



2022 FIRST QUARTER CONSOLIDATED DIRECTORS' REPORT (Q1 2022)

(based on the condensed consolidated interim financial statements prepared in accordance with IAS 34)

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

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

for the three month period ended 31 March 2022

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

Table of contents

1. Identification Details Of The Issuer	4
2. Highlights	5
2.1. Key Events during the period January – March 2022 (Q1 2022).....	5
2.2. Summary of financial indicators.....	32
3. Organizational Structure	33
3.1. Group Structure.....	33
3.2. The main elements of the Strategic Plan for the period 2019 – 2023.....	34
3.3. Key information by segments.....	35
4. Shareholders' Structure	37
5. Operational Results	39
6. Outlook	45
7. Capital Expenditures	50
8. Statements	50
9. Annexes	51
9.1. Economic and financial indicators of Electrica Group as of 31 March 2022 according to Annex 13/ASF Regulation no. 5/2018	51
Glossary	52

1. Identification Details Of The Issuer

Report date: 13 May 2022

Company name: Societatea Energetica Electrica S.A.

Headquarters: no. 9 Grigore Alexandrescu Street, 1st District, Bucharest, Romania

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

Sole Registration Code: 13267221

Trade Registry registration number: J40/7425/2000

LEI Code (Legal Entity Identifier): 213800P4SUNUM5AUDX61

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

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

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

Applicable accounting standards: International Financial Reporting Standards as approved by the European Union; interim financial statements based on the International Accounting Standard IAS 34 – Interim Financial Reporting

Reporting period: 2022 First Quarter (period 1 January – 31 March 2022)

Audit/Review: The condensed consolidated interim financial statements as of and for the three month period ended 31 March 2022 are not reviewed or audited by an independent financial auditor

	Ordinary Shares	GDR
ISIN	ROELEACNOR5	US83367Y2072
Bloomberg Symbol	0QVZ	ELSA: LI
Currency	RON	USD
Nominal Value	RON 10	-
Stock Market	Bucharest Stock Exchange REGS	London Stock Exchange MAIN MARKET
Ticker	EL	ELSA

Source: Electrica

2. Highlights

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

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

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

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

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

Through the acquisition of the new subsidiary Electrica Energie Verde 1 S.R.L. (formerly Long Bridge Millennium S.R.L.) on August 31, 2020, then in 2021 the establishment of a new legal entity Electrica Productie Energie S.A., as well as the four contracts for the sale-purchase of shares in four project companies whose object is the main activity of the production of energy from renewable sources, the Group entered the segment of electricity production, especially from renewable sources.

2.1. Key Events during the period January – March 2022 (Q1 2022)

During the three months period ended 31 March 2022 the following main events took place:

■ **General Meetings of Shareholders (GMS) ELSA:**

- On March 21, 2022, the Extraordinary General Meeting of Shareholders (EGMS) of Shareholders of ELSA took place, being approved the mandate of the Electrica representative for participation in the EFSA EGMS, for the approval of a total ceiling of short-term financing that can be contracted by EFSA during the financial year 2022 from banking institutions (commercial banks or international financial institutions) with the Electrica guarantee.

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

- At the meeting on January 3, 2022, BoD ELSA decided to appoint Mr. Stefan-Alexandru Frangulea, as interim executive director of the Financial Department, starting with January 4, 2022, until December 31, 2022.
- During the meeting held on January 31, 2022, BoD ELSA endorsed the draft amendment to the Constitutive Act of Electrica, which it submits to the consultation of the interested parties, and will be submitted for the

approval of the General Meeting of Shareholders, after the completion of the consultation process.

The initial deadline for submitting proposals, February 21, 2022, was extended until May 14, 2022. The amendment proposals can be found on the company's website, together with the Articles of Incorporation in the form proposed by the Board of Directors of the Company, by accessing the following link:

<https://www.electrica.ro/investitori/guvernanta-corporativa/politici-corporative/>.

- During the meeting of February 2, 2022, BoD ELSA approved the implementation of a process of reorganization of the company's personnel structure and the application of the collective redundancy measure, the modification of the organizational structure of the Company with effect from 01.03.2022, the notification of the relevant authorities and of the Union regarding the final decision of the Company to implement the reorganization process and to carry out the collective dismissal of the employees who currently occupy the posts to be abolished, as well as the transmission of all data and information stipulated by art. 72 of the Labor Code, including the result of the information and consultation process with the Trade Union.

