subsequent meter readings. Differences between estimated and actual amounts are recorded in subsequent periods.

Revenues from electricity distribution and supply also include the cost of green certificates recharged by the Group to final consumers (see paragraph (k)).

The Group acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP"). Thus, in its quality as an agent, the Group recognizes revenue for the commission earned in exchange for facilitating the transfer of goods or services. Any holder of a production/supply/distribution license must be established as a Balancing Responsible Party or must delegate this responsibility to a Balancing Responsible Party. By delegating this responsibility to a BRP, there is the benefit of imbalance aggregation in the meaning of Balancing Market cost reduction by comparison with the case where the producer/supplier/distributor would act itself as a Balancing Responsible Party.

Electrica Furnizare S.A. acts as BRP for a large number of participants, electricity producers as well as electricity suppliers and distribution operators. For the settlement of imbalances, BRP Electrica is using the "method of internal redistribution of payments", ensuring benefits of imbalance aggregation for all the participants included in the BRP. BRP Electrica provides the transmission of physical notifications to CNTEE Transelectrica SA and its role is to balance the differences between the electricity contracted and the electricity measured at the level of the entire BRP.

#### *Generation and sale of electricity*

The electricity produced by the Group is mainly sold on the Day Ahead Market and the revenue is recognized when the electricity is injected into the network and is being sold on the market.

#### *Sale of green certificates*

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. Cost of green certificates is invoiced to final customers separately from the tariffs for electricity.

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWh of electricity produced from renewable sources and injected into the network. The green certificates can be sold on the spot market, term market or a combination of both. The selling price must fall between the minimum and maximum values set by Law no. 220/2008 for establishing the system for promoting the production of electricity from renewable energy sources, republished, with subsequent amendments. Revenue from green certificates is recognized in the profit or loss statement when the green certificates are sold on the trading market.

#### *Service concession arrangement*

Revenue related to construction or upgrade services under service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the accounting policy on recognising revenue on construction contracts, as follows:

- Revenue in respect of variations to contracts and incentive payments is recognised when there is an enforceable right to payment and it is highly probable it will be agreed by the customer. Variable consideration is assessed on a contract by contract basis according to

the facts, circumstances and terms of each project and only recognised to the extent that it is highly probable not to significantly reverse in the future. Revenue in respect of claims is recognised only if it is highly probable not to reverse in future periods.

- If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.
- Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately as expense.

### (e) Other income

#### *Revenues from the subsidies*

Revenues from subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate, as a result of the application of the electricity price cap. These subsidies are recoverable from the National Agency for Payments and Social Inspection for household consumers and from the Ministry of Energy for non-household consumers, as a result of the application of the electricity and natural gas price ceiling mechanism and are applicable for period 1 November 2021 – 31 March 2025. Starting with April 2022, the revenues from subsidies are recorded as the difference between the income calculated at the contract price and the income invoiced to the customer at the capped price.

### (f) Repairs and maintenance

Repair and maintenance expense is recorded as the operating expense base on an accrual basis.

### (g) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- foreign currency gains or losses on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

Income from financial assets is initially recognised at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue.

### (h) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### *(iii) Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

#### *(iv) Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

### **(i) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

#### *(i) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

#### *(ii) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner



in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that the future taxable profits will be available against which they can be used.

The Group applies IFRIC 23 „Uncertainty over Income Tax Treatments“. IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

In such a circumstance, the Group shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation.

The Group assesses whether it is probable (more than 50% chances) that a tax authority will accept an uncertain tax treatment.

Thus, the Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

- (a) the most likely amount - the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.
- (b) the expected value - the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

## (j) Green certificates

### Electricity supply

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers.

The cost of green certificates is accrued in the profit or loss based on the quantitative quota determined by the regulator representing the quantity of the green certificates that the Group has to purchase for the year and based on the price of green certificates acquired on the centralized market. The obligation for covering the annual acquisition quota is accrued in profit or loss.

### Electricity generation

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWh of electricity produced from renewable sources and injected into the network.

Green certificates are recognized as inventories when the producer has the right to receive as a result of energy produced and delivered into the network, at nil nominal value. Recognition in the profit and loss account is done at the time of their sale.

## (k) Inventories

Inventories consist mainly of spare parts that do not meet the recognition criteria for property, plant and equipment, consumables, goods for resale, other inventories and the natural gas storage.

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average cost method. The cost of inventories includes all the acquisition costs and other expenses related to bringing the inventories to their current place and condition.

Consumables used for the repairs and maintenance of the electricity network are included in profit and loss when consumed and presented in “*Repairs, maintenance and materials*”.

## **(l) Property, plant and equipment**

### *(i) Recognition and measurement*

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation. The other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses. Revaluations of land and buildings are made with sufficient regularity to ensure that the carrying amount does not differ materially from the one that would be determined using the fair value at the end of the reporting period. When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

### *(iii) Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

<b>Category</b>	<b>Useful lives (years)</b>
Buildings	45-70
Equipment	3-25
Motor vehicles and office equipment	3-10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## **(m) Connection fees**

According to art. 25 paragraph (1) of Law no. 123/2012 on electricity and natural gas, as

subsequently amended and supplemented, access to power grids of public interest is a mandatory service provided under regulatory conditions, which the transmission and system operator as well as the distribution operators must ensure.

At the request of a new or pre-existing customer, the distribution operators are obliged to communicate the technical and economic conditions for the connection network and to cooperate with the applicant to choose the most advantageous technical and economic solution. Afterwards, a connection contract is concluded between the distribution operator and the customer at a regulated tariff. The actual construction of the connection installation is carried out by a construction supplier certified by ANRE.

The Group collects cash from customers, which is used only to pay for the construction of the connection station, and the Group must then use this asset to connect customers to the network. According to ANRE Order no. 59/2013, with subsequent amendments, these assets remain in the ownership of the network operator.

The Group recognizes the assets at nil value, net of the amount of the deferred income representing the contributions from customers. The assets financed from connection fees received from the new users of the distribution network are not included in the RAB. At the end of the concession contract, the assets built from the connection tariff will be transferred to the concessionaire free of charge together with the assets part of RAB.

In the case of non-household customers, the value of the connection works, including those for the design/construction of the connection/connection, is entirely borne by the customers. Assets resulting from connection work:

- In the period from 1 January 2022 to 24 July 2022, they enter the distribution operator's assets from the time of commissioning, on the basis of GEO no. 143/2021, without being recognised by ANRE as part of the regulated asset base.

- From 25 July 2022 they do not become part of the distribution operator's assets, on the basis of Law no. 248/2022 and ANRE Order no. 133/2022, they are only transferred to the distribution operator for operation.

Starting with 2021, according to ANRE Order no. 160/2020 amending ANRE Order no.59/2013, the connection installations that are financed by the customers will remain in their ownership and are being exploited by the network operator. However, according to ANRE Order no. 17/2021 for the connection installations of all household consumers and of the non-household with lengths less than 2.5 km, the distribution operator has the obligation to finance them and these will remain in the ownership of the network operator.

#### **(n) Intangible asset in a service concession arrangement**

##### *(i) Recognition and measurement*

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses.

##### *(ii) Amortization*

The amortization method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset, and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. The Group determined that the amortization method that reflects appropriately the expected pattern of consumption of the expected future economic benefits is correlated with the amortisation of the regulated asset base "RAB".

**(o) Other intangible assets***(i) Recognition and measurement*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

*(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*(iii) Amortization*

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(p) Goodwill**

Goodwill is measured as the value of the consideration transferred (fair value) plus the amount of any non-controlling interest (NCI) plus the fair value of previous equity interests minus the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**(q) Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity shares of another enterprise. For this purpose, a financial asset is any asset that is (a) cash; (b) a contractual right to receive cash or another financial asset from another enterprise; (c) a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable; or (d) an equity share of another enterprise.

**(i) Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are initially measured at fair value and subsequently at amortized cost in accordance with IFRS 9, as they are held in a business model to collect contractual cash flows and these cash flows

consist solely of payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal reimbursements, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

#### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

#### *Loans and receivables*

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Loans and receivables comprise trade receivables, cash and cash equivalents and deposits.

#### *Trade receivables*

Trade receivables include mainly unsettled invoices issued until reporting date for supply and distribution of electricity and services, late payment penalties and accrued revenue for electricity delivered and services rendered until the end of the year, but invoiced after the end of the year.

#### *Other receivables from capping schemes:*

The compensation of household consumers for part of the costs incurred by the electricity invoices was applicable between 1 November 2021 until 31 March 2022.

The exemption was applicable between 1 November 2021 until 31 January 2022 for several types of non-household consumers from payment of regulated tariffs and other taxes/contributions.

#### *Cash and cash equivalents*

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

#### **(ii) Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) valued as at fair value, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Other financial liabilities include bank borrowings, bank overdrafts, financing for network construction related to concession agreements and trade payables.

### **(iii) Share capital**

#### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

#### *Repurchase and reissue of ordinary shares (treasury shares)*

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

### **(iv) Impairment**

#### *Impairment of financial assets*

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

#### **(i) Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### **(ii) Write-off policy**

The Group writes off a financial asset after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### **(iii) Measurement and recognition of expected credit losses**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**(r) Revaluation reserve**

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognised as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

**(s) Dividends**

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

**(t) Pre-paid capital contributions in kind from shareholders**

These contributions from a shareholder represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

**(u) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

**(v) Contingent assets and liabilities**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events that is not recognised because:

- i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the Group's financial statements, but disclosed when an inflow of economic benefits is probable.

## **(w) Leases**

### *(i) The Group as lessee*

basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the default rate in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

### *(ii) Rental income*

Rental income from property, plant and equipment other than investment property is recognised as Other income. Rental income is recognised on a straight-line basis over the term of the lease.



**(x) Investment in associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine

whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate.

**(y) Segment reporting**

Segment results that are reported to the Company's Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**(z) Subsequent events**

Events occurring after the reporting date 31 December 2023, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

## 9 Adoption of new and revised standards and interpretations

### **Initial application of new amendments to the existing standards effective for the current reporting period**

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- IFRS 17 “Insurance Contracts” including amendments to IFRS 17 issued by IASB on 25 June 2020 – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 “Insurance contracts” – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 9 September 2022 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 – Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 “Income Taxes” – Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023);
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (the Amendments) to clarify the application of IAS 12 “Income Taxes” (effective for annual periods beginning on or after 1 January 2023).

As of 31 December 2023, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). Management reviewed the accounting policies and made updates as per “*Note 7 Changes in significant accounting policies*” in certain instances in line with the amendments.

Except of the above, the adoption of amendments to the existing standards has not led to any material changes in the Group’s consolidated financial statements.

### **Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective**

At the date of authorization of these consolidated financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- The first two IFRS Sustainability Disclosure Standards in June 2023: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, adopted by the EU on 31 July 2023 (effective for annual reporting periods beginning on or after 1 January 2024).

The Group has elected not to adopt the amendments to existing standards in advance of their effective dates. The Group anticipates that the adoption of these amendments to existing standards will have no material impact on the financial statements of the Group in the period of initial application.

### **New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date

of publication of these consolidated financial statements (the effective dates stated below is for IFRS as issued by IASB):

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to IAS 1 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 1 “Presentation of Financial Statements” – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 “Leases” – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (applicable for annual periods beginning on or after 1 January 2025, but not yet endorsed in the EU);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU).

The International Accounting Standards Board has been currently working on the development of a

new IFRS international financial reporting standard that will align the current standard „IFRS 14 Deferral Accounts Related to Regulated Activities” to the new requirements of the energy market at EU and global level, which is expected to take into account all relevant related subjects, including the proper treatment of own technological consumption expenses. IASB has redeliberated proposals in the Exposure Draft Regulatory Assets and Regulatory Liabilities based on the feedback received on previous variants on Exposure Drafts made available for public comment (<https://www.ifrs.org/projects/work-plan/rate-regulated-activities/#current-stage>). As debated in exposure drafts, until now there is no approved legislation at IASB level. Currently IFRS 14 (originally issued in January 2014 and applied to an entity’s first annual IFRS financial statements for a period beginning on or after 1 January 2016) can be applied only when a reporting entity is a IFRS First Time Adopter. As the Group is not a IFRS First Time Adopter, the management of the Company did not consider any impact coming out from the application of IFRS 14, further guidance being expected in the future.

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Group in the period of initial application.

## 10 Operating segments

### (a) Basis for segmentation

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Electricity and natural gas supply	Buying and supplying electricity and natural gas to final consumers (includes Electrica Furnizare S.A.)
Electricity distribution	Operation, maintenance and construction of electricity networks operated by the Group (includes Distribuție Energie Electrica România S.A. and the activity performed by Electrica Serv S.A within the distribution network).
Electricity generation	Production of electricity from renewable sources (Sunwind Energy S.R.L., New Trend Energy S.R.L., and Foton Power Energy S.R.L and the activity carried out by Electrica S.A. in the electricity production segment).
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 Adjusted EBITDA (see definition below) is used to measure performance because management believes that such information is one of the most relevant in evaluating the results of the segments.

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

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



**(b) Information about reportable segments**

	Year Ended 31 December 2023							
	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	7,226,692	2,542,950	7,903	38,826	9,816,371	222	-	9,816,593
Inter-segment revenue	53,558	1,868,513	6,176	66,182	1,994,429	-	(1,994,429)	-
<b>Segment revenue</b>	<b>7,280,250</b>	<b>4,411,463</b>	<b>14,079</b>	<b>105,008</b>	<b>11,810,800</b>	<b>222</b>	<b>(1,994,429)</b>	<b>9,816,593</b>
Other income	3,391,201	154,982	-	22,210	3,568,393	1,220	(71,060)	3,498,553
<b>Segment profit before tax</b>	<b>129,728</b>	<b>729,545</b>	<b>3,335</b>	<b>3,479</b>	<b>866,087</b>	<b>18,109</b>	<b>13,721</b>	<b>897,917</b>
Net finance income/(cost)	(160,229)	(209,786)	(4,232)	12,554	(361,693)	67,898	-	(293,795)
Depreciation and amortization	(15,555)	(496,716)	(2,341)	(8,421)	(523,033)	(1,448)	-	(524,481)
Reversal of impairment of property, plant and equipment and intangible assets, net	41	-	159	1,027	1,227	854	-	2,081
(impairment)/ Reversal of impairment of trade and other receivables, net	(67,338)	(9,212)	-	161	(76,389)	569	-	(75,820)
Adjusted EBITDA*	305,471	1,436,047	9,749	(1,681)	1,749,586	(49,195)	13,721	1,714,112
Segment net profit	98,403	637,759	2,151	826	739,139	23,995	8,962	772,103
Employee benefits	(104,688)	(794,524)	(264)	(32,301)	(931,777)	(30,288)	-	(962,065)
Capital expenditure	9,681	726,485	10,000	1,981	748,147	2,846	-	750,993
<b>Segment assets</b>	<b>5,703,052</b>	<b>9,619,007</b>	<b>187,691</b>	<b>481,669</b>	<b>15,991,419</b>	<b>125,943</b>	<b>(3,345,465)</b>	<b>12,771,897</b>
Trade and other receivables	2,662,875	1,784,184	8,999	109,668	4,565,726	3,055	(1,934,507)	2,634,274
Cash and cash equivalents	184,140	166,103	19,299	3,898	373,440	3,775	-	377,215
Trade and other payables and short-term employee benefits	3,129,486	1,520,819	12,388	52,979	4,715,672	61,885	(1,913,286)	2,864,271
Bank overdrafts	1,869,706	774,529	-	-	2,644,235	206,986	-	2,851,221
Lease liability	6,813	21,180	12,068	994	41,055	2,140	-	43,195
Bank borrowings	200,000	900,874	-	-	1,100,874	216,768	-	1,317,642

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

Year Ended 31 December 2022 (restated)*	Electricity and natural gas supply	Electricity production	Electricity distribution	Electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
External revenues	8,153,190	14,180	1,817,054	25,472	10,009,896	-	-	10,009,896
Inter-segment revenue	32,824	1,579,572	7,200	55,612	1,675,208	-	(1,675,208)	-
<b>Segment revenue</b>	<b>8,186,014</b>	<b>3,396,626</b>	<b>21,380</b>	<b>81,084</b>	<b>11,685,104</b>	<b>-</b>	<b>(1,675,208)</b>	<b>10,009,896</b>
<b>Other income</b>	2,754,954	159,505	49	42,295	2,956,803	5,180	(121,020)	2,840,963
<b>Segment profit (loss) before tax</b>	<b>315,170</b>	<b>(592,180)</b>	<b>9,526</b>	<b>(2,399)</b>	<b>(269,883)</b>	<b>25,603</b>	<b>(43,354)</b>	<b>(287,634)</b>
Net finance (cost)/income	(63,168)	(152,049)	(2,482)	11,361	(206,338)	65,857	(24,514)	(164,995)
Depreciation and amortization	(12,557)	(468,282)	(2,480)	(11,348)	(494,667)	(1,586)	-	(496,253)
Impairment of property, plant and equipment, net	-	-	-	-	-	5	-	5
Impairment losses on trade receivables and contract assets, net	(131,794)	19,177	-	204	(112,413)	102	-	(112,311)
Adjusted EBITDA**	390,895	28,151	14,488	(2,412)	431,122	(38,673)	(18,843)	373,606
Segment net profit (loss)	261,099	(491,156)	8,006	(673)	(222,724)	25,615	(43,354)	(240,463)
Salaries and other employee benefits	(102,619)	(661,963)	(171)	(30,055)	(794,808)	(28,614)	-	(823,422)
Capital expenditure	9,058	612,664	-	1,342	623,064	2,323	-	625,387
<b>Segment assets</b>	<b>4,141,083</b>	<b>8,125,076</b>	<b>146,743</b>	<b>418,940</b>	<b>12,831,842</b>	<b>213,625</b>	<b>(2,373,712)</b>	<b>10,671,755</b>
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
Finance lease	8,469	33,830	12,088	(983)	53,404	269	-	53,673
Bank borrowings	-	660,713	-	-	660,713	100,000	-	760,713

\*please see Note 5

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

## 11 Revenue

	2023	2022 (restated)*
Electricity distribution and supply, net	8,457,651	8,991,986
Supply of natural gas	191,339	322,320
Construction revenue related to concession agreements (Note 25)	1,018,912	611,294
Repairs, maintenance and other services rendered	74,077	45,937
Proceeds from sale of green certificates	3,212	3,741
Re-connection fees	14,362	3,824
Consulting services	106	-
Sales of merchandise	56,934	30,794
<b>Total</b>	<b>9,816,593</b>	<b>10,009,896</b>

\*please see Note 5

In respect to the timing of the revenue recognition, most of the Group's services provided are transferred to the customer over time, only a small part amounting to RON 2,921 thousand (2022: RON 2,694 thousand) being transferred at a point in time (e.g. metering services provided by the distribution companies, providing periodic data analysis to the customer for certain taxes collected on behalf of them).

