

Announcement

Electrica Attracted EUR 200 mil. More Non-Reimbursable Financing Through the Modernisation Fund

Electrica announces its shareholders and investors that its subsidiary Distribuție Energie Electrică România (DEER) has attracted EUR 200 mil. More non-reimbursable financing through the Modernisation Fund, representing 80% of the eligible expenses for seven more new investment projects in the electricity distribution network, projects whose total estimated value is approx. RON 250 mil. (without VAT).

For the part of ineligible costs, according to the Methodology for setting distribution tariffs, for fixed means related to investments in distribution networks made with own funds within projects co-financed by European non-reimbursable funds, put into operation starting from 1 February 2021, an incentive is established in the amount of 2 percentage points above the approved regulated rate of return.

These 5 new projects complete the list of the 13 investment projects for which DEER attracted about EUR 250 million through the Modernisation Fund (Electrica sent to the capital market two communications on 30 June 2023 – BSE:IRIS code 4EB49, LSE:RNS code 5930E, 19 June 2023 - BSE:IRIS code 647D5, LSE:RNS code 1969D, 29 November 2023 – BSE:IRIS code DA125, LSE RNS Code 1065V, 15 February 2024 –BVE: IRIS Code 38D9D, LSE:RNS Code 3222D).

Regarding the status of these 13 projects, 4 projects are in execution, 7 projects are in the acquisition phase, and 2 projects are in preparation for acquisition.

Thus, DEER has so far attracted about EUR 450 million from the Modernisation Fund, approximately 38% of the total financing already signed on the Modernisation Fund, and has 12 more submitted projects.

"Through our Group strategy, we committed to improve the performance of the managed infrastructure and to accelerate the digital transformation of the business. This achievement represents another step towards our strategic goal of accessing as many non-reimbursable funds for investments as possible. We congratulate the DEER team for this success and encourage them to continue at the same pace.", said Alexandru Chirita, CEO of Electrica.

Three of the projects, totalling about EUR 162 million, of which approximately EUR 131 million are non-reimbursable funds, are for automation of the medium voltage network in the three DEER areas, in order to identify and isolate the faulty network area, with the objective of improving the quality parameters of the distributed electricity and the performance indicators of the distribution service, by increasing the continuity of the distribution service. The RED Automation projects will have an impact on the continuity indicators in the supply for the end-users and energy producers.

The project "Modernization of the RED and implementation of a Virtual Power Plant system at the level of DEER is intended to be an efficient response to the challenges identified with the transition of the passive electricity grid to an active electricity grid, with bidirectional power flows. The fifth project aims to increase the distribution capacity by modernizing the 110kV Targu Mures-Livezeni-Corunca-Fantanele OHL, respectively the Tg. Mures, Livezeni, Corunca and Tarnaveni transformer stations.

More details can be found in the following table:

	Investment project	Total project value (VAT included)	Max. amount financed by MF*	Deadline for completion
1	Automation of the medium voltage network in the North Muntenia area, in order to identify and isolate the faulty network area	EUR 55.75 million	EUR 45.15 million	30 June 2029
2	Automation of the medium voltage network in the South Transylvania area, in order to identify and isolate the faulty network area	EUR 55.99 million	EUR 45.35 million	30 June 2029
3	Automation of the medium voltage network in the North Transylvania area, in order to identify and isolate the faulty network area	EUR 50.39 million	EUR 40.54 million	30 June 2029
4	Modernization of the RED and implementation of a Virtual Power Plant system at the level of DEER	EUR 28.938.72 million	EUR 23.57 million	30 June 2028
5	Increase of distribution capacity through modernization of the 110kV OHL Targu Mures- Livezeni-Corunca-Fantanele, respectively the Tg. Mures, Livezeni Corunca and Tarnaveni transformer stations.	EUR 56.21 million	EUR 44.90 million	31 June 2029
	TOTAL	EUR 247.26 million	EUR 199.51 million	

* The maximum value financed through the Modernisation Fund does not include VAT (ineligible, being considered contribution of the beneficiary)

Note: the values in EUR were estimated at an exchange rate of 4.9760 RON/EUR

The Modernisation Fund is a financing instrument that contributes to the objectives of the European Climate Pact by supporting a socially just transition towards a green economy. More details about the Modernisation Fund can be found on the official websites:

- <https://modernisationfund.eu/> (only in English)
- <https://oportunitati-ue.gov.ro/program/fondul-pentru-modernisare/> (in Romanian and English)
- <https://energie.gov.ro/category/fondul-pentru-modernisare/> (only in Romanian)

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