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

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

■ Other relevant events

- On January 3, 2022, the mandate of Chief Financial Officer of Mr. Mihai Darie ended, by reaching the term of four years.
- By Decision no. H879 / 2022, issued by the Hungarian Energy and Public Utilities Regulatory Authority (MEKH), on February 2, 2022 was granted the Electricity Trading License for EFSA - the Company's supply subsidiary. This license will allow EFSA to register and trade electricity in Hungary, on the wholesale market, including the derivatives market, and the operations will take place at EFSA's headquarters.
- On March 31, 2022, at the recommendation of the Strategy and Corporate Governance Committee, BoDELSA decided to reposition Electrica Energie Verde 1 SRL (EEV1) within the Group by concluding a transaction between EFSA, as seller and sole shareholder of EEV1, and Electrica Productie Energie S.A. (EPE), as the buyer and approved the granting of a loan in the amount of up to the RON equivalent of the amount of EUR 9,541,000 for a maximum term of one year, from ELSA to EPE in order to finance the acquisition of the shares of EEV1 as well as of taking over the related shareholder loans. The transaction will have as object the acquisition by EPE

of all the shares of EEV1 for a price of EUR 9,541,000 and will be completed following the signing of all relevant contracts and documents.

■ Treasury aspects

- On January 25, 2022, was signed the Credit Agreement no. 2022012502 concluded by DEER and BCR by which the Lender makes available to the Borrower a multi-product credit facility up to the value of RON 180,000 th for a period of 1 year, and by the additional act no. 1 signed on March 7, 2022 the credit facility increased from RON 180,000 th to RON 220,000 th.
- On January 26, 2022, the additional documents were signed for the group's subsidiaries, including for ELSA in order to extend the contract no. 3189 / 28.01.2020 for the IDL intraday credit limit concluded with ING Bank within the cash-pooling structure through which the bank makes available to the borrower a credit facility in the total amount of RON 210,000 th until January 27, 2023.
- On February 2, 2022, was signed the Credit Agreement no. 11673879 concluded by EFSA and Transilvania Bank through which the Lender makes available to the Borrower a loan ceiling up to the value of RON 190,000 th until 01.08.2022.
- On February 4, 2022, was signed the Credit Agreement no. 17/8130/2022 concluded by EFSA and BRD Groupe Societe Generale SA by which the Lender makes available to the Borrower a loan in the form of a ceiling up to the value of RON 220,000 th until 03.08.2022.
- On February 17, 2022, was signed the Credit Facility Agreement no. WB / C / 14 concluded by EFSA and ING by which the Lender makes available to the Borrower a non-committing multi-product credit facility up to a maximum value of RON 170,000 th for issuing bank guarantees valid for 6 months from the date of the contract, respectively August 16, 2023.
- On March 25, 2022, was signed the Credit Facility Agreement no. WB / C / 370 concluded by DEER and ING by which the Lender makes available to the Borrower a non-committing credit facility up to a maximum value of RON 220,000 th for the issuance of bank guarantees valid for 12 months from the date of the contract, respectively March 25, 2023.

■ Litigations

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

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

We specify the fact that, on October 18, 2021, the request for summons formulated by Mrs. Augusta Romana Alexandra Borislavschi Popescu was communicated to the company, as defendant who held the position of Executive Director of the Corporate Governance & M&A Department for a period of 4 years, through which the applicant requests:

1. Obligation of the defendant to pay the amount of RON 166,738, representing the percentage of 55%

of the OAVT package, in accordance with the provisions of Annex 3 to the mandate contract no. 42 / 10.08.2015;

2. Obligation of the defendant to pay damages for non-execution of the obligation to pay the percentage of 55% of the OAVT package;
3. Obliging the defendant to pay the amount of RON 11,973, representing the annual variable remuneration for 2018;
4. Obliging the defendant to pay the amount of RON 24,756, representing the annual variable remuneration for 2019;
5. Updating the amounts provided in the previous points, with penalizing legal interest. The requested penalties will be calculated as legal interest plus 8% payable for each day of delay from the date of registration of the application, until the payment of the percentage of 55% of the OAVT package by the defendant;
6. Obligation of the defendant to pay the expenses occasioned by the request for arbitration.