## 12 Electricity, natural gas and merchandise purchased

	2023	2022
Electricity purchased	8,238,811	9,380,690
Green certificates purchased	543,359	609,107
Cost of merchandise	221,255	493,847
Natural gas purchased	54,551	23,165
<b>Total</b>	<b>9,057,976</b>	<b>10,506,809</b>

The cost of electricity and natural gas purchased includes the cost of the green certificates purchased by the supply subsidiary which has a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. The cost of green certificates is then invoiced to final customers separately from electricity tariffs.



### 13 Other income and expenses

#### (a) Other income

	2023	2022 (restated)*
Subsidies related to electricity supply and natural gas (Note 20)	3,306,839	2,687,131
Rental income	92,332	92,486
Late payment penalties from customers	71,075	52,110
Other	28,307	9,236
<b>Total</b>	<b>3,498,553</b>	<b>2,840,963</b>

\*please see Note 5

Rental income refers mainly to the subsidies, following by rental of the electricity poles by the distribution subsidiary to telecom operators.

During 2023, the Group recognized subsidies on the supply segment recognized subsidies of RON 3,306,839 thousand, out of which RON 2,614,535 thousand outstanding receivable from the Ministry of Energy following the application of the electricity and natural gas price capping and compensation mechanism, approved by Order no. 118/2021 with subsequent amendments and GEO no. 27/2022, the latter being amended by GEO no. 119/2022.

#### (b) Other operating expenses

	2023	2022
Utilities	63,138	56,643
Other taxes and duties	51,549	46,950
IT services	51,151	34,929
Fines and penalties	48,404	12,948
Printing and distribution of invoices services	36,341	44,092
Meters reading expenses	29,831	39,748
Bank fees	26,635	10,836
Security services	19,795	17,549
Advertising and publicity expenses	14,654	7,440
Penalties to State budgets	14,482	2,135
Cash collection services	13,148	14,632
Postage and telecommunication services	11,448	21,010
Call centre services	12,047	18,998
Rent	12,461	10,929
Other	26,315	14,132
<b>Total</b>	<b>431,399</b>	<b>352,971</b>

### 14 Net finance income/(cost)

	2023	2022
Interest income	3,270	2,847
Other finance income	155	6,871
<b>Total finance income</b>	<b>3,425</b>	<b>9,718</b>
Interest expense	(280,463)	(156,985)
Interest cost for employee benefits (Note 17)	(10,043)	(7,354)
Foreign exchange losses, net	(6,714)	(10,374)
<b>Total finance costs</b>	<b>(297,220)</b>	<b>(174,713)</b>
<b>Net finance cost</b>	<b>(293,795)</b>	<b>(164,995)</b>

## 15 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share has been based on the following profit attributable to Company's shareholders and weighted-average number of ordinary shares outstanding:

*Profit/(Loss) attributable to shareholders*

	2023	2022 (restated)*
Profit/(Loss) for the year attributable to the owners of the Company	772,217	(240,354)
<b>Profit/(Loss) attributable to shareholders of the Company</b>	<b>772,217</b>	<b>(240,354)</b>

\*please see Note 5

*Number of ordinary shares (in number of shares)*

	2023	2022
<b>Number of ordinary shares at 31 December</b>	<b>339,553,004</b>	<b>339,553,004</b>

For the calculation of basic and diluted earnings per share, treasury shares (6,890,593 shares) were not treated as outstanding ordinary shares and were deducted from the number of issued ordinary shares.

<b>Earnings/(Loss) per share</b>	2023	2022 (restated)
<b>Basic and diluted earnings/(loss) per share (RON)</b>	<b>2.27</b>	<b>(0.71)</b>

## 16 Short-term employee benefits

	31 December 2023	31 December 2022
Personnel payables	70,598	70,105
Current portion of defined benefit liability and other employee benefits	12,871	11,548
Social security charges	31,192	27,301
Tax on salaries	5,887	5,220
<b>Total</b>	<b>120,548</b>	<b>114,174</b>

For details of the related employee benefit expenses, see Note 18.

In Romania, all employers and employees, as well as other persons, are contributors to the State social security system. The social security system covers pensions, child benefit, temporary inability to work situations, risks of work accidents and professional diseases and other social assistance services, redundancy payments and incentives granted to employers for creating new jobs.

## 17 Post-employment and other long-term employee benefits

The Group provides cash benefits to employees depending on seniority in the form of jubilee bonuses and depending on the years of service at retirement in the form of retirement bonuses. The post-employment and other long-term employee benefits are stipulated in the Collective Labour Contracts.

In 2023 and 2022, employee benefit obligations were computed by an independent actuary using the projected unit credit method with benefits calculated proportionally to the period of service.

	31 December 2023	31 December 2022
Defined benefit liability	55,839	41,675
Other long-term employee benefits	108,923	87,762
<b>Total</b>	<b>164,762</b>	<b>129,437</b>
- Current portion*	13,404	12,168
- Non-current portion	151,358	117,269

\*included in Personnel payables in Note 16

### (i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation from the opening balances to the closing balances for the defined benefit liability and other long-term employee benefits and its components. There are no plan assets.

Defined benefit liability	2023	2022
<b>Balance at 1 January</b>	<b>41,675</b>	<b>79,078</b>
<b>Included in profit or loss</b>		
Current service cost	4,904	4,893
Past service cost	-	(23,367)
Interest cost	3,278	3,100
<b>Included in other comprehensive income</b>		
<i>Remeasurements loss</i>		
- Actuarial loss	11,918	(9,503)
<b>Other</b>		
Benefits paid	(5,936)	(12,526)
<b>Balance at 31 December</b>	<b>55,839</b>	<b>41,675</b>

Other long-term employee benefits	2023	2022
<b>Balance at 1 January</b>	<b>87,761</b>	<b>88,356</b>
<b>Included in profit or loss</b>		
Current service cost	7,580	7,786
Past service cost	-	(353)
Actuarial (gain)/ loss	16,637	(4,509)
<b>Interest cost</b>	<b>6,764</b>	<b>4,256</b>
Other		
<b>Benefits paid</b>	<b>(9,819)</b>	<b>(7,775)</b>
<b>Balance at 31 December</b>	<b>108,924</b>	<b>87,761</b>

Defined benefits refer to the retirement bonuses granted according to the seniority within the Group and other long-term benefits refer to the jubilee bonuses granted for seniority.

### (ii) Actuarial assumptions

The following were the main actuarial assumptions at each reporting date:

#### (a) Macroeconomic assumptions:

- inflation. The actuary used information from the *National Commission for Strategy and Prognosis*:

Year	Valuation date 31 December 2023	Valuation date 31 December 2022
2023	10.4%	7.5%
2024	4.8%	4.9%
2025	3.5%	3%
2026	3%	2.5%
2027+	2.5%	2.5%

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 6% for the year 2023 (2022: 8.1%);
- taxes and social charges are those in force as at the reporting date.

*(b) Group specific assumptions:*

- For the year 2023 were taken into consideration the salaries' growth rates budgeted by the Group. Starting with the year 2024, salaries' growth is forecasted at the inflation rate;
- Employees' turnover: based on historical data;
- Jubilee and retirement bonuses granted based on seniority as per the collective labour contracts, as follows:

***Jubilee bonus based on years of service in the Group***

Seniority	No of gross monthly base salaries	
	31 December 2023	31 December 2022
20 years	1	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

***Retirement bonus based on years of service in the Group***

Seniority	No of gross monthly base salaries	
	31 December 2023	31 December 2022
Between 8 and 10 years	2	2
Between 10 and 25 years	3	3
More than 25 years	4	4

***Termination benefits****(a) Termination benefits for individual lay-offs at the Group's initiative*

In accordance with the Collective Labour Contracts concluded between the Group and the Unions, when individual labour contract are terminated at the Group's initiative, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries	
	31 December 2023	31 December 2022
1 – 2 years	2	2
2 – 5 years	3	3
5 – 10 years	4	4
10 – 20 years	5	5
More than 20 years	8	8

*(b) Termination benefits for collective lay-offs at the Group's initiative*

For collective lay-offs, according to the Collective Labour Contracts, the Group pays termination benefits to the employees depending on their period of service, as follows:

Vechime	No of gross monthly base salaries	
	31 December 2023	31 December 2022
1 – 3 years	3	3
3 – 5 years	6	6
5 – 10 years	7	7
10 – 20 years	11	11
More than 20 years	16	16

The above mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above stipulations do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Group's reorganization and restructuring. Employees who are re-employed within the Group after lay-off are not entitled to the above-mentioned benefits.

**Sensitivity analysis**

Significant actuarial assumptions for the determination of the benefit obligation are the discount rate, expected salary increase and retirement age. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Increase by 1%		Decrease by 1%	
	2023	2022	2023	2022
Discount rate	(11,301)	(9,237)	12,675	8,611
Salary growth	13,195	9,415	(11,930)	(10,049)

	Increase by 1 year		Decrease by 1 year	
	2023	2022	2023	2022
Retirement age	1,135	812	(1,135)	(812)

The sensitivity analysis presented above may not be representative of the actual change in the benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the benefit obligation liability recognized in the statement of financial position.

**18 Employee benefit expenses**

	2023	2022
Average number of employees	7,676	7,760
Number of employees at 31 December	7,960	7,874
	2023	2022
Wages and salaries*	911,995	790,425
Social security contributions	27,163	20,694
Meal tickets	46,583	33,187
Termination benefits	1,015	267
<b>Total employees benefits for the year</b>	<b>986,756</b>	<b>844,573</b>
Capitalised employee benefit expenses	(24,691)	(21,151)
<b>Total employees benefits in the statement of profit or loss</b>	<b>962,065</b>	<b>823,422</b>

\*Wages and salaries includes also current service cost, defined benefits and other long-term employee benefits

Management remuneration is disclosed in Note 33 b) Related parties.

**19 Income taxes**

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Group considers that the accounting records for taxes due are adequate for all open tax years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period when such a determination is made.

**(i) Amounts recognised in profit or loss**

	2023	2022 (restated)*
Current tax expense	78,819	2,576
Deferred tax expense	46,995	(49,747)
<b>Total expense/(benefit) related to income tax</b>	<b>125,814</b>	<b>(47,171)</b>

\*please see Note 5

**(ii) Amounts recognised in other comprehensive income**

	2023			2022		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Revaluation of property, plant and equipment	85,510	(13,699)	71,811	-	-	-
Remeasurement of defined benefit liability	(11,918)	1,907	(10,011)	9,503	(1,479)	8,024
<b>Total</b>	<b>73,592</b>	<b>(11,792)</b>	<b>61,800</b>	<b>9,503</b>	<b>(1,479)</b>	<b>8,024</b>

**(iii) Reconciliation of effective tax rate**

	2023		2022 (restated)*	
<b>Profit before tax</b>		<b>897,917</b>		<b>(287,634)</b>
<b>Tax using Company's domestic tax rate</b>	<b>16%</b>	<b>143,667</b>	<b>16%</b>	<b>(46,021)</b>
Non-deductible expenses	2%	17,338	-10%	28,845
Non-taxable income	-3%	(25,426)	8%	(22,083)
Deduction of legal reserves	0%	(3,165)	1%	(3,388)
Other tax effects	-1%	(5,622)	0%	(137)
Recognition of tax effect of previously unrecognised tax losses	0%	(978)	2%	(4,387)
<b>Income tax expense/(benefit)</b>	<b>14%</b>	<b>125,814</b>	<b>16%</b>	<b>(47,171)</b>

\*please see Note 5

**(iv) Movement in deferred tax balances**

2023	Balance at 31 December 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	8,837	13,699	59,516	-	59,516
Intangible assets related to concession agreements	208,015	21,679	-	229,694	-	229,694
Employee benefits	(21,101)	(4,236)	(1,907)	(27,244)	(27,244)	-
Impairment of trade receivables	(30,930)	5,370	-	(25,560)	(25,560)	-
Tax loss carried forward	(6,068)	1,712	-	(4,356)	(4,356)	-
Other items	(156,770)	13,633	-	(143,136)	(143,136)	-
<b>Tax liabilities/(assets) before set-off</b>	<b>30,126</b>	<b>46,995</b>	<b>11,792</b>	<b>88,914</b>	<b>(200,296)</b>	<b>289,210</b>
Set off of tax	-	-	-	-	167,892	(167,892)
<b>Net tax liabilities/(assets)</b>	<b>30,126</b>	<b>46,995</b>	<b>11,792</b>	<b>88,914</b>	<b>(32,404)</b>	<b>121,318</b>



2022	Balance at 31 December 2022 (restated)*					
	Net balance at 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	39,838	(2,858)	-	36,980	-	36,980
Intangible assets related to concession agreements	187,500	20,515	-	208,015	-	208,015
Employee benefits	(23,940)	1,360	1,479	(21,101)	(21,101)	-
Impairment of trade receivables	(24,732)	(6,198)	-	(30,930)	(30,930)	-
Tax loss carried forward	(95,972)	89,904	-	(6,068)	(6,068)	-
Other items	(4,299)	(152,471)	-	(156,770)	(156,770)	-
<b>Tax liabilities/(assets) before set-off</b>	<b>78,395</b>	<b>(49,747)</b>	<b>1,479</b>	<b>30,126</b>	<b>(214,869)</b>	<b>244,996</b>
Set off of tax	-	-	-	-	184,689	(184,689)
<b>Net tax liabilities/(assets)</b>	<b>78,395</b>	<b>(49,747)</b>	<b>1,479</b>	<b>30,126</b>	<b>(30,180)</b>	<b>60,306</b>

\*please see Note 5

### (v) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the certain tax losses generated by the Company, because it is not probable that future taxable profit will be available against which the entity generating it can use the benefits therefrom.

	2023	2022
<b>Tax losses</b>	318,176	337,136

## 20 Trade receivables

	31 December 2023	31 December 2022
Trade receivables, gross	3,180,660	3,118,691
Bad debt allowance	(640,218)	(652,689)
<b>Total trade receivables, net</b>	<b>2,540,442</b>	<b>2,466,002</b>

Trade receivables from related parties are presented in Note 33.

Trade receivables, gross, comprise:

	31 December 2023	31 December 2022
Electricity distribution and supply	2,603,238	2,482,266
Late payment penalties receivable	89,346	80,658
Customers with judicial execution titles	333,682	347,667
Repairs, maintenance and other services	20,904	11,850
Other	133,490	196,250
<b>Total trade receivables, gross</b>	<b>3,180,660</b>	<b>3,118,691</b>

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 to final consumers will be recovered from the Romanian State through National Agency for Payments (domestic consumers) and Social Inspection and Ministry of Energy (non-household consumers).

#### Electricity distribution and supply

On 31 December 2023, the amounts estimated to be received from the Ministry of Energy for non-household consumers are 10,130 thousand RON (31 December 2022: 20,480 thousand RON) and from the National Agency for Payments and Social Inspection for household consumers are 36,496 thousand RON (31 December 2022: 21,043 thousand RON). The receivables are booked under the caption "Electricity distribution and supply".

#### Grants to be received

As at 31 December 2023, the estimated amount for subsidies to be received from the Ministry of Energy is RON 2,595,554 thousand (31 December 2022: RON 1,280,788 thousand) and from County Agency for Payments and Social Inspection is RON 18,981 thousand. From the total amount of subsidies to be received, RON 1,528,679 thousand represent uncollected claims submitted to the state authorities and RON 1,085,856 thousand claims not yet submitted to the state authorities as at 31 December 2023.

According to the legal provisions and regulations adopted regarding the recovery of these subsidies, the amounts should be recovered within 40 days after submission of the required documentation to the National Agency for Payments and Social Inspection or the Ministry of Energy, as the case may be.

The amounts should be recovered within 40 days of submission of the required documentation to the National Agency for Payments and Social Inspection or the Ministry of Energy, as appropriate. Claims are recorded under the line „Electricity distribution and supply“.

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables in the form of lifetime expected credit losses is as follows:

Lifetime expected credit losses	2023	2022
<b>Balance as at 1 January</b>	<b>652,689</b>	<b>980,858</b>
Loss allowance recognized	111,271	146,203
Decrease in loss allowance	(35,198)	(34,248)
Amounts written off	(88,544)	(440,124)
<b>Balance as at 31 December</b>	<b>640,218</b>	<b>652,689</b>

The aging of trade receivables is presented in Note 32.

Loss allowances are determined according to IFRS 9 “Financial instruments” based on “expected credit loss” model. In applying IFRS 9, the Group has identified 5 clusters of customers based on shared risk characteristics: 3 separate clusters for the distribution subsidiaries and 2 clusters (households and non-households) for the supply subsidiary.

A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Group will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. These receivables were treated separately in computing the allowance according to IFRS 9. The amounts written-off in 2022 relates to Oltchim (please see Note 19 from prior year financial statements).

In applying IFRS 9 as of 31 December 2023, 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 111,271 thousand.

## 21 Other receivables

	31 December 2023	31 December 2022
VAT receivable	12,762	13,024
Receivables from EU funds	45,194	13,932
Other receivables	56,103	120,777
Lifetime expected credit losses	(20,227)	(20,480)
<b>Total other receivables, net</b>	<b>93,832</b>	<b>127,253</b>

Other receivables include mainly guarantees from energy suppliers and receivables to be recovered from state authorities in respect to medical leave indemnities.

The reconciliation between the opening balances and the closing balances of the impairment for other receivables is as follows:

Loss allowance	2023	2022
<b>Balance as at 1 January</b>	<b>20,480</b>	<b>20,124</b>
Decrease in loss allowance	(253)	356
<b>Balance as at 31 December</b>	<b>20,227</b>	<b>20,480</b>

## 22 Cash and cash equivalents

	31 December 2023	31 December 2022
Bank current accounts	223,213	141,656
Call deposits	153,997	193,219
Cash in hand	5	12
<b>Total cash and cash equivalents in the consolidated statement of financial position</b>	<b>377,215</b>	<b>334,887</b>

In the context of the consolidated statement of cash flows, non-cash activity includes the netting of trade receivables and trade payables in the amount of RON 160,104 thousand in 2023 (31 December 2022: RON 53,106 thousand).

## 23 Inventories

As at 31 December 2023 and 31 December 2022, inventories are as follows:

	31 December 2023	31 December 2022
Spare parts	35,057	29,589
Consumables and other materials	50,060	53,527
Natural gas	25,536	23,319
Other inventories	13,693	17,004
Allowance for impairment of inventories	(8,686)	(9,467)
<b>Total inventories</b>	<b>115,660</b>	<b>113,972</b>

Inventories include mainly spare parts, consumables and the natural gas storage (applicable only for the supply subsidiary) that was set up according to ANRE's regulations. Spare parts refer mainly to items such as cables, conductors, sockets, switches which are used for the distribution network.

As at 31 December 2023, the remaining quantity of natural gas stored is of MWh 143,870 (31 December 2022: MWh 107,427), amounting to RON 25,536 thousand (31 December 2022: RON 23,319 thousand).

## 24 Property, plant and equipment

The movements in property, plant and equipment in 2023 and 2022 are as follows:

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
<b>Gross carrying amount</b>						
<b>Balance at 31 December 2021</b>	252,798	202,557	91,801	96,950	29,188	673,297
Reclassification of assets held for sale	1,024	4,115	-	-	-	5,139
<b>Balance at 1 January 2022</b>	253,822	206,672	91,801	96,950	29,188	678,433
Additions	1,179	-	1,977	804	5,475	9,435
Transfer from construction in progress	85	1,133	2,386	269	(3,778)	95
Disposals	(3,276)	(1,093)	(1,844)	(838)	(9)	(7,060)
Acquisition of subsidiary	25	-	-	-	3,875	3,900
<b>Balance at 31 December 2022</b>	251,835	206,712	94,320	97,185	34,751	684,803
Additions	763	936	239	371	21,872	24,181
Transfer from construction in progress	-	124	1,862	110	-	2,096
Disposals	(576)	-	(5,236)	(1,308)	(1,271)	(8,391)
Effect of revaluation recognised in other comprehensive income	46,999	38,511	-	-	-	85,510
Effect of revaluation recognised in profit or loss	2,462	(381)	-	-	-	2,081
Decrease in gross value through reversal of accumulated depreciation	-	(23,907)	-	-	-	(23,907)
<b>Balance at 31 December 2023</b>	301,483	221,995	91,185	96,358	55,352	766,373
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 January 2022</b>	-	13,478	44,588	91,175	18,634	167,875
Depreciation	-	8,022	7,378	4,515	-	19,915
Accumulated depreciation of disposals	-	-	(1,778)	(594)	-	(2,372)
Impairment loss	-	(5)	-	-	-	(5)
<b>Balance at 31 December 2022</b>	-	21,495	50,188	95,096	18,634	185,413
Depreciation	-	7,450	6,499	2,442	-	16,391
Accumulated depreciation of disposals	-	-	(5,375)	(1,635)	-	(7,010)
Cancellation of accumulated depreciation	-	(23,416)	-	-	-	(23,416)
<b>Balance at 31 December 2023</b>	-	5,529	51,312	95,903	18,634	171,378
<b>Net carrying amounts</b>						
<b>At 1 January 2022</b>	252,798	189,079	47,213	5,775	10,554	505,419
<b>At 31 December 2022</b>	251,835	185,217	44,132	2,089	16,117	499,390
<b>At 31 December 2023</b>	301,483	216,466	39,873	455	36,718	594,994

Tangible assets include mainly land, buildings and equipment.

As at 31 December 2023, the Group carried out a revaluation to fair value of property, plant and equipment consisting of land, land improvements and buildings. The revaluation was carried out by an independent chartered valuer Darian DRS S.A.

As a result of the revaluation, the gain recorded in the Consolidated Statement of Comprehensive Income was RON 85,510 thousand and the gain recorded in the Consolidated Statement of Profit or Loss was RON 2,081 thousand.

#### **Measurement of fair value**

The Group's land, land improvements and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's land, land improvements and buildings as at 31 December 2023 were performed by Darian DRS S.A., an independent valuer not related to the Group. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

There were no significant changes to the valuation technique in the period between the current revaluation performed on 31 December 2023 and the previous one performed on 31 December 2020.

The following table shows the valuation techniques used in measuring fair values (Level 3), as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Land and land improvements</b>	<p><u>Market approach</u></p> <p>The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties and best use). The market price is mainly based on recent transactions.</p>	<ul style="list-style-type: none"> <li>Adjustment for liquidity, location, size.</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>Adjustment for liquidity, location or size would be lower/(higher)</li> </ul>
<b>Buildings</b>	<p>Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information:</p> <p><u>The income approach</u></p> <p>The income approach is based on the determination of the reproducible annual flow, derived from the rental of the property and a determination of the capitalization rate and implicitly the multiplier factor.</p> <p><u>Market approach</u></p> <p>The market approach is based on the selling price per square meter for buildings with similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use), adjusted for liquidity, location, size etc.</p> <p><u>The cost approach</u></p> <p>It was applied for fixed assets where it was not possible to apply the market or income approach, as is the case with rural housing. The cost approach assumes that the maximum value of a good for an informed buyer is the amount needed to buy or build a new good with equivalent utility. When the good is not new, all the forms of depreciation that can be attributed to the good must be deducted (deducted) from the current new cost, until the evaluation date.</p>	<p><u>Office space rent</u></p> <ul style="list-style-type: none"> <li>Adjustment for liquidity, location, size.</li> <li>Occupancy rates (between 85% and 90%)</li> <li>Capitalisation rates (between 7% and 8%)</li> <li>Annual rent per sqm (between 15 and 20 EUR/sqm), depending on location;</li> </ul> <p><u>Commercial space rent</u></p> <ul style="list-style-type: none"> <li>Occupancy rates (between 80% and 90%)</li> <li>Capitalisation rates (between 7% and 8%)</li> <li>Annual rent per sqm (between 10 and 60 EUR/sqm), depending on location;</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>Adjustment for liquidity, location or size would be lower/(higher)</li> <li>Occupancy rates were higher/(lower)</li> <li>Yield rates were lower/(higher)</li> <li>Annual rent per sqm was higher/(lower)</li> </ul>

## 25 Intangible assets

Intangible assets include mainly intangible assets related to distribution service concession agreements recorded in accordance with IFRIC 12 "Service Concession Arrangements", as well as licenses and costs of SAP ERP implementation, customer management and billing system and other software, as follows:

	Intangible assets related to concession agreements	Software and licenses	Intangible assets in progress	Total
<b>Gross book value</b>				
<b>Balance at 1 January 2022</b>	10,132,347	193,401	1,909	10,327,657
Additions	611,294	7,694	140	619,128
Transfers from intangible assets in progress	-	2	(2)	-
Disposals	-	(1,006)	-	(1,006)
<b>Balance at 31 December 2022</b>	10,743,641	200,091	2,047	10,945,779
Additions	1,018,912	20,759	994	1,040,665
Transfers from tangible assets in progress	-	680	(680)	-
Disposals	-	(11,106)	-	(11,106)
<b>Balance at 31 December 2023</b>	11,762,553	210,424	2,361	11,975,338
<b>Accumulated amortization and impairment losses</b>				
<b>Balance at 1 January 2022</b>	4,617,790	186,327	-	4,804,117
Amortization	449,987	3,960	-	453,948
Accumulated amortization of disposals	-	(1,005)	-	(1,005)
<b>Balance at 31 December 2022</b>	5,067,777	189,282	-	5,257,060
Amortization	474,246	6,171	-	480,416
Accumulated amortization of disposals	-	(10,490)	-	(10,490)
<b>Balance at 31 December 2023</b>	5,542,023	184,963	-	5,726,986
<b>Net carrying amounts</b>				
<b>At 1 January 2022</b>	5,514,557	7,074	1,909	5,523,540
<b>At 31 December 2022</b>	5,675,864	10,809	2,047	5,688,719
<b>At 31 December 2023</b>	6,220,530	25,461	2,361	6,248,352

The Group applies IFRIC 12 for the accounting of the transactions under these concession contracts (see further details in Notes 4, 8(d) and 8(i)).

For the year ended 31 December 2023, the Group has recognized construction revenue related to the concession agreements of RON 1,018,912 thousand (2022: RON 611,294 thousand).



The main information related to the current concession contracts agreements and the intangible assets amounts recognized for each network distribution area is summarized below:

Network distribution areas	Contract date	Concession period (years)	Contract expiry date	Concession period remaining (years)	Renewal option	Net carrying amount at 31 December 2023	Net carrying amount at 31 December 2022
Muntenia Nord area	2005	49	2054	33	Yes	2,197,712	1,968,811
Transilvania Nord area	2005	49	2054	33	Yes	2,007,855	1,890,409
Transilvania Sud area	2005	49	2054	33	Yes	2,014,963	1,816,644
<b>Total</b>						<b>6,220,530</b>	<b>5,675,864</b>

The concession contracts can be prolonged for a period up to half of the initial established period of 49 years.

The investments in relation to the development and modernization of the infrastructure incurred in 2023 refers mainly to:

- Modernization of the current transformer points and stations, current underground and overhead power lines in amount of RON 484,220 thousand (2022: RON 139,487 thousand);
- Investments related to improvements for electricity distribution network in amount of RON 81,660 thousand (2022: RON 79,132 thousand).
- Significant construction works of new transformer stations, new underground and overhead power lines in amount of 2023: RON 144,980 thousand (2022: RON 148,404 thousand);
- Acquisition of own car fleet, including utilities vehicles and specialized vehicles in amount of RON 0 thousand; (2022: RON 58,256 thousand);
- Modernization and inclusion in SCADA (which is an automatic control system which monitors the equipment) of transformers points and stations, in amount of RON 24,880 thousand (2022: RON 164 thousand).

## 26 Investments in associates

On 28 July 2021 and on 7 December 2021, Electrica SA concluded four agreements for the sale-purchase of shares in four project companies having as main activity the production of electricity from renewable sources. The sale-purchase agreements concluded, mention the fact that in the first stage the Group acquires 30% of the share capital of the four companies, remaining that in the following stages, to acquire the remaining 70% of the share capital after the conditions provided in the sale-purchase agreements will be fulfilled. By the end of 31 December 2023, three of the project companies were acquired by at least 60% (please see Note 1), therefore they are accounted as subsidiaries, the other one is as follows:

- **Crucea Power Park SRL**, develops the wind project „Crucea Est”, with a projected installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea area, Constanta County. The estimated purchase price for the „Crucea Est” wind project is 70 thousand EUR/MW for the aforementioned capacity, totalling the amount of 8,470 thousand EUR. On 28 July 2021,

Electrica SA paid the amount of EUR 2,541 thousand representing 30% of the project value, respectively 30% of the shares of Crucea Power Park SRL. On 15 May 2023, Electrica acquired a further 10% of the shares and voting interests in Crucea Power Park S.R.L. As a result, the Group's shareholding increased from 30% to 40%.

Considering the holding percentage of 40%, as at 31 December 2023, the entity is accounted for using the equity method in these consolidated financial statements as provided in the Group's accounting policies in Note 8.

The cost of the investments at acquisition date, totalling the amount of RON 12,500 thousand, is detailed as follows:

	<b>Crucea Power Park S.R.L.</b>
<i>Acquisition date</i>	<b>31.07.2021</b>
<i>Percentage ownership and voting rights at acquisition date</i>	<b>30%</b>
<i>Net assets at acquisition date</i>	(242)
<b>Group's share of net assets</b>	<b>(73)</b>
Goodwill	12,573
<b>Cost of investment at acquisition datei</b>	<b>12,500</b>

Summarised financial information in respect of the Group's associate is set out below:

	<b>Crucea Power Park S.R.L.</b>
	<b>31.12.2023</b>
<i>Non-current assets</i>	9,199
<i>Current assets</i>	1,187
<i>Non-current liabilities</i>	(10,376)
<i>Current liabilities</i>	(45)
<b>Net assets</b>	<b>(36)</b>
<b>Reconciliation to carrying amounts:</b>	
Opening net assets at acquisition date	(246)
Additions net assets/liabilities	293
Loss for the period	(83)
<b>Closing net assets 31.12.2023</b>	<b>(36)</b>

Reconciliation of the financial information summarized above with the net accounting value of the participation in the associated entity recognized in the consolidated financial statements:

	<b>Crucea Power Park S.R.L.</b>
<b>Closing net assets of associates 31.12.2023</b>	<b>(36)</b>
<i>Group's share in associates %</i>	40%
<b>Group's share of net assets as at 31.12.2023</b>	<b>(14)</b>
Goodwill	16,652
<b>Carrying amount of interest in associate 31.12.2023</b>	<b>16,638</b>

The share loss in amount of RON 39 thousand for the period was recognized in the consolidated statement of profit and loss for the year ended as at 31 December 2023.

## 27 Capital and reserves

### (a) Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2023 (31 December 2022: 346,443,597) with a nominal value of RON 10 per share. As of 4 July 2014, after the Initial Public Offering ("IPO"), the Company's shares are listed on the Bucharest Stock Exchange and the Global Depository Receipts are listed on the London Stock Exchange.

The shares owned by the Company's shareholders that are traded on the London Stock Exchange are the global depository receipts (GDRs). A global depository receipt represents four shares. The Bank of New York Mellon is the depository bank for these securities. The GDRs' weight in Electrica's total share capital diminished following the Initial Public Offering, reaching a level of 0.7842% at the end of 2021 as compared to 10.17% at 4 July 2014.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share in the shareholders' meetings of the Company, except for the 6,890,593 treasury shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equally and confer equal rights to the net assets of the Company's, except for treasury shares.

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders.

The share premium resulted at IPO was RON 171,128 thousand. The transaction costs of RON 68,079 thousand were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in kind and in cash contribution, with the amount of RON 5,037 thousand, from the amount of RON 3,459,399 thousand to the amount of RON 3,464,436 thousand, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering were in amount of RON 964 thousand. Also, the Company recorded gains referring to share issue of RON 2,186 thousand, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

### (b) Treasury shares reserve

In July 2014, the Company purchased 5,206,593 ordinary shares and 421,000 Global Depository Receipts, equivalent to 1,684,000 shares (totalling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depository Receipts was RON 75,372 thousand.

### (c) Revaluation reserve

The reconciliation between opening and closing balance of revaluation reserve is as follows:

	2023	2022
<b>Balance at 1 January</b>	<b>92,117</b>	<b>102,829</b>
Revaluation reserve for tangible fixed assets	85,510	-
Deferred tax relating to the revaluation reserve	(13,699)	-
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(4,392)	(10,712)
<b>Balance as at 31 December</b>	<b>159,536</b>	<b>92,117</b>

As at 31 December 2023, the Group has revalued its land, land improvements and buildings to fair value. The previous revaluation was carried out on 31 December 2020 (see note 24).

### (d) Legal reserves

Legal reserves are set up as 5% of the gross profit for the year in the statutory individual financial statements of the companies within the Group, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

	Legal reserves
<b>Balance at 1 January 2022</b>	<b>408,405</b>
Set-up of legal reserves	21,178
<b>Balance at 31 December 2022</b>	<b>429,583</b>
Set-up of legal reserves	19,780
<b>Balance at 31 December 2023</b>	<b>449,363</b>

### (e) Dividends

Romanian companies may distribute dividends from statutory profits, according to the separate financial statements prepared in accordance with Romanian accounting regulations.

The dividends declared by the Company in 2023 and 2022 (from the statutory profits of previous years) are as follows:

	Distribution of dividends	
	2023	2022
To the owners of the Company	39,999	152,798
<b>Total</b>	<b>39,999</b>	<b>152,798</b>

On 27 April 2023 the General Shareholders Meeting of the Company approved dividend distribution of RON 39,999 thousand (2022: RON 152,798 thousand). The dividend per share distributed is RON 0.1178 per share (2022: RON 0.45 per share). When calculating the dividend per share, the Company's repurchased own

shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 39,999 thousand (2022: RON 152,799 thousand), the dividends paid were RON 39,894 thousand (2022: RON 152,447 thousand) the remaining difference represents dividends uncollected by the shareholders.

## 28 Trade payables

	31 December 2023	31 December 2022
Electricity suppliers	1,005,761	970,815
Capital expenditure suppliers	453,014	243,715
Other suppliers	212,703	192,567
<b>Total</b>	<b>1,671,478</b>	<b>1,407,097</b>

Electricity suppliers are mainly state-owned electricity producers, as detailed in Note 34, but also other participants to the electricity market.

Other suppliers include suppliers of services, materials, consumables, etc.

## 29 Other payables

	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
VAT payable	588,814	-	565,075	-
Liabilities towards the State	33,372	-	11,733	-
Other liabilities	412,898	37,161	290,728	72,432
<b>Total</b>	<b>1,035,084</b>	<b>37,161</b>	<b>867,536</b>	<b>72,432</b>

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

## 30 Provisions

	Tax related	Other	Total
<b>Balance at 1 January 2023</b>	<b>1,084</b>	<b>52,617</b>	<b>53,701</b>
Provisions recognized	-	7,924	7,924
Provisions utilised	-	(229)	(229)
Provisions reversed	-	(20,229)	(20,229)
<b>Balance at 31 December 2023</b>	<b>1,084</b>	<b>40,083</b>	<b>41,167</b>

As at 31 December 2023, provisions refer mainly to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause amounting to RON 710 thousand (31 December 2022: RON 1,839 thousand) and for various claims and litigations involving the Group companies in amount

of RON 40,457 thousand (31 December 2022: RON 51,862 thousand) of which the most significant was for the distribution segment amounting to RON 24,345 thousand for a dispute with ANCOM.

For the supply segment, starting with July 2022, from the amendment of the Performance Standard 82/2021, the compensations are calculated daily or weekly and paid to the customers. Thus, for the provision recognised until 31 December 2022, amounting to RON 11,020 thousand, a reversal of RON 8,770 thousand was recorded during 2023 and an additional provision of RON 1,482 thousand was set up for the period January–December 2023.