▪ *File no 371/33/2017*

On March 28, 2022, the dispute between DEER and D.G.R.F.P. Cluj Napoca and ANAF, which is the subject of file no. 371/33/2017, was definitively resolved by the High Court of Cassation and Justice, by admitting the appeal declared by DEER against the civil sentence no. 163 of July 8, 2019, pronounced by the Cluj Court of Appeal, the partial annulment of the appealed sentence and the annulment of Decision no. 275 of October 31, 2016 regarding the settlement of the DEER appeal, of the Taxation Decision no. F-MM 180 of March 30, 2016 (total amount of RON 32,295,033) and of the Fiscal Inspection Report no. F-MM 160 of March 30, 2016 and for the additional profit tax established for 2009 and the related accessories, maintaining the other provisions of the appealed sentence and rejecting the appeals declared by the defendants D.G.R.F.P. Cluj-Napoca - Maramures County Public Finance Administration and the National Agency for Fiscal Administration (ANAF) against the same sentence, as unfounded.

We mention the fact that, by the decision of July 8, 2019, the court admitted in part the action filed by the plaintiff Transilvania Nord SA Electricity Distribution Company (SDTN, current DEER), in contradiction with the defendants D.G.R.F.P. Cluj Napoca and ANAF, partially annulled Decision no. 275 / 31.10.2016 regarding the settlement of the appeal, with the consequence of partially admitting the appeal, partially annulled the Tax Decision no. F-MM 180 of March 30, 2016 and the Fiscal Inspection Report no. F-MM 160 of March 30, 2016, respectively regarding the additional payment obligations established by the plaintiff, consisting of VAT for the period 01.12.2009 – 31.08.2015 and its ancillary obligations, respectively interest / increase of delay and penalties related to VAT, maintaining , otherwise, the contested documents, including regarding the additional payment obligations consisting in the profit tax for the period 01.01.2009 – 31.12.2014 and its accessory obligations, respectively interest / delay increases and penalties related to the profit tax.

▪ *File no 192/2/2015*

On March 31, 2022, the High Court of Cassation and Justice definitively resolved case no. 192/2/2015 and rejected the request for summons. File no. 192/2/2015 has as object:

- annulment of the Order of the President of ANRE 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 the concessionaire distribution operators starting with January 1,2015 and the abrogation of art. 122 of the

Methodology for establishing the tariffs for the electricity distribution service, approved by the Order of the President of ANRE no. 72/2013;

- as a direct consequence of the total annulment of the Order of the President of ANRE no. 146/2014, the total annulment of (i) the Order of the President of ANRE no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and of the price for the reactive electricity, for the Commercial Company "Electricity Distribution Branch Electrica Distributie Transilvania Sud" - S.A., (ii) ANRE Order no. 155/2014 regarding the approval of the specific tariffs for the electricity distribution service and of the price for the reactive electricity, for the Commercial Company "Electricity Distribution Branch Electrica Distributie Transilvania Nord" - S.A. , (iii) Order of the President of ANRE no. Order no. 154/2014 regarding the approval of the specific tariffs for the electricity distribution service and of the price for the reactive electricity, for the Commercial Company "Electricity Distribution Branch Electric Distribution Muntenia Nord" - S.A.

In the file no. 192/2/2015, was connected the ELSA-ANRE file no. 317/2/2015 regarding the annulment of the Order of the President of ANRE no. 154/2014.

The introduction of the shares was communicated through the current report dated January 21, 2015.

■ Transactions with related parties in Q1 2022 and until now

During the reporting period and until now, the following events have been reported, according to art. 108 of Law no. 24/2017, republished:

- Transactions concluded between OPCOM - DEER, OPCOM - EFSA, DEER - EFSA and Transelectrica - EFSA, whose value exceeds the threshold of 5% of ELSA's net assets, calculated on the basis of Electrica's individual financial statements for 2020, respectively exceeds the value of RON 202,466,778.
- The publication, on January 26, 2022, of the Independent Limited Assurance Report of the financial auditor regarding the transactions reported by ELSA in the second semester of 2021.

■ Measures adopted in COVID-19 context

In the context of the crisis generated by the COVID-19 pandemic, ELSA's representatives frequently communicated with all the stakeholders, announcements being released to present the measures taken by the Group companies and COVID-19's impact on them.