### 31 Bank borrowings and overdrafts

Drawings and repayments of borrowings during the year ended 31 December 2023 were as follows:

	Currency	Interest rate	Maturity year	Amount (RON thousand)
<b>Balance at 1 January 2023</b>				<b>760,713</b>
<b>Drawings of borrowings during the period, out of which:</b>				
EBRD	RON	Floating rate (2.1% + interbank rate + ROBOR spread)	2028	180,000
Exim Bank Romania	RON	ROBOR 3M+1.65%	2024	245,890
Vista Bank	RON	ROBOR 3M+2.95%	2024	25,000
CEC Bank	RON	ROBOR 3M+2.85%	2026	200,000
ERSTE Group Bank and Raiffeisen Bank	RON	ROBOR 3M +1.16%	2024	91,768
<b>Total drawings</b>				<b>742,658</b>
Accumulated interest				11,125
Payment of interest out of which paid in 2022				(9,124)
<b>Reimbursements, out of which:</b>				<b>187,730</b>
BRD	RON	3.99%	2026	20,800
BRD	RON	3.85%	2028	14,286
BRD	RON	3.85%	2028	11,425
Banca Transilvania	RON	4.59%	2027	17,857
Unicredit Bank	RON	3.85%	2028	9,600
BCR	RON	ROBOR 3M+1%	2028	18,950
EBRD	RON	Floating rate (1.15% + interbank rate + ROBOR spread)	2031	11,478
Exim Bank Romania	RON	ROBOR 3M+1.65%	2024	83,334
<b>Balance at 31 December 2023</b>				<b>1,317,642</b>

As at 31 December 2023, respectively 31 December 2022, the bank borrowings is as follows:

Lender	Borrower	Balance at 31 December 2023	Balance at 31 December 2022
Banca Transilvania	Distributie Energie Electrica Romania (formerly SDEE Transilvania Sud S.A.)	62,508	80,367
UniCredit Bank	Distributie Energie Electrica Romania (formerly SDEE Transilvania Nord S.A.)	29,103	38,793
BRD	Distributie Energie Electrica Romania (formerly SDEE Muntenia Nord S.A.)	62,400	83,200
BRD	Distributie Energie Electrica Romania (formerly SDEE Transilvania Nord S.A.)	64,286	78,571
BRD	Distributie Energie Electrica Romania (formerly SDEE Transilvania Sud S.A.)	51,467	62,904
BCR	Distributie Energie Electrica Romania (formerly SDEE Muntenia Nord S.A.)	90,542	109,785
EBRD	Distributie Energie Electrica Romania	189,971	202,983
EBRD	Distributie Energie Electrica Romania	182,773	-
CEC Bank	Electrica Furnizare S.A.	200,000	-
Exim Bank Romania	Distributie Energie Electrica Romania	167,825	4,110
Vista Bank	Societatea Energetica Electrica S.A.	125,000	100,000
ERSTE Group Bank and Raiffeisen Bank	Societatea Energetica Electrica S.A.	91,768	-
<b>Total</b>		<b>1,317,642</b>	<b>760,713</b>
Less: current portion of the long-term bank borrowings		(512,169)	(104,400)
Less: accumulated interest		(11,125)	(9,120)
<b>Total long-term borrowings, net of current portion</b>		<b>794,348</b>	<b>647,193</b>

### **Bank Borrowings description:**

#### *a) Investment loan granted by Banca Transilvania*

On 18 July 2019, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with Banca Transilvania an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 125,000 thousand; Interest rate: fixed, 4.59% per annum; Reimbursements: quarterly instalments until 30.06.2027; Grace period: 12 months. As at 31 December 2023, the outstanding balance is of RON 62,508 thousand, of which RON 62,500 thousand principal and RON 8 thousand accrued interest. (Outstanding balance as at 31 December 2022: RON 80,367 thousand).

#### *b) Investment loan granted by Unicredit Bank*

On 13 November 2019, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with Unicredit Bank an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 60,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 13.11.2026; Grace period: 12 months. As at 31

December 2023, the outstanding balance is of RON 29,103 thousand, of which RON 28,800 thousand principal and RON 303 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 31 December 2023, the outstanding balance is of RON 62,400 thousand. (Outstanding balance as at 31 December 2022: RON 83,200 thousand).

*d) Investment loan granted by BRD – Groupe Societe Generale*

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 100,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2023, the outstanding balance is of RON 64,286 thousand. (Outstanding balance as at 31 December 2022: RON 78,571 thousand).

*e) Investment loan granted by BRD – Groupe Societe Generale*

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A. as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of

financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 80,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2023, the outstanding balance is RON 51,467 thousand, of which RON 51,429 thousand principal and RON 39 thousand accrued interest. (Outstanding balance as at 31 December 2022: RON 62,904 thousand).

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

On 17 September 2020, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower and Electrica SA as a guarantor, concluded with Banca Comerciala Romana S.A. an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 155,000 thousand; Interest rate: ROBOR 3M+1% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2023, the outstanding balance is RON 90,542 thousand, of which RON 90,011 thousand principal and RON 531 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 (“EBRD”)*

On 2 July 2021, Societatea de Distributie Energie Electrica Romania SA, as a borrower, concluded with the European Bank for Reconstruction and Development a credit agreement for investments in order to finance investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: The maximum value of the loan RON 195,136 thousand; Interest rate: agreed individually for each tranche drawn; Repayments: 17 half-yearly instalments until 31.07.2031; Grace period: 24 months. As at 31 December 2023, the outstanding balance is RON 189,970 thousand, of which RON 183,657 thousand principal and RON 6,313 thousand accrued interest.



The loan agreement is guaranteed by Electrica SA. (Outstanding balance as at 31 December 2022: RON 202,983 thousand.

*h) Investment loan granted by the European Investment Bank ("EIB")*

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 210,000 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 31 December 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 ("EIB")*

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 210,000 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 31 December 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 31 December 2023, the outstanding balance is RON 167,825 thousand. The loan benefits from a guarantee in the name and account of the state and is guaranteed by Electrica SA. (Outstanding balance as at 31 December 2022: RON 4,110 thousand). The loan is guaranteed in the name and on behalf 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 31 December 2023, the balance of the loan is 125,000 thousand RON. (Outstanding balance as at 31 December 2022: RON 100,000 thousand).

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

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. Maximum credit amount: 180,000 thousand RON; Interest rate: ROBOR 3M + 2.10%. As at 19 December 2023, the value of the loan increased to 240,000 thousand RON. As at 31 December 2023, the outstanding balance is RON 182,775 thousand, of which RON 180,000 thousand principal and RON 2,775 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 31 December 2023, the outstanding balance is RON 200,000 thousand. The loan agreement is guaranteed by Electrica SA.

n) *Syndicated credit facility granted by Erste Group Bank AG and Raiffeisen Bank SA*

On 2 November 2021, Electrica S.A., as borrower, entered into a syndicated credit facility with Erste Group Bank AG and Raiffeisen Bank SA. The main provisions are: Maximum loan amount RON 750,000 thousand; Interest rate: ROBOR 3M+1.16%. On 3 November 2023 the loan was extended for a period of one year and the maximum loan amount was reduced to RON 450,000,000. As at 31 December 2023 the balance of the loan is RON 91,768 thousand, of which principal RON 91,768 thousand and accrued interest RON 619 thousand (31 December 2022: RON 0.0 thousand).

### **Overdrafts**

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

The overdraft facilities are used for financing activities. The outstanding balance of the overdraft facilities as at 31 December 2023 is of RON 2,851,221 thousand (31 December 2022: RON 2,571,037 thousand).

<b>Lender (overdrafts)</b>	<b>Borrower</b>	<b>Balance at 31 December 2023</b>	<b>Balance at 31 December 2022</b>
ING Bank N.V	Societatea Energetica Electrica S.A.	206,986	209,138
Alpha Bank	Electrica Furnizare S.A.	213,702	147,497
BCR	Electrica Furnizare S.A.	378,887	227,311
BRD	Electrica Furnizare S.A.	218,817	216,570
Banca Transilvania	Electrica Furnizare S.A.	187,194	185,528
ING Bank N.V	Electrica Furnizare S.A.	170,602	169,600
Raiffeisen Bank	Electrica Furnizare S.A.	369,274	343,001
UniCredit Bank	Electrica Furnizare S.A.	302,399	300,294
BNP Paribas	Electrica Furnizare S.A.	28,830	-
BCR	Distributie Energie Electrica Romania S.A	210,593	208,412
Banca Transilvania	Distributie Energie Electrica Romania S.A	159,544	158,965
ING Bank N.V	Distributie Energie Electrica Romania S.A	49,682	49,855
Intesa San Paolo	Distributie Energie Electrica Romania S.A	135,815	135,096
Raiffeisen Bank	Distributie Energie Electrica Romania S.A	218,895	219,770
<b>Total overdrafts</b>		<b>2,851,221</b>	<b>2,571,037</b>

### **Financial Covenants**

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

### **Pledged Assets**

On 31 December 2023, for several overdrafts the Group has pledges (guarantees) for trade receivables amounts, as specified on contracts.

### **Bank Guarantees**

The maximum limit of the facility for issuing bank guarantees (credit facility for issuing guarantee instruments and multi-product lines) RON 3,110,456 thousand, of which non-cash uses RON 1,104,986 thousand.

## **32 Financial instruments – fair values and risk management**

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

According to IFRS 9, financial assets are measured at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

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

### **(b) Financial risk management**

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These risks are further explained and detailed.

#### **(i) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, restricted cash and bank deposits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Group had a high credit risk mainly from State-owned companies.

Cash and bank deposits are placed in financial institutions which are considered to have low risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

### Trade receivables

The Group's credit risk in respect of receivables was concentrated in the past around state-controlled companies and in the recent years refers to clients that are facing financial difficulties in their industries due to specific changes in circumstances in their industry sector. The Group has implemented a policy on credit risk management and is also considering securing trade receivables. Also, the electricity supply contracts include termination clauses in certain circumstances.

The Group establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

### Impairment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2023:

	31 December 2023				
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	2,229,339	(35,330)	2,194,009	No
Past due 1-30 days	7%	255,100	(16,875)	238,225	No
Past due 31-60 days	14%	47,635	(6,670)	40,965	No
Past due 61-90 days	37%	25,927	(9,640)	16,287	No
Past due more than 90 days	92%	622,659	(571,703)	50,956	Yes
<b>Total</b>		<b>3,180,660</b>	<b>(640,218)</b>	<b>2,540,442</b>	

The Group performed a sensitivity analysis and a 5% increase in the expected credit loss rates would not lead a material impact on the results of the Group.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2022:

	31 December 2022				
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	3%	1,951,656	(60,310)	1,891,346	No
Past due 1-30 days	4%	490,985	(19,342)	471,643	No
Past due 31-60 days	16%	66,365	(10,488)	55,877	No
Past due 61-90 days	35%	27,259	(9,671)	17,588	No
Past due more than 90 days	95%	582,426	(552,878)	29,548	Yes
<b>Total</b>		<b>3,118,691</b>	<b>(652,689)</b>	<b>2,466,002</b>	

Details of the main movements in the allowances for doubtful debts are disclosed in Note 20.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts (refer to Note 32).

**Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

Financial liabilities	Carrying amount	Contractual cash flows				
		Total	less than 1 year	1-2 years	2-5 years	more than 5 years
<b>31 December 2023</b>						
Bank overdrafts	2,851,221	2,851,221	2,851,221	-	-	-
Lease liability	43,195	43,195	14,052	9,920	3,980	15,243
Long term bank borrowings	1,317,642	1,317,642	523,294	258,923	475,905	59,520
Trade payables	1,671,478	1,671,478	1,671,478	-	-	-
<b>Total</b>	<b>5,883,536</b>	<b>5,883,536</b>	<b>5,060,045</b>	<b>268,843</b>	<b>479,885</b>	<b>74,763</b>
<b>31 December 2022</b>						
Bank overdrafts	2,571,037	2,571,037	2,571,037	-	-	-
Lease liability	53,673	53,673	19,211	10,795	10,645	13,022
Long-term bank borrowings	760,713	760,713	113,520	354,471	200,505	92,217
Trade payables	1,407,097	1,407,097	1,407,097	-	-	-
<b>Total</b>	<b>4,792,520</b>	<b>4,792,520</b>	<b>4,110,865</b>	<b>365,266</b>	<b>211,150</b>	<b>105,239</b>

**(iii) Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency risk**

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is RON. Certain liabilities are denominated in foreign currency (EUR). The Group also has deposits and bank accounts denominated in

foreign currency (EUR). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

#### Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk is as follows:

	31 December 2023	31 December 2022
<b>in thousands of RON</b>	denominated in EUR	denominated in EUR
Cash and cash equivalents	347	277
Lease liability	(42,231)	(21,004)
<b>Net statement of financial position exposure</b>	<b>(41,844)</b>	<b>(20,727)</b>

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
	2023	2022	2023	2022
RON				
EUR 1	4.9465	4.9315	4.9746	4.9474

#### Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Effect	Profit before tax	
		Strengthening	Weakening
<b>31 December 2023</b>			
EUR (5% movement)		(2,092)	2,092
<b>31 December 2022</b>			
EUR (5% movement)		(1,036)	1,036

#### Interest rate risk

For financing purposes, the Group uses both medium and long-term bank loans and short-term loans in the form of overdraft facilities (please see Note 31).

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings (please see Note 31), as the long-term borrowings are contracted mainly at fixed rates, while the overdraft facilities bear variable rates. The Group does not have in place hedging contracts for interest rate.

The Groups exposures to interest rates on financial assets and financial liabilities are detailed below. The Group is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market.

*Exposure to interest rate risk*

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 December 2023	31 December 2022 (restated*)
<b>Fixed-rate instruments</b>		
<b>Financial assets</b>		
Call deposits	153,997	193,219
<b>Financial liabilities</b>		
Long-term bank borrowings	(1,068,912)	(651,752)
Lease liability	(32,312)	(37,378)
	<b>(947,227)</b>	<b>(495,911)</b>
<b>Variable-rate instruments</b>		
<b>Financial liabilities</b>		
Lease liability	(10,883)	(16,295)
Long-term bank borrowings	(248,730)	(108,961)
Bank overdrafts	(2,851,221)	(2,571,037)
<b>Total</b>	<b>(3,110,834)</b>	<b>(2,696,293)</b>

*Fair value sensitivity analysis for fixed-rate instruments*

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable-rate instruments*

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	50 bp decrease
<b>31 December 2023</b>		
Variable-rate instruments	(15,554)	15,554
<b>31 December 2022</b>		
Variable-rate instruments	(13,481)	13,481

### 33 Related parties

#### (a) Main shareholders

As at 31 December 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 a share of ownership of 48.79% from the share capital.

#### (b) Management and administrators' compensation

	2023	2022
<b>Executive Management compensation</b>	36,623	34,726

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:

	2023	2022
<b>Members of Board of Directors</b>	4,151	3,063

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Meeting of Shareholders that took place on 20 April 2022, the annual number of paid sessions is limited to twelve for Board of Directors meetings and to six for each of the committees. Additional committee meetings can be organized only in exceptional situations, upon the Chairs' committee decision, who are responsible to efficiently organize the agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.

No loans were granted to directors or administrators in 2023 and 2022.

#### (c) Transactions with companies in which the state has control or significant influence

The Group has transactions with companies in which the State has control or significant influence in the ordinary course of business, related mainly to the acquisition of electricity, transport and system services and sale of electricity. Significant purchases and balances are mainly with energy producers/suppliers, as follows:

Supplier	Purchases (without VAT)		Balance (including VAT)	
	2023	2022	31 December 2023	31 December 2022
OPCOM	2,879,757	2,727,101	212,746	23,981
Transelectrica	671,172	968,470	170,242	185,856
Nuclearelectrica	799,117	866,763	107,671	93,013
Hidroelectrica	44,631	581,598	37	42,493
Complexul Energetic Oltenia	1,107,474	478,813	132,693	45,257
OMV Petrom SA	-	261,123	-	26,349
SNGN Romgaz SA	52,689	197,490	9,081	7,445



Supplier	Purchases (without VAT)		Balance (including VAT)	
	2023	2022	31 December 2023	31 December 2022
Electrocentrale Bucuresti	-	191,862	-	-
ANRE	16,763	10,458	12	14
Transgaz	7,638	8,029	1,850	986
Others	5,945	7,768	1,513	1,168
<b>Total</b>	<b>5,585,186</b>	<b>6,299,475</b>	<b>635,845</b>	<b>426,562</b>

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

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2023		31 December 2023	
OPCOM	37,429	2,174	-	2,174
Transelectrica	157,861	44,220	-	44,220
C.N.C.F CFR S.A.	114,009	33,841	5	33,836
SNGN Romgaz SA	32,762	-	-	-
Hidroelectrica	288,923	32,882	-	32,882
CN Romarm	25,158	4,279	-	4,279
CFR Electrificare	19,043	2,347	-	2,347
Transgaz	1,684	544	-	544
CN Remin SA	923	71,347	71,216	131
C.N.C.A.F MINVEST SA	-	26,802	26,802	-
Oltchim	-	115,426	115,426	-
CET Braila	14	3,378	3,361	17
Termoelectrica	-	1,206	1,206	-
County Agency for Payments and Social Inspection	18,981	18,981	-	18,981
Ministry of Energy/ National Agency for Payments and Social Inspection	3,287,858	2,605,684	-	2,605,684
Others	211,691	9,173	364	8,809
<b>Total</b>	<b>4,196,336</b>	<b>3,008,780</b>	<b>218,380</b>	<b>2,790,400</b>

(\*) In the 12-month period ended 31 December 2023, Electrica Furnizare S.A. recognised subsidies amounting to RON 3,306,839 thousand, to be received from the Ministry of Energy/National Agency for Payments and Social Inspection, as a result of the application of the price cap mechanism for electricity and natural gas according to the legislation in force.

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2022	31 December 2022		
OPCOM	326,640	22,630	-	22,630
Transelectrica	314,253	112,754	-	112,754
SNGN Romgaz SA	86,353	2,253	9	2,245
Hidroelectrica	68,716	16,429	-	16,429
CN Romarm	17,386	648	-	648
CFR Electrificare	10,332	2,089	-	2,089
Transgaz	11,580	764	-	764
CN Remin SA	704	71,279	71,148	132
C.N.C.A.F MINVEST SA	-	26,802	26,802	-
Oltchim	-	115,943	115,943	-
CET Braila	5	3,365	3,361	3
Termoelectrica	-	1,206	1,206	-
Ministry of Energy/ National Agency for Payments and Social Inspection	2,687,131	1,322,311	-	1,322,311
Others	127,686	11,277	522	10,754
<b>Total</b>	<b>3,650,786</b>	<b>1,709,750</b>	<b>218,991</b>	<b>1,490,759</b>

## 34 Contingencies

### Contingent liabilities

#### Fiscal environment

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

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

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

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

The subsidiary SDEE Muntenia Nord S.A. (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 building taxes paid for the period 2012–2016. The tax audit was finalized in December 2019, when the fiscal inspection report was communicated to the subsidiary. The fiscal report established additional payment obligations for the

subsidiary representing building tax for the period 01.01.2012-31.12.2015 in the total amount of RON 24,831 thousand, of which principal in amount of RON 12,051 thousand and related late penalties computed as of October 2019, in amount of RON 12,780 thousand. The amount of late charges was recalculated to RON 13,021 thousand between the tax inspection report date and principal debt payment date. Litigious actions were started in order to challenge the tax inspection report.

The Group recognised an expense in amount of RON 12,051 thousand during the year ended 31 December 2019 in accordance with IFRIC 23 „*Uncertainty over Income Tax Treatments*“. At the same time, for the late penalties in the amount of RON 13,021 thousand, a letter of bank guarantee was established in the amount of RON 13,021 thousand valid until 14 August 2024, in order to mitigate the associated risks.

### **Other litigations and claims**

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

As summarised in Note 30, the Group set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

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

## **35 Commitments**

### **(a) Contractual commitments**

Contractual commitments as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Purchase of electricity	707,797	802,252
Purchase of green certificates	172,979	129,246
Purchase of property, plant and equipment and intangible assets	626,617	446,937
Purchase of investments	45,122	289,636
<b>Total</b>	<b>1,552,515</b>	<b>1,668,071</b>

**(b) Investment program**

The investment program at Group level estimated to be approved for the year 2024 is as follows:

	<b>2024</b>
Distribution activity	865,480
Supply activity	53,290
Maintenance activity	10,300
Production activity	588,130
Other	16,600
<b>Total</b>	<b>1,533,790</b>

The capital expenditures actually incurred may differ from the ones planned.

**(c) Guarantees and pledges**

At 31 December 2023 and 31 December 2022, the Group has guarantees on its bank accounts opened at ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, Intesa Sanpaolo Bank and Alpha Bank for the overdrafts contracted (please see Note 31), and also on its bank accounts opened at BRD – Group Societe Generale, Unicredit Bank, Banca Transilvania, Banca Comerciala Romana, Vista Bank and CEC Bank for the long-term borrowings contracted (please see Note 31).

At 31 December 2023, the Group has outstanding bank letters of guarantee of RON 1,193,823 thousand (31 December 2022: RON 952,008 thousand) issued in favour of its suppliers.

**(d) Audit fees**

The audit fees for the consolidated financial statements were in amount of 1,075 thousand RON, and during the year 2023, non-audit services fees were in amount of 174 thousand RON (limited review of the interim consolidated financial statements). The audit fees for the individual financial statements are mentioned in the annual individual financial statements of Electrica S.A..

**36 Subsequent events**

On 15 February 2024, the subsidiary Distributie Energie Electrica Romania (DEER) has obtained approval for EUR 171 million in non-reimbursable European funding through the Modernisation Fund (FM), representing 80% of the eligible expenditure for seven new investment projects in the electricity distribution network, projects with an estimated value of approximately EUR 266 million (with VAT).

**Chief Executive Officer**  
Alexandru-Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea





**INDEPENDENT AUDITOR'S REPORT  
ON 2023 CONSOLIDATED FINANCIAL  
STATEMENTS (IFRS-EU)**



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders,  
SOCIETATEA ENERGETICA ELECTRICA S.A.

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

1. We have audited the consolidated financial statements of Societatea Energetica Electrica S.A. and its subsidiaries ("the Group"), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.
2. The financial statements as at December 31, 2023 are identified as follows:
  - Net assets / Equity RON 5,360,415 thousand
  - Net profit for the financial year RON 772,103 thousand
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

#### **Basis for Opinion**

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (herein after referred to as "the Regulation") and Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (herein after referred to as "the Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of Matter**

5. We draw attention to Note 2 of the consolidated financial statements, which describes that the Group prepares two sets of consolidated financial statements, one under statutory regulations, namely Ministry of Finance Order 2844/2016 with subsequent amendments and one under International Financial Reporting Standards as adopted by the European Union ("IFRS"). These consolidated financial statements are prepared under International Financial Reporting Standards as adopted by the European Union ("IFRS"), which differs from OMF 2844/2016 with subsequent amendments, as summarized in Note 2. Consequently these consolidated financial statements do not comply with OMF 2844/2016 with subsequent amendments. Our audit report is not modified in respect of this matter.





**Key Audit Matters**

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
<p><b>Going Concern</b></p> <p>As presented in Note 8 the consolidated financial statements have been prepared on the going concern basis. The key judgement leading to this conclusion are set out in that note.</p> <p>In particular the Group operates in the electricity distribution and supply industry which is currently affected by the capping laws on sales to end customers. The Romanian authorities regulatory position is under review and there may be further laws enacted which could adversely impact the Group's operating cash flows. In the forthcoming twelve months the Group will need to obtain additional financing and given the position of the Group and its significance to the Romanian economy management expects that all necessary financing will be made available.</p> <p>The ability of the Group to continue as a going concern is dependent on the successful extension of the existing debt facilities, drawdown of new financing and on stabilizing of the regulatory regime on energy prices as described in note 8 which provides an appropriate margin to support servicing of the Group's short and long term financings.</p> <p>In view of the significant judgements, the application and disclosures of the basis of the going concern assumption are considered a Key Audit Matter.</p>	<p>We have assessed managements valuation of the going concern assumption by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We have obtained the cash flow forecasts and critically challenged the management and the Board of Directors and Audit Committee on the assumptions used;</li> <li>• We considered whether at the date of this report additional information exist from the Romanian authorities with respect to the capping mechanism;</li> <li>• We have assessed the Group's position on the existing debt facilities, covenant compliance and newly negotiated debt facilities, during 2024 until the date of this report;</li> <li>• We assessed the adequacy of the disclosure of the basis of going concern assumption, including the key judgements adopted;</li> </ul>
<p><b>Valuation of Retail accrued revenue, related to electricity supplied to households</b></p> <p>The Group recognizes at the end of each reporting period accrued revenue from the energy supply activity, related to the household population. If the actual meter readings are not available at the end of the reporting period, energy supplied to households is estimated based on internal information related to historical patterns of consumption. The degree of estimation uncertainty reduces from one period to another, however judgement is inherent in the valuation of the accrued revenue related to the household population.</p> <p>Because of the significance of the estimations around the accrued revenue related to the households and the inability of relying on the effectiveness of the controls, we consider the valuation of retail accrued revenue, related to households a key audit matter.</p>	<p>The group has a number of IT systems across the businesses and we were not able to rely on the effectiveness of IT controls within the revenue cycle. The audit procedures adopted were substantive in nature and included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the accounting policies used in the preparation of the consolidated financial statements, with respect to revenue recognition;</li> <li>• Testing the reconciliation made by the Group between the quantity of electricity purchased for supply purposes and the quantity of electricity delivered from the supply activity;</li> </ul>



Key audit matters	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>• Testing the acquired electricity for supply purposes through a combination of direct confirmations received from the electricity producers and other supporting documents;</li> <li>• Testing the revenues related to electricity supplied to final customers through a combination of direct confirmations and other supporting documents;</li> <li>• Performing analytical procedures on all electricity sales.</li> </ul>
<p><b>Restatement of financial statements as at December 31, 2022</b></p>	
<p>In our auditor’s report on the consolidated financial statements for the prior period (i.e. as of 31 December 2022 and for the year then ended), we have expressed a qualified opinion due to the fact that the Group has recorded a financial asset related to the concession agreement of RON 951,557 thousand related to the additional cost of purchasing electricity for covering the own technological consumption of the distribution operators. We were unable to obtain sufficient evidence to support the recognition of the amounts recorded as financial assets related to the concession agreement in the consolidated statement of financial position as of December 31, 2022 and the elements making up the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows.</p> <p>As presented in Note 5 to the consolidated financial statements, during 2023, the Group reassessed its previous position within the consolidated financial statements related to the recognition of financial asset from the amendment of the concession agreements, for which a financial asset in the amount of RON 951,557 thousand was recognised, representing the difference between the net cost with the purchase of the energy for network losses and the network losses cost included in the regulatory tariff by ANRE, for the period 1 January – 31 December 2022, and restated the comparatives in the current year financial statements.</p> <p>In view of the significant judgements, the application of the IFRS as adopted by EU ("IFRS") measurement and recognition criteria and also restatement including related disclosures, this matter was considered a significant risk and a Key Audit Matter.</p>	<p>We have assessed the Group’s position with respect to the recognition of the financial asset related to additional costs of purchasing electricity for covering own technological consumption of the distribution operators and restatement of the consolidated financial statements by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We have obtained the position paper prepared by the management and position paper prepared by an external consultant with respect to this matter;</li> <li>• We have read and assessed the memos in view of the application of the relevant IFRS standards and we have performed internal consultations with our IFRS specialists;</li> </ul> <p>We have assessed the adequacy of the restatement of the comparative financial information including related disclosure in the financial statements;</p>



### Other information

7. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' Consolidated report and the Remuneration report, but does not include the consolidated financial statements and our auditor's report thereon, or the non-financial information declaration, which is being presented in a separate report.

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

#### Other reporting responsibilities with respect to other information – Administrators' consolidated report

With respect to the Administrators' consolidated report, we read it and report if this has been prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

- a) the information included in the Administrators' consolidated report and the Remuneration report for the financial year for which the consolidated financial statements have been prepared, is consistent, in all material respects, with the consolidated financial statements;
- b) the Administrators' consolidated report has been prepared, in all material respects, in accordance with International Financial Reporting Standards.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the financial statements prepared at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrators' consolidated report and the Remuneration report. We have nothing to report in this regard.

#### Other reporting responsibilities with respect to other information – Remuneration report

With respect to the Remuneration report, we read it to determine if it presents, in all material respects, the information required by article 107, paragraphs (1) and (2) of Law 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

8. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the Group's financial reporting process.



### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

11. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



### **Report on Other Legal and Regulatory Requirements**

16. We were appointed by the General Meeting of Shareholders on April 27, 2023 to audit the consolidated financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 6 of years, covering the financial years ended December 31, 2018 to December 31, 2023.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Răzvan Ungureanu.

### **Report on compliance with the Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements ("Law 162/2017"), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")**

We have undertaken a reasonable assurance engagement on the compliance with Law 162/2017, and Commission Delegated Regulation (EU) 2018/815 applicable to the consolidated financial statements included in the annual financial report of Societatea Energetica Electrica S.A. and its subsidiaries ("the Group") as presented in the digital files which contain this audit report ("**Digital Files**").

(I) *Responsibilities of management and those charged with governance for the Digital Files prepared in compliance with the ESEF*

Management is responsible for preparing Digital Files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;
- the selection and application of appropriate iXBRL mark-ups;
- ensuring consistency between the Digital Files and the consolidated financial statements to be submitted in accordance with IFRS Accounting Standards as adopted by the EU.

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

(II) *Auditor's Responsibilities for Audit of the Digital Files*

Our responsibility is to express a conclusion on whether the consolidated financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

Our firm applies International Standard on Quality Management 1 ("ISQM1"), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files including the marked-up data with the audited consolidated financial statements of the Company to be submitted in accordance with IFRS Accounting Standards as adopted by the EU;
- evaluating if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;
- evaluating if the iXBRL mark-ups, including the voluntary mark-ups, comply with the requirements of ESEF.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the consolidated financial statements for the year ended 31 December 2023 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

Răzvan Ungureanu, Audit Partner

*For signature, please refer to the original  
signed Romanian version.*

*Registered in the Electronic Public Register of Financial  
Auditors and Audit Firms under AF 4866*

On behalf of:

**DELOITTE AUDIT SRL**

*Registered in the Electronic Public Register of Financial  
Auditors and Audit Firms under FA 25*

The Mark Building, 84-98 and 100-102 Calea Griviței, 9<sup>th</sup> Floor, District 1  
Bucharest, Romania  
March 25, 2024









# STATEMENT OF THE MANAGEMENT

## Statement of the Management

Based on the best available information, we confirm that the consolidated financial statements reviewed and audited for the period ended 31 December 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS-EU”), provides an accurate and real image regarding the Electrica Group’s financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 63 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 15 to ASF Regulation no. 5/2018 for the period ended 31 December 2023, comprises accurate and real information regarding the Group’s development and performance.

Based on the best available information, we confirm that the consolidated financial statements reviewed and audited for the period ended 31 December 2023 prepared in accordance with OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes, provides an accurate and real image regarding the Electrica Group’s financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 63 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 15 to ASF Regulation no. 5/2018 for the period ended 31 December 2023, comprises accurate and real information regarding the Group’s development and performance.

**Chair of the Board of Directors,  
Dumitru CHIRITA**

**Chief Executive Officer,  
Alexandru-Aurelian CHIRITA**

**Chief Financial Officer,  
Stefan Alexandru FRANGULEA**





 **eletrica**

**THE ARTICLES OF ASSOCIATION**

**OF**

**SOCIETATEA ENERGETICĂ**

**ELECTRICA S.A.**

**Consolidated pursuant to**  
**the Decision of the Extraordinary General Shareholders Meeting dated 22 November**  
**2023**

## **CHAPTER 1 NAME, LEGAL FORM, REGISTERED OFFICE, DURATION**

### **Art. 1 Name**

- (1) The name of the company is Societatea Energetică Electrica S.A. (hereinafter referred to as “**Electrica**” or the “**Company**”).
- (2) In any invoice, offer, order, tariff, prospectus and any other trading documents issued by Electrica shall be mentioned the name of the Company, its legal form, headquarters, registration number with the Trade Register, sole registration code, as well as the subscribed and paid up share capital. The previously mentioned information, with all other information required by the regulations on corporate governance, shall also be published on the website of the Company.

### **Art. 2 Legal form**

Electrica is a Romanian legal entity, organized as a joint stock company that is managed in a one tier system and carries out its business according to the Romanian laws and these Articles of Association.

### **Art. 3 Registered office**

- (1) The Company has its headquarters at 9 Grigore Alexandrescu Street, 1<sup>st</sup> District, Bucharest, Romania.
- (2) The Company may set-up other secondary offices without legal personality, located in other cities, in the country or abroad, which shall be organized as branches, representative offices, agencies, working points or other entities without legal status, according to the law and these Articles of Association.

### **Art. 4 Duration**

The Company is established for an unlimited period.

## **CHAPTER 2 BUSINESS OBJECT**

### **Art. 5 Business object**

- (1) The main business domain of the Company is: 702 - Management and consultancy activities
- (2) The main business object of the Company is: 7022 - Business and other management consultancy activities
- (3) The Company may also carry out the following secondary activities:
  - 1813 – Pre-printing preparation services;
  - 3511 - Production of electricity
  - 3514 – Trading of energy;
  - 4321 - Electrical installation;
  - 4329 – Other works of construction installations;
  - 4651 – Wholesale of computers, computer peripheral equipment and software;
  - 4652 – Wholesale of electronic and telecommunications equipment and parts;
  - 4618 - Agents specialised in the sale of other particular products;
  - 4619 - Agents involved in the sale of a variety of goods;
  - 4799 – Other retail sale not in stores, stalls or markets;
  - 5812 – Publishing of guides, directories and mailing lists and other similar activities;
  - 5814 – Publishing of journals and periodicals;
  - 5819 – Other editing activities;
  - 5829 – Other software editing;
  - 6110 – Wired telecommunications activities;
  - 6120 – Wireless telecommunications activities (exclusively satellite);
  - 6130 – Satellite telecommunications activities;
  - 6190 - Other telecommunications activities;
  - 6201 – Computer programming activities upon request (client-oriented software);
  - 6202 – Information technology consultancy activities;
  - 6203 – Computational resources management activities (management and exploitation);
  - 6209 – Other information technology service activities;
  - 6311 – Data processing, hosting and related activities;
  - 6312 – Web portals activities;
  - 6399 – Other informational services activities n.e.c.;
  - 6492 – Other credit granting;
  - 6810 - Buying and selling of own real estate;

- 6820 - Renting and operating of own or leased real estate;
- 6831 - Real estate agencies;
- 6832 - Management of real estate on a fee or contract basis;
- 7010 - Activities of head offices;
- 7021 – Public relations and communication consultancy activities;
- 7112 – Engineering activities and related technical consultancy;
- 7120 – Technical testing and analysis;
- 7219 – Other research and experimental development on natural sciences and engineering;
- 7311 - Advertising agencies;
- 7312 – Media representation services;
- 7320 – Market research activities and public opinion polling;
- 7420 – Photographic activities;
- 7490 – Other professional, scientific and technical activities;
- 7733 – Rental and lease activities for office equipment (including computers);
- 8020 - Security systems service activities;
- 8110 - Combined facilities support activities;
- 8211 – Combined secretarial activities;
- 8219 – Photocopying, documents' management and other secretary activities;
- 8220 – Activities of call centres;
- 8230 – Organization of conventions and trade shows and exhibitions;
- 8292 - Packaging activities;
- 8299 – Other business support service activities n.e.c.;
- 8559 – Other education n.e.c.;
- 9101 – Library and archive activities;
- 9102 – Museums activities;
- 9499 - Activities of other membership organisations n.e.c.;
- 9511 – Repair of computers and peripheral equipment;
- 9512 – Repair of communication equipment.

### **CHAPTER 3      SHARE CAPITAL. SHARES**

#### **Art. 6 Share capital**

- (1) The share capital of the Company is of RON 3,464,435,970, subscribed and fully paid in.
- (2) The structure of the share capital is as follows:



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- a. In kind contribution of RON 41,419,110 (representing plots of land and construction);  
and
  - b. Cash contribution of RON 3,071,206,860 and USD 109,240,801.12 (at an exchange rate of 3.2205 RON/USD).
- (3) The share capital is divided into 346,443,597 nominative shares with a nominal value of RON 10 each.
- (4) The share capital is held as follows:
- a. **The Romanian State**, represented by the competent authority according to the law, holds 169,046,299 shares, having a total nominal value of RON 1,690,462,990, out of which RON 41,419,110 contribution in kind (representing plots of land and constructions), in respect of which it has been granted a number of 4,141,911 shares, representing 48.79% of the subscribed share capital;
  - b. **Shareholders – list type (natural persons and legal entities)**, hold a number of 177,397,298 shares, having a total nominal value of RON 1,773,972,980, composed of cash contribution of RON 1,422,162,980 and USD 109,240,801.12 (at an exchange rate of 3.2205 RON/USD), representing 51.21% of the share capital.

The share capital does not include assets such as those provided by article 136 paragraph (4) of the Constitution.

#### **Art. 7 Share capital increase and decrease**

- (1) The share capital of the Company may be increased by issuing new shares or by increasing the nominal value of the existing shares, with the observance of the law and of these Articles of Association.
- (2) The share capital may be increased:
  - a. in exchange of new contributions in cash and/or in kind;
  - b. by capitalization of reserves, save for legal reserves, as well as the benefits or issue premiums;
  - c. by offsetting liquid and due receivables at the convening date of the meeting that approves the share capital increase against the Company with shares;
  - d. from other sources, according to the law.
- (3) The shareholders may exercise their preference right within a term of 1 (one) month since the resolution approving the share capital increase has been published in the Romanian Official Gazette.