In the fight against COVID-19 pandemic, ELSA has adopted all the necessary measures so that the **activity of the companies within the Group to continue to be carried out under normal conditions.**

After the return of the staff from the work from home period, all the conditions for the prevention and minimization of the illness factors were ensured.

Regarding the **electricity and natural gas supply segment**, the cash collection activities through own cashiers, the activities of the customer relations centers, as well as the field activities for B2B customers (Business-to-Business) take place under this period's normal conditions, ensuring the provision of all services offered prior to the initiation of the state of emergency, the safety of employees and customers continuing to be a priority. The effect of GEO no. 29/2020 for small and medium enterprises, by which the postponement of payments of electricity and natural gas bills is possible based on state of emergency certificates received by companies, was minimal,

considering the extensive portfolio of EFSA. At the same time, the evolution of the receivables collection intervals of delay during 2022 did not register significant changes compared to the previous year.

The action plans of the distribution operator consider keeping the general preventive measures for their own staff, users and collaborators, as well as the organizational measures to ensure safe management and operation of the network infrastructure, at a higher level of quality of the electricity distribution service.

The management permanently monitors **the financial performance and liquidity of the Group companies** on several tiers, to ensure the availability of the necessary funds for carrying out the activity, by analyzing with priority the cash flow, including the impact that the legislative changes may have on the Group's activities. The aim is to secure the collection of receivables from customers, to use the banking structures for liquidity concentration ("cash-pooling"), as well as the financing facilities available for the companies within the Group.

■ Subsequent events

Below are presented the relevant events that took place at the Group level in the period between the closing of Q1 2022 and the date of the present report.

■ ELSA General Meeting of Shareholders (GMS):

- On 28 February 2022, **ELSA's BoD convened the OGMS and EGMS**, meetings that took place on 20 April 2022.

Within the **OGMS, ELSA shareholders have** mainly **approved** the following:

- the audited annual financial statements for 2021 and the annual budget for 2022, both at individual and consolidated level;
- distribution of the net profit for the financial year 2021: total value of gross dividends – RON 152.8 mn., value of gross dividend/share - RON 0.45, ex-date – May 24, 2022, registration date – May 25, 2022, date of dividends' payment – June 17, 2022;
- discharge of liability of the members of ELSA's Board of Directors for the financial year 2021;
- Amendment of the Remuneration Policy of the Directors and Executive Managers;
- the Remuneration Report for the Directors and Executive Managers of ELSA.

The shareholders who participated in the EGMS, approved the ceiling up to RON 900 mn. for Electrica's bond issues during 2022-2023, in order to finance investment projects.

■ Decisions of the ELSA's BoD:

- On 15 April 2022, the **ELSA's BoD convened the ELSA's EGMS**, meeting to be **held on 9 June 2022**.

The following are mainly **subject to EGMS** approval:

- Empowerment of Electrica's representative to participate in EFSA's EGMS and to express a favourable vote regarding the approval of increasing the total ceiling of short-term financing that can be contracted by EFSA during the financial year 2022 from banking institutions (commercial banks or international financial institutions - IFI) for financing its current activity in the amount of up to RON 1.5 bn., as it was approved by Electrica EGMS Resolution No. 1 dated March 21st 2022, up to the amount of RON 1.7 bn. (which includes the amounts approved/that will be approved until the date of the EGMS), with the guarantee of Electrica, the value of the guarantee provided by Electrica (which will not be real guarantee) being of

maximum RON 1.87 bn. (which includes the guarantees approved/that will be approved until the date of the EGMS, for the financing contracted from the above indicated ceiling).