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- (4) The share capital of the Company may be decreased, with the observance of the law and of these Articles of Association, by:
  - a. decreasing the number of shares;
  - b. reducing the nominal value of the shares;
  - c. acquiring own shares, followed by their cancellation;
  - d. other methods provided by the law.
- (5) If the Board (as defined below) determines that, following losses as set out in the yearly financial statements approved in accordance with the law, the net assets of the Company have decreased to less than half of the value of the subscribed share capital, it must promptly convene the extraordinary general meeting of shareholders which will decide whether the Company must be dissolved. If the extraordinary general meeting of shareholders does not decide the dissolution of the Company, it must, not later than the end of the financial exercise subsequent to the one when the loss was determined, proceed with the decrease of the share capital with an amount at least equal to that of the loss which could not be covered from the reserves, if during this period the net assets of the Company were not replenished up to a level at least equal to half the share capital.
- (6) The share capital may be decreased only after two months as of the publication of the related decision of the extraordinary general meeting of shareholders in the Official Gazette, according to the legal provisions.

## **Art. 8 Shares**

- (1) The rights and obligations deriving from the shares owned by the Romanian State are exercised by the entities nominated according to the legal provisions.
- (2) The shares of the Company are nominative shares, issued in a dematerialized form, freely transferable and negotiable and fully paid.
- (3) The shares may be converted according to the terms decided by the extraordinary general meeting of shareholders, in compliance with the legal provisions.
- (4) The shares' record shall be kept by Depozitarul Central S.A., or by any other competent entity according to the law which, upon the request of any shareholder, will issue a shareholder certificate.
- (5) The Company's shareholders may create mortgages over their shares and they may encumber them by usufruct rights according to the law.
- (6) Romanian or foreign individuals or legal entities may hold shares issued by the Company, with the observance of the Romanian law.

- (7) The shares issued in dematerialized form may be traded on a regulated market or on a multilateral trading facility, according to capital market legislation.

#### **Art. 9 The depositary certificates**

- (1) Depositary certificates having as underlying shares the shares issued by the Company may be issued by other entity, different from the Company.
- (2) Depositary certificates are securities which grant to the owner rights and obligations related to underlying shares based on which the depositary certificates were issued.
- (3) The depositary certificates give the rights to obtain, by way of conversion, shares within the Company. The conversion shall be made in accordance with the provisions applicable to the matter.
- (4) In addition and without prejudice to the above provisions, the right of the owners of the depositary certificates to own, in their name, shares of the Company is hereby recognised.

#### **Art. 10 Bonds**

- (1) The Company may issue bonds according to the law.
- (2) In case of bond issuances, the extraordinary general meeting of shareholders shall decide on the main terms and conditions of the bonds, including but not limited to: the maximum amount of the issuance, offer period, territoriality of the offer, type of issued bonds, the possibility of admission to trading on a regulated market or on a multilateral trading facility. The Board of Directors shall approve the terms and conditions of each issuance, such as: the nominal value, interest rate, maturity, terms of an early redemption or repayment of the bonds, other features of the bonds, as well as all documentation related to the bond placement.

#### **Art. 11 Rights and obligations deriving from the shares**

- (1) Each share subscribed and fully paid in by the shareholders, in accordance with the law, grants the shareholders (i) the right to one vote in the general meeting of the shareholders, (ii) the right to elect the directors, (iii) the right to participate to the profit distribution, as well as (iv) other rights provided by these Articles of Association and by the legal provisions.
- (2) The acquisition of the property right over a share by a person, directly or indirectly, has as effect the obtainment of the capacity of shareholder of the Company together with all rights and obligations deriving from this capacity, in accordance with the law and these Articles of Association.

- (3) The rights and obligations deriving from the shares are transferred to the new acquirers together with the shares.
- (4) When a nominative share is owned by several persons, the transfer shall be registered only if they appoint a sole representative for exercising the rights derived from the shares.
- (5) The obligations of the Company are secured by its social patrimony, and the liability of the shareholders is limited to the subscribed share capital.
- (6) The shareholder that has, in a certain operation, either personally or as representative of another person, an interest contrary to the interest of the Company, must refrain from deliberations regarding the respective operation.

**Art. 12 The exercise of the rights by the holders of the depositary certificates**

- (1) The rights and obligations related to the underlying shares based on which the depositary certificates were issued are exercised by the holders of the depositary certificates, proportionally to their holdings of depositary certificates and taking into account the conversion rate between underlying shares and the depositary certificates.
- (2) The holder of the depositary certificates issued based on the underlying shares has the capacity of shareholder within the meaning and for the application of Law 24/2017 on the issuers of financial instruments and market operations. The issuer of the depositary certificates is fully responsible for informing the holders of the depositary certificates in a correct, complete and timely manner, observing the provisions of the issuance documents of the depositary certificates, about the documents and the informative materials related to a general meeting of shareholders, as made available to the shareholders by the Company.
- (3) In order to exercise its rights and obligations related to a general meeting of shareholders, a holder of depositary certificates will send to the entity where it has opened its account for depositary certificates the voting instructions for the topics on the agenda of the general meeting of the shareholders, so that the respective information is sent to the issuer of the depositary certificates.
- (4) The issuer of the depositary certificates votes in the general meeting of the shareholders of the Company in accordance with and within the limits of the instructions of the holders of the depositary certificate which have this quality at the reference date.
- (5) The issuer of the depositary certificates may cast different votes for certain underlying shares in the general meeting of the shareholders than those expressed for other underlying shares.

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- (6) The issuer of the depositary certificates is fully responsible for taking all necessary measures, so that the entity which keeps the records of the holders of the depositary certificates, the intermediaries involved in the custody services for holders of the depositary certificates on the market where the depositary certificates are traded and/or any other entities involved in recording the holders of the depositary certificates, to send the voting instructions of the holders of the depositary certificates related to the topics on the agenda of the general meeting of the shareholders.
- (7) Any reference date for the identification of the shareholders which have the right to take part and to vote in the general meeting of the shareholders of the Company and any registration date for the identification of the shareholders which have rights deriving from its shares, as well as any other similar date set by the Company related to any corporate events of the Company will be established in accordance with the applicable legal provisions and with a prior notice sent with at least 15 calendar days<sup>1</sup> (in Romanian, *zile calendaristice*), to the issuer of the depositary certificates, in the name of which the underlying shares are registered based on which the depositary certificates mentioned above are issued. The reference date will be prior with at least 15 working days to the deadline for submitting the power of attorney related to the vote.

#### **Art. 13 Transfer of shares**

- (1) The shares are indivisible. The Company shall recognize a sole owner per each share, subject to the provisions of article 11 paragraph (4) above.
- (2) The partial or total transfer of shares between the shareholders or to third parties shall be carried out according to the terms and procedure provided by the applicable legal provisions, including the capital markets legislation.

### **CHAPTER 4 THE GENERAL MEETING OF THE SHAREHOLDERS**

#### **Art. 14 Duties of the general meeting of the shareholders**

- (1) The general meeting of the shareholders is the governing body of the Company.
- (2) The general meetings of the shareholders are ordinary and extraordinary.

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<sup>1</sup> according to the Civil Code, the first and last day of the term are not taken into account.

- (3) **The ordinary general meeting of the shareholders** shall have the following main duties:
- a. to appoint and revoke the members of the Board and establish the level of their remuneration and other rights according to the legal provisions;
  - b. to establish the income and expenses budget, to set out the activity schedule;
  - c. to establish the income and expenses budget consolidated at the group level;
  - d. to discuss, approve or amend the annual financial statements according to the reports submitted by the Board and the financial auditors;
  - e. to approve the profit distribution according to the law and to establish the dividend;
  - f. to decide on the management activity of the directors and on the discharge of liability, in accordance with the law;
  - g. to decide to file legal actions against the directors, managers as well as financial auditors for damages they caused to the Company by breaching their obligations towards the Company;
  - h. to decide on mortgaging or leasing or closing of one or more units of the company;
  - i. to appoint and revoke the financial auditor and to set the minimum term of the financial audit contract;
  - j. approves the Remuneration Policy for Directors and Managers (appointed by the board of directors);
  - k. approves the Remuneration Report for Directors and Managers (appointed by the board of directors);
  - l. approves the overall limit of all Managers' (appointed by the board of directors) remuneration and remuneration of Board members;
  - m. to carry out any other duties set out by the law.
- (4) **The extraordinary general meeting of the shareholders** shall decide on the following:
- a. withdrawal of the preference right of shareholders upon subscription of new shares issued by the Company;
  - b. contracting any type of loans, debts or obligations representing a loan, as well as creating real or personal security related to these loans, in each case in accordance with the competence limits provided in Annex 1 to these Articles of Association;
  - c. operations regarding the acquisition, alienation, exchange or creation of encumbrances over fixed assets of the Company whose value exceeds, individually or cumulated, during any financial year, 20% of the total fixed assets, less receivables;
  - d. leases of tangible assets for periods longer than one year, whose individual or cumulated value towards the same co-contractor or involved persons or with whom it acts in concert exceeds 20% of the fixed assets value, less receivables at the time of entering in the relevant operation, as well as joint ventures in excess of the same value and with a duration of over one year;
  - e. approving investment projects in which the Company will be involved in accordance with the competence limits provided in Annex 1 to these Articles of Association, other than the ones provided in the annual investment plan of the Company;

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- f. approving the issuance and admission to trading on a regulated market or on a multilateral trading facility of shares, depositary certificates, allotment rights or other similar financial instruments; approving the competencies delegated to the Board;
- g. changing the legal form;
- h. relocation of the registered office;
- i. changing the main or secondary business objects;
- j. increasing the share capital, as well as decreasing the share capital, according to the law;
- k. the merger, the spin-off or the separation;
- l. the dissolution of the Company;
- m. carrying out any bond issuance, as per the provisions of art. 10 of the Articles of Association, or conversion of a category of bonds in a different category or in shares;
- n. approving the conversion of preferential and nominative shares from one category to another, according to the law;
- o. any other amendment to the Articles of Association;
- p. approval of the eligibility and independence criteria with respect to the Board members;
- q. approval of the corporate governance strategy of the Company, including the corporate governance action plan;
- r. donations within the limits of the competence provided in Appendix 1 to these Articles of Association; and
- s. approves granting of intragroup loans with a value of more than EUR 50 Million per operation;
- t. any other decision that requires the approval of the extraordinary general meeting of the shareholders.

#### **Art. 15 Convening the general meeting of the shareholders**

- (1) The general meeting of the shareholders is convened by the Board according to the legal provisions.
- (2) The Board shall promptly convene the general meeting of the shareholders upon the request of shareholders representing, individually or cumulatively, at least 5% of the share capital. In this case, the general meeting of the shareholders shall be convened within no more than 30 days and shall gather within no more than 60 days from the date of receiving the request.
- (3) In case the Board does not convene the general meeting of the shareholders according to paragraph (2) above, the shareholders that requested the convening may claim in court the authorisation to convene the general meeting of the shareholders, as well as (i) the approval of the agenda, (ii) the establishment of the reference date, of the date and place for the gathering of the general meeting of the shareholders and (iii) the appointment of the shareholder to preside the meeting.

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- (4) Shareholders individually or cumulatively representing at least 5% of the share capital are entitled to insert new topics on the agenda of the general meeting of the shareholders and to present draft decisions for the topics inserted or proposed to be inserted on the agenda of the general meeting of the shareholders. This right may be exercised only in writing (including by electronic means) and within a 15-day term since the publication of the convening notice.
- (5) The ordinary general meetings of shareholders take place at least once a year, within maximum 4 (four) months from the end of the financial year, to approve the financial statements for the previous financial year and to analyse the annual report of the Board and the financial auditor's report;
- (6) The extraordinary general meetings of shareholders shall be convened as many times as necessary, according to the legal provisions in force and to the provisions of these Articles of Association.
- (7) The general meeting of the shareholders shall be convened at least 30 days before the scheduled date, by registered letter, by electronic means or other means provided by law. The 30-day term is not applicable to the second and third convening of the general meeting of the shareholders caused by insufficient quorum with the respect of the following conditions: (i) the provisions regarding convening were respected on the first convening, (ii) no new points were added on the agenda and (iii) at least 10 days must pass between the final convening and the date of the general meeting of the shareholders.
- (8) The convening notice shall contain at least the name of the Company, the place, date and hour of the general meeting of the shareholders, the reference date and the agenda, which should explicitly mention all the matters to be debated and a clear and precise description of the procedures that the shareholders must meet in order to participate and vote within the general meeting of the shareholders, and all mandatory elements provided by the applicable law.
- (9) When the agenda contains proposals for amending the Articles of Association, the convening notice must contain the full text of the proposed amendments.
- (10) The general meeting of the shareholders gathers at the headquarters of the Company or in any other place indicated in the convening notice.

#### **Art. 16 Organization of the general meeting of the shareholders**

- (1) For the validity of the deliberations of the ordinary general meeting of the shareholders gathered at the first call, shareholders representing at least one quarter (1/4) of the total number of voting rights must attend the meeting. The ordinary general meeting of the shareholders will adopt decisions with the majority of the votes casted by the shareholders present or validly represented in the meeting.



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- (2) In case the quorum provided in point (1) is not duly met, at the second call, the ordinary general meeting of the shareholders may decide on the items on the agenda of the first meeting irrespective of the quorum, taking decisions with the majority of the votes casted by the shareholders present or validly represented in the meeting.
- (3) For the valid deliberations of the extraordinary general meeting of the shareholders, the following are necessary:
  - a. at the first convening, the presence of shareholders representing one quarter (1/4) of the total number of voting rights, and decisions must be taken with the majority of the votes held by the shareholders present or validly represented in the meeting, except for (A) the attributions provided in art. 14 (4), letters (e), (o), (p), (q) and (r), in which case the decisions will be taken with the favourable vote of at least 55% of the total number of voting rights, and (B) the attributions provided in art. 14 (4) (g), (i) in what concerns the main business object, (j), (k) and (l), in which case the decision will be adopted with a majority of at least two thirds (2/3) of the voting rights held by the shareholders present or validly represented in the meeting, but not less than 55% of the total voting rights. In case the quorum provided at this point (3) (a) of the current article is not duly met for a particular resolution, the meeting shall meet to debate and vote on that resolution, at the second convening;
  - b. at the second and subsequent convening, the extraordinary general meeting of the shareholders can deliberate with respect to the items on the agenda of the first meeting in the presence of the shareholders holding one fifth (1/5) of the total number of voting rights and can adopt decisions with the majority of the votes held by the shareholders present or validly represented in the meeting, except for the (A) attributes provided in art. 14 (4) letters (e), (o), (p), (q) and (r), situation in which the decisions shall be taken with the favourable vote of at least 55% of the total number of voting rights and (B) attributes provided in art. 14 (4) points (g), (i) regarding the main business object, (j), (k) and (l), in which case the decision will be adopted with at least two thirds (2/3) of the voting rights held by shareholders present or validly represented in the meeting, but not less than 55% of the total voting rights.
- (4) By way of exception from the provisions mentioned under paragraph (3) above, in case of any decisions regarding the withdrawal of the preference right of shareholders to subscribe for new shares in a share capital increase, the general meeting of the shareholders must vote with the observance of the relevant legal provisions regarding the quorum of the general meeting of the shareholders and the voting majority, as provided in the capital markets legislation.
- (5) To calculate the quorum in the general meeting of the shareholders only the underlying shares for which the issuer of the depositary certificates votes in the general meeting of the shareholders, including the option for abstention vote, in accordance with the instructions received from the holders of the depositary certificates, will be taken into account. The issuer of the depositary certificates will communicate to the Company, at the moment at the

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calculation of the quorum in the general meeting of the shareholders, the percent of the voting rights related to the underlying shares for which it will express its vote in the general meeting of the shareholders.

- (6) On the day and at the hour mentioned in the convening notice, the general meeting of the shareholders shall be opened by the Chairman or, in his/her absence, by a director empowered by the Chairman for this purpose. In case the minimum quorum for the first summoning is not met within 30 minutes after the time indicated in the published convening notice, the meeting will gather on the date of the second summoning at the hour, location and having the agenda indicated in the published convening notice.
- (7) Out of the present shareholders, the general meeting of the shareholders shall elect a secretary who shall check the list of presence of the shareholders, indicating the share capital represented by each. The Chairman may appoint, among the Company's employees, one or more technical secretaries to carry out the related duties according to the legal provisions. The minutes ascertaining the number of the shares submitted and the fulfilment of all formalities required by the law and by the Articles of Association to hold the general meeting of the shareholders will be drafted by the technical secretary.
- (8) The minutes shall be signed by the secretary and by the Chairman and ascertains the fulfilment of the convening formalities, the formalities for applying the cumulative voting method (if the case), the date and place of the general meeting of the shareholders, the number of present shareholders, the number of shares, the number of votes that were expressed and their allocation, the summary of the debates, the decisions taken and, at the request of the shareholders, the statements they have made during the meeting.
- (9) The minutes of the general meetings of shareholders shall be kept in a general meeting of shareholders register.
- (10) The convening documents, the shareholder attendance list as well as, as the case may be, other documents provided by the law, must be attached to each minutes.
- (11) The access of shareholders or their proxies entitled to participate at the general meeting of the shareholders shall be permitted by providing evidence of their identity, by the methods provided by law. The Board may refuse access to any meeting to any person who fails to provide such evidence of identity.
- (12) The Chairman shall take such measures or give directions as it might be necessary to promote the orderly conduct of the meeting as laid down in the convening notice of the meeting, including adjourning the meeting at any time if it is necessary to secure the proper and orderly conduct of the meeting. The Chairman's decision on matters of procedure or arising incidentally from the meeting shall be final as shall be his determination as to whether any matter is of such a nature.

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- (13) Shareholders' participation to the general meeting of the shareholders is made in person or by representative according to the legal provisions. Shareholders may also be represented by other persons than shareholders. The special powers of attorney and the general power of attorney, upon its first use, will be submitted at the Company's headquarters or will be transmitted to the Company to be registered at the Company's registration office with at least 2 (two) working days prior to the date of the meeting at its first convening.
- (14) Shareholders may appoint or revoke their representatives including by electronic means, according to the applicable legal provisions.
- (15) In the situation in which the Company's management has the obligation, in accordance with the law or these Articles of Association, to inform the shareholders about certain measures or actions undertaken, such information is included on the agenda of the general meeting of the shareholders and is not subject to the shareholders' vote.
- (16) Each shareholder may address questions in writing to the Board regarding the Company's activity, before the date of the general meeting of the shareholders. The Board shall respond during the meeting. A response is considered to be given if the relevant information is available on Company's website, under the "Frequent questions" section. The Company may formulate a general response to questions having the same content.

**Art. 17 Exercising the voting right at the general meeting of the shareholders**

- (1) The decisions of the general meeting of the shareholders are taken by open vote.
- (2) Decisions may be taken according to the terms and majority provided by law and these Articles of Association for ordinary or extraordinary general meetings of shareholders.
- (3) Shareholders may vote by correspondence before the general meeting of the shareholders according to the procedure provided to the shareholders in the convening notice.
- (4) The secret vote is mandatory when appointing or revoking the members of the Board, when appointing, revoking or dismissing the financial auditors and when taking decisions regarding the liability of the members of the Company's administration, management and control bodies.
- (5) In order to be enforceable against third parties, the decisions of the general meeting of the shareholders shall be submitted to the Trade Register within 15 days, in order to be mentioned in the excerpt in the register and published in the Romanian Official Gazette. The vote results shall be published on the Company's webpage within maximum 15 days from the date of the general meeting. Upon the request of the general meeting of the shareholders, other documents may also be published on the webpage, according to the legal provisions.

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- (6) The conditions regarding the publicity of the general meeting of the shareholders apply correspondingly to the decisions of the Board in the matters delegated by the general meeting of the shareholders.
- (7) The decisions taken by the general meetings of shareholders according to the law and these Articles of Association are mandatory even for the shareholders who were not present at the meeting or who voted against.
- (8) The shareholders who do not agree with the decisions taken by the general meetings of shareholders regarding the change of the main business object, relocation of the registered office abroad, changing the Company's legal form, the merger or spin-off of the Company, have the right to withdraw from the Company and to request the Company to purchase their shares, within 30 days from the publication of the decision of the general meeting of the shareholders in the Official Gazette, except for the decision related to merger and spin-off, in which case the term starts as of the date the decision was taken by the general meeting of the shareholders.

## **CHAPTER 5 THE BOARD AND THE MANAGEMENT OF THE COMPANY**

### **Art. 18 Organization of the Board**

- (1) The Company's management is organized in one-tier (unitary) system, respectively as a board of directors formed of 7 (seven) non-executive directors (the "**Board**"). At least 4 (four) directors must be independent.
- (2) The Romanian State, represented by the competent authority according to the law, will not be able to propose more than 3 (three) candidates for the positions of directors, members of the Board. The candidates for the other 4 (four) positions of directors will mandatorily be independent and will be proposed by the other shareholders. Also, all the independent candidates shall comply with eligibility and independence criteria acceptable to the Company's shareholders, including, at least the following mandatory eligibility and independence criteria, arising from the best international practices in the field:
  - a. the candidate must not be a manager of the Company or any company controlled by it and must not have had such a position in the last 5 (five) years;
  - b. the candidate must not have been an employee of the Company or of any company controlled by it or must not have had any such employment relationship in the last 5 (five) years;
  - c. the candidate must not receive or have received from the Company or from any company controlled by it, a supplementary remuneration or any other advantages, other than the ones corresponding to his position of non-executive director;
  - d. the candidate must not be a significant shareholder of the Company; is not and has not been an employee or a representative of a significant shareholder of the

- Company, does not have or has not had any contractual relationship, during the previous financial year, with a significant shareholder of the Company, (significant more than 10% of voting rights) or with another company controlled by the respective shareholder;
- e. the candidate must not have or have had, in the last year, business relationships with the Company or with a company controlled by it, either personally, or as shareholder, director, manager or employee of a company which has such relationships with the Company, if, through their material nature, they may affect the candidate's objectiveness;
  - f. the candidate must not be or have been in the last 3 (three) years financial auditor, shareholder or employee of the current financial auditor of the Company or of any company controlled by it;
  - g. the candidate must not be a manager in any other company in which a manager of the Company is non-executive director;
  - h. the candidate must not have been a non-executive director of the Company for more than 2 (two) full mandates (i.e. 8 years);
  - i. the candidate must not have any family relationships with a person falling under the situations provided in letters a) and d);
  - j. in the last 5 (five) years, the candidate has not occupied in Romania a management or controlling (i.e. inspection) position in a central or local state authority or has not been a statutory director, a manager or an employee with management prerogatives of a company active on the Romanian territory in the field of electricity distribution, electricity supply, electricity trading or construction, maintenance and design of electricity capacities;
  - k. the candidate shall fulfil the appropriate integrity, expertise and qualifications criteria.
- (3) The Board meetings will be validly held in the presence of at least 5 (five) members out of whom 3 (three) members will mandatorily be independent members.
- (4) The Board decisions will be taken by the majority of votes of the attending or represented members. In case of parity of votes, the respective decision is rejected.
- (5) The decisions relating to the appointment of the Chairman are taken by the majority of the votes of the Board members.
- (6) The decisions relating to the revocation of the Chairman are taken by the majority of the votes of the Board members. In this specific case, the Chairman does not have the right to vote.
- (7) The Board members may be appointed by the method of cumulative voting as per the applicable legal provisions.
- (8) The Board is appointed for a period of 4 (four) years. It may be revoked by the general meeting of the shareholders of the Company.

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- (9) In case of vacancy of one or more director positions, whenever the Board cannot function and fulfil its duties in accordance with the applicable legal provisions and these Articles of Association, the Board shall immediately convene the general ordinary meeting of the shareholders having on the agenda the filling of the vacant position(s) of director. The Board may appoint a temporary director for the period until the general ordinary meeting of the shareholders having on the agenda the filling of the vacant position(s) of director. The term of office for which the new director is elected by the general meeting of the shareholders is equal to the period until the expiry of the predecessor's term of office.
- (10) A director's mandate will be terminated:
- a. by the general meeting of the shareholders revoking the mandate;
  - b. by the director's decease;
  - c. by resigning the mandate, for grounds which may not be attributed to the director, based on a written notification delivered to the Chairman at the Company's headquarters;
  - d. the person in question is no longer a director by virtue of any provision of these Articles of Association or if there are legal prohibitions hindering the director to further occupy such position (any circumstance causing a vacancy longer than or equal to 90 calendar consecutive days, rendering the director unable to perform his/her duties, in person or through a representative, including, but without limitation to, arrest, imprisonment as result of a court decision, cancelation of the decision of the general meeting of the shareholders for appointing the respective director;
  - e. in case the director is a legal entity, if it becomes bankrupt or conducts legal procedures outside the court or concludes an arrangement for restructuring, rescheduling, or for being exempted from performing its obligations with its creditors (including by carrying out preventive concordat procedures or an ad-hoc mandate);
  - f. if he/she is absent and does not mandate any other director for the meeting, for more than 3 (three) meetings of the Board in the course of a financial year or if he/she is absent (irrespective of whether or not he/she empowers another director to attend the meeting), from more than 6 (six) Board meetings during one financial year.
- (11) The Board meets at least 4 (four) times per year, or whenever necessary, as convened by the Chairman. The Board is also convened upon the motivated request of at least 2 (two) members of the Board or by the General Manager, in which case the Chairman is bound to comply with such request.
- (12) The Board carries out its activity based on its own regulation and the legal provisions in force.
- (13) The directors act with loyalty, in the Company's interest. They will not disclose confidential information and trading secrets of the Company, to which they have access in their capacity as directors.

- (14) The Board elects a chairman from among its members (the “**Chairman**”). The Chairman coordinates the board’s activity and reports in the name of the Board in this respect to the general meeting of the shareholders, in accordance with the law. If the Chairman is unable to temporarily perform his/her duties, during the period in which he/she is unable to act, the Board may entrust another director to act as Chairman. For facilitating its decision-making process, the Board may decide to create one or more vice-chairman positions.
- (15) The works of the Board meetings and of the consultative committees of the Board will be prepared by a secretarial structure organized within the Company, formed by employees of the Company, which will have as duties, amongst others, granting the fully necessary support for carrying out the Board’s meetings and of the consultative committees of the Board. The head of the internal structure will act as secretary of the meeting during the Board’s meetings and of the consultative committees of the Board, save for the case in which it appoints another person to act in his/her place. This secretarial structure will be organized and will function as per the provisions of the organization and operation regulations of the Board, of the consultative committees of the Board, and, respectively, of the internal regulations, in accordance with the best practices.
- (16) During their mandates, the directors may not conclude employment agreements with the Company. In case directors were appointed out of the Company’s employees, the individual employment agreement will be suspended for the duration of the mandate.
- (17) The convening notice for the Board shall contain the place, the date, the hour of the meeting and the agenda, and shall be sent along with the meeting documentation, to the Board members at least 7 (seven) days before the meeting is held.
- (18) Any documents to be discussed during the Board meeting or required for holding/carrying out the Board meeting need to be provided to the Board in original or in copy at the Company’s headquarters at least 7 (seven) days prior to holding the meeting.
- (19) The Board members may be represented in a Board meeting by the other members of the Board. A present member may only represent a sole absent member.
- (20) If technically available, any Board member may validly participate in a meeting of the Board or a committee of the Board through a teleconference, videoconference or any other form of communications equipment, provided that all persons participating in the meeting are identifiable, they may effectively participate in the meeting of the Board and the equipment ensures the continuous broadcasting of the meeting.
- (21) The person participating through teleconference, videoconference or any other form of communications equipment complying with the requirements provided by the paragraph above will be deemed present in person at the meeting in question and will be taken into account upon determining the quorum, having the right to vote.

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- (22) The debates are audio recorded and, as the case may be, video recorded, and are registered in the minutes of the meeting. The minutes will comprise the participants' names, the agenda and the order of the deliberations, the taken decisions, the number of casted votes and the dissenting opinions and indicating the person having requested the registration, other matters / information it believes are noteworthy. The minutes will be signed by the Chairman, by a director that attended the meeting and by the secretary of the meeting. The audio recordings and, if the case, video recordings, complement the minutes of the meeting, for each committee or board meeting.
- (23) A written decision signed at distance or electronically confirmed by all members of the Board, will be valid and will produce effects in all cases just as a decision validly passed during a Board's meeting (or, as the case may be, a committee). The approval of decisions in this manner is permitted only in exceptional cases, justified by urgent situations and if in the interest of the Company. Such a decision may consist of several documents or electronic communications in the same form each signed by one or several members of the Board or by members of the relevant committee.
- (24) The Board delegates the Company's management to one or more managers, appointing one of them general manager (the "**General Manager**"). The position of General Manager may not be held by one of the directors.
- (25) At the Board meetings the following may be convened (i) managers (including the General Manager), (ii) internal auditors, (iii) specialists in various fields, depending on the matters subject to debate and/or (iv) representatives of trade union organizations, as stipulated by the law and by the collective employment agreement concluded at the level of the unit, in case the matters subject to discussion are focused on issues of professional economic, social or cultural interest. All these categories of invitees participate to the meeting without having the right to vote.
- (26) In relation to third parties and before the courts of justice the Company shall be represented by the General Manager, in accordance with the management prerogatives delegated to him/her by the Board, the latter being in charge of representing the Company in relation to managers.
- (27) By way of exception from article 18 paragraph (26) of these Articles of Association, for the accomplishment of the duties of the Board, the Company may contract, based on the decision of the Board, services carried out by third parties. In relation with the third parties contracted based on the decision of the Board, the Company shall be represented by the General Manager or by any other person nominated in the decision of the Board who can legally represent the Company.
- (28) The Company's management must provide the shareholders and the auditor with the documents and information in accordance with the applicable legal provisions.



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- (29) Each member of the Board must expressly accept such capacity and must subscribe an insurance policy for professional liability. The premium of the insurance for professional liability premium shall be borne by the Company.
- (30) The members of the Board are jointly or severally liable, as the case may be, towards the Company for the damages resulted from criminal offences or from breaches of their obligations under their mandate agreements.
- (31) Persons who are incompatible according to the Companies Law no. 31/1990, republished, as subsequently amended and supplemented, may not be members of the Board or managers of the Company.
- (32) The Board may set-up consultative committees.
- (33) The Company is prohibited from granting loans to its directors according to the legal provisions.

**Art. 19 Duties of the Board, Consultative committees, Managers and General Manager.**

**A. Duties of the Board**

- (1) The Board shall have mainly the following duties:
  - a. approves the proposals regarding the global strategy including but not limited to Company's development and restructuring ;
  - b. approves the organisational chart and the organisation and functioning regulation of the Company;
  - c. approves the level of professional liability insurance for the General Manager and the other managers to whom the management of the Company was delegated;
  - d. decides the main directions of the Company's activity and development;
  - e. decides the accounting policies and the financial control system and approves financial planning;
  - f. appoints and revokes the managers, including the General Manager, and establishes their remuneration;
  - g. supervises the managers' activity and represents the Company with respect to the managers;
  - h. submits the application for the opening of the Company's insolvency proceedings, according to the law;
  - i. if the case, exercises the duties delegated by the extraordinary general meeting of the shareholders, in accordance with the law;
  - j. concludes legal acts in the name and on behalf of the Company through which to acquire assets for the Company, to dispose of, lease, change or create encumbrances over the assets in the Company's patrimony, with the approval of the general meeting

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- of the shareholders, when the law or these Articles of Association impose such condition;
- k. approves the delegation of duties to managers (including the General Manager) for the fulfilment of its operations;
  - l. submits to the general meeting of the shareholders for approval, within a maximum of 4 months from the end of the financial year, the annual financial statements of the Company prepared for the previous financial year, based on the directors' report and on the financial auditor's report;
  - m. submits to the general meeting of shareholders for approval, the remuneration policy and the remuneration report;
  - n. makes recommendations to the shareholders in relation to the distribution of the profit;
  - o. endorses the draft activity program and the draft of the Company's budget and submits them to the general meeting of the shareholders for approval within the period provided in letter l);
  - p. convenes the general meeting of the shareholders whenever necessary, according to the legal provisions;
  - q. approves the organization and functioning regulation of the Board and of its committees;
  - r. empowers the General Manager to negotiate the collective labour agreement;
  - s. decides the duties and the level of contracting bank loans, commercial loans and approves the deliverance of the encumbrances related to these loans, in accordance with the competence limits for which a decision of the general meeting of the shareholders is required, as per Annex 1 to these Articles of Association;
  - t. approves the granting of intragroup loans with a value lower than or equal to EUR 50 Million per operation;
  - u. approves the participation in the establishment of new legal persons with/without patrimonial purpose and of their articles of association;
  - v. approves the association agreement with other legal and individual persons without establishing new legal persons;
  - w. establishes and approves changes in the income and expenses budget's structure approved by the general meeting of the shareholders, within the limits for which the Board was mandated;
  - x. establishes and approves the level of remuneration of the Board's secretary;
  - y. approves the annual consolidated investment plan at a group level (CAPEX plan);
  - z. approves the establishment or dissolution of secondary offices: branches, agencies, representative offices, working points or other similar units without legal status, according to the legal provisions;
  - aa. fulfils any other duties established by the general meeting of the shareholders or provided by the legal provisions.
- (2) The Board is obliged to submit to the territorial unit of the Ministry of Public Finance within the legal term hard copies and electronic copies (or just electronic copies) of the financial statements, along with the financial auditor's report and the minutes of the general meeting,

in accordance with the law. The Board must also publish in the Official Gazette an announcement confirming the submission of the financial statements.

- (3) The following duties of the Board cannot be delegated to the Company's managers:
- a. deciding the main directions of the Company's activity and development and risk management principles;
  - b. deciding the accounting policy and financial control system and approving the financial planning;
  - c. appointing and revoking the managers and deciding their remuneration;
  - d. supervising the activity of the managers mentioned in letter c);
  - e. preparing the annual report, organising the general meeting of the shareholders and implementing its decisions;
  - f. submitting the application for the opening of the Company's insolvency proceedings, according to the law;
  - g. duties assigned to the Board by the general meeting of the shareholders.

#### **B. The consultative committees**

- (4) The Nomination and Remuneration Committee, the Strategy and Corporate Governance Committee and the Audit and Risk Committee are established within the Board. The Board may establish other committees, according to the law.
- (5) Inter alia, the nomination and remuneration committee: (i) drafts and submits for the Board's approval the profile and the selection procedure regarding candidates for directors, managers, as well as for other management positions, (ii) assesses the compliance of the candidates for the position of directors with the Company's profile, including with the independency and eligibility criteria, (iii) proposes and recommends candidates for the foregoing listed positions to the general meeting of the shareholders (in case of Board members) and to the Board (in case of managers), and (iv) makes proposals regarding the remuneration of directors, managers and other management positions.
- (6) The audit and risk committee has, *inter alia*, the following duties: (i) to monitor the financial reporting process; (ii) to monitor the efficiency of the internal audit and control or, as the case may be, risk management systems within the Company; (iii) to monitor the statutory audit of yearly financial statements and yearly consolidated financial statements; (iv) to review and monitor the independence of the financial auditor and, especially, the performance of additional services to the Company.
- (7) The audit and risk committee must review all the documents and the operations provided by article 14 paragraph (4) b), c), d) and e) and to make available to the Board a detailed recommendation related to, *inter alia*, the necessity, the opportunity, the potential risks and benefits related to these operations.

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- (8) If the audit and risk committee unanimously decides over the recommendation related to the aspects mentioned in paragraph (7) and the Board, in the documents provided to the general meeting of the shareholders, takes a decision contrary to the recommendation of the audit and risk committee, the decision of the Board shall contain a detailed description of the reason why a contrary decision was taken.
- (9) The consultative committees comprise at least 3 (three) Board members. The majority of the members of the audit and risk committee and the nomination and remuneration committee must be represented by independent directors. In addition, at least one member of the audit and risk committee must hold relevant experience in accounting and/or financial audit.
- (10) The decisions of the committees shall be taken with the absolute majority of their members.
- (11) The committees submit reports regarding their activity to the Board regularly or upon request.
- (12) The consultative committees function in accordance with the organisation and functioning regulation of the relevant committee, approved by the Board, and with these Articles of Association.

### **C. The Managers of the Company**

- (13) The duties of the managers of the Company are established by the agreements under which the managers are performing their duties within the Company, the internal organisation and functioning regulation of the Company and by the legal provisions in force.
- (14) The managers are only the persons to whom management responsibilities were delegated by the Board. Any other person, irrespective of the technical name of the position within the Company, is excluded from the application of the norms regarding managers of joint stock companies.
- (15) The managers may sub-delegate their responsibilities, for specific acts, through the General Manager's and the manager's joint decision, subject to the prior approval of the Board.
- (16) The organisation of the managers' activity is decided by the Board and is regulated by the organisation and functioning regulation of the Company.
- (17) The managers shall inform the Board in connection to all the irregularities found when carrying out their duties.
- (18) In the absence of the prior approval of the Board, the managers may not be managers, directors, internal auditors or partners with unlimited liability, or any other equivalent position, in other competing companies or having the same business object, and they cannot

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carry out the same trade or another competitive one, on their own account or on another person's account, subject to revocation and liability for damages.