- Approval of a total ceiling of guarantees (which will not be real guarantees) that may be granted by Electrica in the amount of up to RON 1.87 bn. (which includes the guarantees approved/that will be approved until the date of the EGMS, for the financing contracted from the above indicated ceiling) for the guarantee of short-term financing that may be contracted by EFSA during the financial year 2022 from banking institutions (commercial banks or international financial institutions - IFIs) for the financing of the current activity in the amount of RON 1.7 bn. (which includes the amounts approved/that shall be approved until the date of the EGMS), as foreseen on the item above.
 - Empowerment of Electrica's representative to participate in DEER's EGMS and to express a favourable vote regarding the approval of a total ceiling of medium and long term financing that can be contracted by DEER during the financial year 2022 from banking institutions (commercial banks or international financial institutions - IFI) to cover the additional costs related to own technological consumption as well as to finance the working capital and the investment projects in value of up to RON 700 mn., with the guarantee of Electrica, the value of the guarantee provided by Electrica (which will not be real guarantee) being of maximum RON 770 mn.
 - Approval of a total ceiling of guarantees (which will not be real guarantees) that may be granted by Electrica in the amount of up to RON 770 mn. for the guarantee of medium- and long-term financing that may be contracted by DEER during the financial year 2022 from banking institutions (commercial banks or international financial institutions - IFIs) to cover the additional costs related to own technological consumption as well as to finance working capital and investment projects in the amount of RON 700 mn. as foreseen on the item above.
- During the meeting held on 15 April 2022, the ELSA's BoD approved the **consolidated value of the CAPEX Plan** of Electrica Group for 2022, in total amount of RON 750.5 mn. From this value:
 - RON 689.0 mn represents the 2022 annual investment plan of the distribution subsidiary Distribuție Energie Electrica Romania S.A. regarding the investments (the financial part of the investments' individual plan);
 - RON 47.2 mn represents the 2022 annual investment plan of Electrica Furnizare S.A. regarding the investments (the financial part of the investments' individual plan);
 - RON 3.6 mn represents the 2022 annual investment plan of Electrica Serv S.A. regarding the investments (the financial part of the investments' individual plan).
 - During the meeting held on 15 April 2022, the ELSA's BoD approved the **revised version of the Electrica Group's Strategy for the period 2019 – 2023**, which can be consulted on the company's website by accessing the following link: <https://www.electrica.ro/en/investors/strategy-overview/>.
Updating Electrica Group's Strategy enhances the benefits obtained through the transformation processes carried out within the distribution and supply companies and addresses the opportunities in order to prepare the Group for a sustainable growth. The revised version of the Strategy focuses on agile and digital transformation of the business, as well as on business development in complementary areas.
- **Other relevant events**
- During the meeting held on April 15, 2022, the ELSA's BoD took note of the notification submitted by Mr. Ștefan-Ionut Pascu regarding his resignation from the position of Chief Business Development Officer and considers 30 April 2022 as the effective termination date, representing the last day on which the mandate contract is in force.

- During the meeting held on May 5th 2022, the ELSA's BoD decided to revoke Mrs. Georgeta-Corina Popescu from the position of Chief Executive Officer without cause, starting with 16 May 2022, this being the last day when the mandate contract takes effect.
- At the same time, BoD decided to appoint Mr. Chirita Alexandru-Aurelian as interim CEO, starting with 17 May 2022 for a period of 3 months, or until the appointment of a new CEO.

■ Litigations

- *File no 887/90/2013*

In IPB no. 6100/6 April 2022 was published the final consolidated table of the receivables of the debtor Oltchim S.A., updated as a result of the distributions made on behalf of the receivables, the issued court decisions and the Decision of the European Tribunal of Justice in Luxembourg pronounced on 15 December 2021, in case T565/19 which remained final. In the final consolidated table, updated as indicated above, Electrica is registered with the amount of RON 116,058,538, representing the secured claim, with the right to vote.

We remind that, on February 3rd 2022, it was published in the IPB no. 2049/3 February 2022 the updated final consolidated table of the receivables of the debtor Oltchim SA, as a consequence of the decision of the European Tribunal of Justice in Luxembourg, pronounced on 15 December 2021, in case T565/19, a decision that partially annulled the Decision of the European Commission no. C (2018) 8592 final, dated 17 December 2018, which established a series of measures regarding the recovery by Romania of the state aid granted to Oltchim SA, in violation of art.108 paragraph 3 of the TFEU, through some companies, including Electrica. In its ruling, the European court annulled several measures to recover state aid established by the European Commission, including Measure 3, which also refers to the total sums in amount of RON 554,959,671.97 (RON 45,106,237.96 representing the secured debt and the amount of RON 509,853,434.01 representing the unsecured debt), considered state aid with which Electrica was listed in the table of debts.

At that time, the Decision was enforceable, but not final, and could be attacked by the European Commission within two months since its communication. In the final updated consolidated table, Electrica was registered with the amount of RON 116,058,538 representing the secured claim, with the right to vote, the amount of RON 45,106,237.96 lei representing the secured claim registered under the condition precedent of pronouncing a final decision amending the decision of the EU Tribunal, without the right to vote and the amount of RON 509,853,434.01 representing the unsecured debt registered under the condition precedent of the pronouncement of a final decision amending the decision of the EU Tribunal, without the right to vote.