- (19) The managers are liable for not fulfilling their obligations and must inform the Board on a regular basis regarding the manner in which they carried out their activity and fulfilled their duties. They may be revoked by the Board at any time.
- (20) The managers shall be registered with the Trade Register based on the decision of the Board, which shall be published in the Official Gazette.
- (21) The managers are responsible for taking all the measures according to the limits of the Company's business object and based on the duties delegated by the Board and the general meeting of the shareholders, according to the legal provisions.

#### **D. The General Manager**

- (22) The duties of the General Manager are established by the agreements under which the General Manager is performing his/her duties within the Company, the internal regulations of the Company and according to the legal provisions in force.
- (23) For the fulfilment of his/her mandate, the General Manager may be held liable in accordance with the Companies Law no. 31/1990, republished, as subsequently amended and supplemented, as well as with the provisions of the Romanian Civil Code regarding the mandate agreement.
- (24) The General Manager will carry out his/her duties with the prudence and diligence of a good manager, with loyalty and in the best interest of the Company. The General Manager is not allowed to disclose any confidential information.
- (25) The General Manager shall have mainly the following duties:
  - a. represents the Company towards third parties; the General Manager may sub-delegate the representation and decision rights, for specific acts, by his/her decision, subject to the prior approval of the Board; however, in case of article 20 paragraph (2) of these Articles of Association, the General Manager may sub-delegate his/her representation powers without the prior approval of the Board;
  - b. applies the strategy and the development policies of the Company, as established by the Board;
  - c. notifies the Board about all irregularities identified during the fulfilment of his/her duties;
  - d. hires, promotes and dismisses the employed personnel in accordance with the law, including the managers employed with individual labour agreement, others than the managers to which the Board has delegated management duties, and coordinates and supervises the activity of all managers of the Company;

- e. negotiates, in accordance with the law, the individual labour agreement of the Company's personnel;
- f. concludes legal acts in the name and on behalf of the Company, within the limits of the empowerments granted by the Board;
- g. submits for prior approval of the Board any transaction with the members of the Board, or with the managers, employees, shareholders controlling the Company or a company controlled by them, if it has, individually or in a series of transactions, a value higher than or equal to the equivalent in RON of EUR 50,000. In order to decide on the transaction, the Board may request that an independent expertise be made, in order to examine if the transaction is in line with the same type of transactions that are carried out on the relevant market;
- h. fulfils any operations and/or projects which the Board or the general meeting of the shareholders delegated to the General Manager.
- i. at least once every 3 (three) months, drafts and provides to the Board a written report related to the Company's management (and also related to the fulfilment of his/her mandate), the activity of the Company (significant changes in business status and in the external aspects that could affect the performance of the Company) and the possible evolution of the Company (and the strategic perspectives of the Company). Upon the request of a Board member, the General Manager shall provide the relevant information related to the management of the Company;
- j. endorses the participation in the establishment of new legal entities with patrimonial/non-patrimonial purpose and their Articles of Association;
- k. endorses association contracts with other legal or natural persons without the establishment of new legal persons;
- l. approves contracts regarding the provision of services by the Company for the benefit of affiliated parties or by affiliated parties for the benefit of the Company within his competencies.

## **CHAPTER 6 THE SUBSIDIARIES OF THE COMPANY**

### **Art. 20 Competencies**

- (1) As regards the Company's casting its vote in the subsidiaries' general meetings of shareholders/associates (both ordinary and extraordinary) in which the Company directly holds the capacity of shareholder/associate, the following bodies of the Company will be competent to decide:
  - A. The extraordinary general meeting of the shareholders of the Company, for the subsidiaries in which the Company directly holds the capacity of shareholder/associate, with respect to the following:
    - a. withdrawing of the preference right of the shareholders/associates to subscribe for shares/ newly issued by the subsidiaries;

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- b. the issuing and admission to trading on a regulated market or on a multilateral trading facility of shares, certificates of deposit, allotment rights or other similar financial instruments;
  - c. changing the subsidiaries' legal form;
  - d. changing the subsidiaries' main business object;
  - e. shares/social parts transfer, with the exception of the shares/social parts which are transferred within the Electrica Group;
  - f. dissolving the subsidiaries;
  - g. carrying out any issuance of bonds or changing the category of bonds into another category or into shares; and
  - h. the conversion of preferential and nominative shares from one category into another, and also the conversion of shares in dematerialized form into shares in materialized form, according to the law.
  - i. contracting by the subsidiaries of any bank loans from local and foreign markets or commercial credits, irrespective of their duration, if their amount exceeds, individually or cumulatively, during a financial year, half of the book value of the assets of the subsidiary at signing date and of the related collaterals;
  - j. approving investment projects to which the subsidiaries will participate and which will trigger expenses / contributions higher than EUR 25 million (at the exchange rate RON / EUR valid at the date of convening) for each project, except the above mentioned of which approval is infringing the legal provisions on separating the distribution activities from other activities that are not related to distribution (i.e. unbundling), under which, inter alia, the parent company cannot give any instructions regarding the activity of distribution, if any, and / or take any individual decision regarding the construction or rehabilitation of power distribution capacity, as appropriate.”
- B. The Board with respect to all the other decisions that need to be taken in the general meeting of the shareholders/associates of the subsidiaries' held directly by the Company, and which have not been mentioned as pertaining to the extraordinary general meeting of the shareholders of the Company in paragraph A. above, including, but without limitation to, the following:
- a. establishing the subsidiaries' incomes and expenditures budget;
  - b. discussing, approving or amending the subsidiaries' annual financial statements, relying on the reports presented by their board of directors and by the financial auditor;
  - c. approving the distribution of the subsidiaries' profits according to the law and establishing the dividend;
  - d. increasing the share capital, as well as decreasing or replenishing the share capital by issuing new shares, according to the law;
  - e. approving the subsidiaries' general indebtedness limits;
  - f. approving the subsidiaries' annual financial plan with respect to investments (e.g. individual CAPEX plan for each subsidiary), with the observance of the annual consolidated investments plan at a group level (consolidated CAPEX plan);
  - g. appointing and revoking the members of the board of directors of each subsidiary and

- establishing the remuneration to which such directors are entitled, the general limits of additional remunerations of directors and managers, the level of the professional liability insurance for the directors and other rights according to the law;
- h. deciding upon the management carried out by the subsidiaries' directors, assessing their performance and discharging them of liability, according to the law;
  - i. deciding upon filing legal actions in tort against directors, managers and financial auditors of subsidiaries, for losses they caused to the companies by breaching their duties towards the companies in question;
  - j. deciding upon mortgaging or leasing or dissolving some units of the subsidiaries;
  - k. approving the investment projects in which the subsidiaries will participate and which will imply costs/contributions in value lower than or equal to EUR 25 million (at the exchange rate RON/EUR valid on the date of convening) for each project; except the projects which approval is infringing the legal provisions on separating the distribution activities from other activities that are not related to distribution (i.e. unbundling), under which, inter alia, the parent company cannot give any instructions regarding the activity of distribution, if any, and / or take any individual decision regarding the construction or rehabilitation of power distribution capacity, as appropriate;
  - l. approving any other amendment of the articles of association (i.e. change of the secondary business object, change of headquarter) or of any other topics, which is not in the competency of the extraordinary general meeting of the shareholders of the Company as provided under article 20 letter A) above.
- (2) The Company will be represented at the general meetings of shareholders/ associates (both ordinary and extraordinary) of the subsidiaries' held directly by the Company, by the General Manager or by any other person expressly appointed in this respect by the General Manager. By way of exception from article 19 letter D) paragraph (25) of these Articles of Association, the General Manager may delegate the representation powers for the general meetings of shareholders/associates of the subsidiaries' held directly by the Company without the prior approval of the Board. In all cases, the legal or conventional representative of the Company at the general meetings of shareholders/associates of the subsidiaries' held directly by the Company will vote in accordance with the decision adopted by the Company's competent body as per the article 20 paragraph (1) of these Articles of Association.

## **CHAPTER 7     REGISTRIES**

### **Art. 21 Registries of the Company**

The Company shall maintain, by the care of the Board all the registers provided by the law. Compliance with this obligation will be audited at least biannually by the internal auditors.



## **CHAPTER 8 FINANCIAL AND ACCOUNTING ACTIVITY**

### **Art. 22 Financial audit, internal audit**

- (1) The Board shall propose to the general meeting of the shareholders the nomination of the financial auditor on the basis of the recommendation of the audit and risk committee.
- (2) The external auditors shall have the following main duties:
  - a. to check if the financial statements are elaborated according to International Accounting Standards and the International Financial Reporting Standards;
  - b. to control, at the end of the financial year, the stocks, the documents and information provided by the Board in connection to the accounts of the Company, the balance sheet and income statement, submitting a written report to the general meeting of the shareholders;
  - c. to report if the information in the financial documents presents fairly the assets and liabilities of “Electrica”, the Company’s financial status, the cash flows as of the balance sheet date, the Company’s financial results for the year ended and if the accounting records were kept in compliance with the legal regulations in force;
  - d. to check the correctness of the accounting records and registrations made according to the legislation in force;
  - e. to check the compliance of the financial statements with the accounting records.
- (3) An internal audit department will be established within the Company. The internal audit department is responsible for overall business objective examination of the Company in order to provide an independent assessment of risk management, control and management of its processes.
- (4) The internal audit department will be independent of the Company’s management, and internal auditors shall be objective in the conduct of their activity.
- (5) The duties of the internal auditors are provided by the internal regulations of the Company.
- (6) The financial auditor shall report to the audit and risk committee and to the Board (through the Chairman) with respect to essential aspects resulting from the statutory audit and, especially, with respect to significant deficiencies of the internal control regarding the process of financial reporting.
- (7) The duties, rights and obligations of external financial auditors and internal auditors shall be supplemented by the applicable legal provisions.

### **Art. 23 Financing of own activity**

In order to carry out its business object and according to the duties assigned, the Company uses the financing sources provided by law, bank loans and other financial sources.

### **Art. 24 Financial period**

The financial year starts on January 1<sup>st</sup> and ends on December 31<sup>st</sup> each year.

### **Art. 25 Depreciation of fixed assets**

The depreciation of the Company's tangible and intangible assets shall be calculated according to the manner decided by the Board, with the observance of the applicable legal provisions.

### **Art. 26 Accounting records and financial statements**

- (1) The Company shall keep the accounting records in RON and shall elaborate the financial statements on a yearly basis, considering the methodological norms elaborated by the Ministry of Finance.
- (2) The Company will publish the annual financial results and of their respective annexes in compliance with the legal provisions, under the responsibility of the General Manager.

### **Art. 27 Profit calculation and distribution**

- (1) The profit of the Company is decided based on the balance sheet approved by the general meeting of the shareholders. The taxable profit is decided according to the law.
- (2) The profit of the Company after the payment of income tax shall be distributed according to the decision of the general meeting of the shareholders and the legal provisions in force.
- (3) Out of the profit of the Company after the payment of the profit tax, the Company establishes a reserve fund and other funds for the modernisation, research and development, investments, as well as for other purposes established by the general meeting of the shareholders or in other way, according to the law.
- (4) The dividends due to shareholders are paid by the Company, according to the law, after the financial statements are approved by the general meeting of the shareholders, in accordance with the dividend policy of the Company.
- (5) The Company pays dividends to the issuer of the depositary certificates proportionally to its holdings at the registration date set by the general meeting of the shareholders which approved the distribution of such dividends, in the same conditions and observing the same rules applicable to other shareholders. The issuer of the depositary certificates is fully

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responsible that the sums paid as dividends will be received by the holders of the depositary certificates, proportionally with their holdings at the registration date set by the general meeting of the shareholders which approved the distribution of such dividends.

- (6) In case of losses, the Board shall present before the general meeting of the shareholders the reasons and shall propose measures to remedy the situation.

## **CHAPTER 9 PERSONNEL**

### **Art. 28 Competencies**

- (1) The management and executive personnel of the Company, except for the managers, is appointed, employed and dismissed by the General Manager.
- (2) The salaries and related taxes, social security contributions, as well as other amounts due to the state budget shall be paid according to the law.
- (3) The salary rights and the other employee related rights are decided in the collective labour agreement for the executive personnel and by the Board for the personnel appointed by the latter.

## **CHAPTER 10 PARTNERSHIPS, CHANGING THE LEGAL FORM, MERGER, SPIN-OFF, DISSOLUTION AND LIQUIDATION**

### **Art. 29 Partnerships**

- (1) The Company may set-up, alone or together with other Romanian or foreign individuals or legal entities, other companies or other entities, according to the law and these Articles of Association.
- (2) The Company may conclude partnership agreements with other individuals or legal entities without the establishment of new entities, if the partnership is needed for carrying out its business object.

### **Art. 30 Changing the legal form**

The legal form of the Company may be changed only based on the decision of the extraordinary general meeting of shareholder and after fulfilling all the formalities provided by the law.

**Art. 31 Merger, separation, spin-off, dissolution and liquidation**

- (1) The merger, separation, spin-off and dissolution of the Company shall be made in compliance with the legal provisions and the applicable procedures, including the terms of these Articles of Association.

**A. Merger, separation and spin-off**

- (2) The Company's merger, separation or spin-off shall be approved by decision of the extraordinary general meeting of the shareholders.
- (3) In case of a merger, separation or spin-off, the Board must draw up a merger or spin-off plan, according to the legal provisions.

**B. Dissolution**

- (4) The dissolution shall take place in the following cases:
- a. impossibility to carry out its business object;
  - b. declaration of nullity;
  - c. decision of the general meeting of the shareholders;
  - d. decrease of the Company's net assets, calculated as the difference between the Company's assets and its liabilities, below half of the subscribed share capital unless the general meeting of the shareholders decides to replenish the share capital or to limit it with an amount at least equal to the loss that could not be covered from reserves;
  - e. initiation of bankruptcy proceedings;
  - f. when the number of shareholders drops below the legal minimum;
  - g. other reasons provided by the law or these Articles of Association.
- (5) The decision to dissolve the Company must be registered in the Trade Register and published in the Official Gazette.

**C. Liquidation**

- (6) The dissolution of the Company shall entail the commencement of the liquidation procedure.
- (7) The liquidation of the Company and the distribution of its patrimony shall be carried out according to the law and in compliance with the legal procedures.

**CHAPTER 11 FINAL PROVISIONS**

*In case of discrepancies between the English and the Romanian version, the Romanian version shall prevail*

**Art. 32 Governing Law**

The provisions of these Articles of Association shall be supplemented by the provisions of the Companies Law no. 31/1990, republished, as subsequently amended and supplemented and of Law 24/2017 on issuers of financial instruments and market operations, republished, as well as by the other legal provisions in force.

Signed in 2 (two) counterparts.

CHAIRMAN OF THE BOARD,  
IULIAN-CRISTIAN BOSOANȚĂ

**ANNEX No. 1 to the Articles of Association of Electrica**  
**Limitation of duties of the General Meeting of the Shareholders and the Board of Directors**  
**relating to agreements and operations at the level of the Company**

No.	AGREEMENTS, LOANS AND OPERATIONS		APPROVING DUTY	
	Type of agreement / operation	Value of the agreement / operation (inclusive of VAT)	BOARD OF DIRECTORS	GENERAL MEETING OF SHAREHOLDERS
1.	<b>Bank loans</b> from the internal and foreign markets, business loans	Below or equal to EUR 50,000,000	Approves	Is informed
		Over EUR 50,000,000	Endorses	Approves
	a. for working capital, irrespective of their duration, and also granting the <b>guarantees</b> related to such loans	Below or equal to EUR 50,000,000	Approves	Is informed
		Over EUR 50,000,000	Endorses	Approves
b. For <b>investment loans</b> , irrespective of their duration and creating the related <b>guarantees</b>	Below or equal to EUR 50,000,000	Approves	Is informed	
	Over EUR 50,000,000	Endorses	Approves	
2.	<b>Investments</b>	Below or equal to EUR 30,000,000 for each project	Approves	Is informed
		Over EUR 30,000,000 for each project	Endorses	Approves
3.	<b>Donations</b>	Below or equal to EUR 50,000 for each donation until a cumulative maximum value of EUR 1,000,000 per year.	Approves	Is informed
		Over EUR 50,000 for each donation OR over any donation that, together with the previous ones, exceeds in a year the threshold of EUR 1,000,000.	Endorses	Approves

**To: Bucharest Stock Exchange (BSE)  
London Stock Exchange (LSE)  
Romanian Financial Supervisory Authority (FSA)**

**Current report in compliance with the Law 24/2017 on issuers of financial instruments and market operations, the Romanian Capital Market Law no. 297/2004, FSA Regulation no. 5/2018, and the Bucharest Stock Exchange Code**

Report date: **7 June 2023**

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

Headquarters: **9 Grigore Alexandrescu Street, 1<sup>st</sup> District, Bucharest, Romania**

Phone no.: **004-021-2085999**

Fiscal Code: **RO 13267221**

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

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

Regulated market where the issued securities are traded: **Bucharest Stock Exchange (BSE) and London Stock Exchange (LSE)**

**Significant events to be reported: Changes in the Management of the Company**

Electrica informs the investors and shareholders that, starting 2 June 2023, the mandate agreement of the Chief Information Officer, Mr. Mircea Modran, was effectively terminated upon lapse of the 4-year duration.

**Chief Executive Officer  
Alexandru- Aurelian CHIRITA**

**To: Bucharest Stock Exchange (BSE)  
London Stock Exchange (LSE)  
Romanian Financial Supervisory Authority (FSA)**

**Current report in compliance with the Law 24/2017, republished, on issuers of financial instruments and market operations, Regulation FSA no. 5/2018 on issuers of financial instruments and market operations, and the Bucharest Stock Exchange Code**

Report date: **15 May 2023**

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

Headquarters: **9 Grigore Alexandrescu Street, 1st District, Bucharest, Romania**

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

Fiscal Code: **RO 13267221**

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

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

Regulated market where the issued securities are traded: **Bucharest Stock Exchange (BSE), London Stock Exchange (LSE)**

**Significant events to be reported: Cessation of the mandate agreement of a director**

Electrica informs the shareholders and investors of the fact that, during the meeting from 15 May 2023, the Board of Directors of the Company took note of the of the cessation de jure of the mandate agreement of Mr. Cristodorescu George, as a result of the pronouncement of Civil Decision no. 1280/08 July 2021, in conjunction with the provisions of art. 169 paragraph (10) of Law no. 85/2014, as well as in accordance with the provisions of art. 2030 para. (1) of the New Civil Code, of art. 18 para. (10) letter d) of the company's Articles of Association, as well as of art. 20, point ii) from the mandate agreement, concluded by the Company with Mr. Cristodorescu George.

**CEO  
Alexandru-Aurelian Chirita**