Subsequent issues related to the Treasury

- On April 15, 2022, was signed the Credit Agreement no. 20220416018 concluded by EFSA and BCR by which the Lender makes available to the Borrower a multi-product credit facility up to the value of RON 220,000 th for a period of 2 years, respectively 15.04.2024.
- On April 18, 2022, Electrica concluded with EFSA a Framework Contract for issuing corporate guarantees in the form of parental guarantee type (PCG), valid until December 31, 2026, through which ELSA will issue corporate guarantees in the form of Parental Guarantee (PCG) in favour of EFSA, within the limits of the corporate approvals granted by the competent bodies within ELSA.
- On April 21, 2022, was signed the Additional Act no. 2 to the Intragroup Loan Agreement no. 87/23 December

2021 concluded by ELSA with EFSA, which extends the duration for which the amount of 130,000 thousand RON which can be borrowed by EFSA under the Contract for one month from 23.04.2022 to 23.05.2022.

Distribution segment

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

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

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

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

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

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

■ Distribution activity

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

a) Regulations regarding tariffs:

- **The distribution tariffs approved for 2022** were approved by **ANRE Order no. 119/24 November 2021**, the regional average tariffs for DEER having the following increase compared to the 2021 tariffs: MN +8.1%; TN +10.4%; TS +7.4% in force starting with 1st of January 2021
- As a result of GEO 27/2022, **the distribution tariffs for 2022 were modified starting with 1st of April 2022 to cover the additional costs related to Network Losses for 2021**. By **ANRE Order no. 28/23rd of March 2022**, the regional average tariffs for DEER were approved, having the following increases compared to the 2021 tariffs: MN + 24%; TN + 17%; TS + 20%. This tariff increase will allow the recovery of the amount of RON 363 mn (RON 353 million recognized NL 2021 loss to which inflation was applied) representing the difference between the average effective cost of energy acquisition for own technological consumption (NL) and the ex-ante price established by ANRE for the year 2021 between April

1st, 2022 and December 31st, 2022, which will favorably impact the net result for the distribution segment in the remaining period of 2022.

- **ANRE Decision no. 610/2022 on the approval of the model for the publication of the costs regarding the operation, maintenance and development of the electric transmission and distribution networks - in force starting with 1st of May 2022**
 - The DSOs will publish quarterly on their own web pages, both the realized and the budgeted costs.
- **Draft for the approval of the Procedure regarding the substantiation and approval of the development and investment plans of the transmission system operator and of the electricity distribution operators - public debate**
 - alignment with the amendments to the Energy Law, regarding the obligation of DSO to elaborate the development plan for 10 years for Electrical Distribution Network, the plan for **the period 2023-2032 is sent on the 1st of July 2022**. The development plan approved by ANRE will be published on the DSO page every 2 years, together with the results of the consultation.
 - **the obligations of DSO and TSO (OR) are aligned and numerous changes appear:**
 - The elaboration of the 10-year development plans, of the investment plans for the period or annually is made on the basis of an internal OR procedure and is submitted to the public debate.
 - **The 10-year development plan** envisages:
 - analysis of the **evolution of production** and consumption, assessment of the need **for vehicle recharging points, the potential for dispatchable consumption in the area;**
 - studies on the **digitization and integration of the necessary flexibility services in the Electrical Distribution Network** in the medium and long term;
 - analysis of measures and programs designed to ensure the **cyber security of information systems.**
 - **The 10-year development plan** includes:
 - value estimates of the impact of delays or non-realization of investments included in the previous edition of the development plan;
 - the stage of implementation of the new obligations regarding the digitization of the network, 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 Energy Strategy of Romania in the medium and long term and with PNIESC.
 - Benefits in total and stress levels will reduce the costs approved for each year of the regulatory period and the entire period;
 - If the OR does not own or partially own the vehicles, the DSO has the right to request the agreement of ANRE for the establishment in the reference year of a regulatory period;
 - The value of the investment plan from own sources must be equal to the minimum of the forecasted amortization related to the period, and not annually.

b) Licenses

- **ANRE Order no. 24/2022 on amending the Regulation for granting licenses and authorizations in the electricity sector, approved by ANRE Order no. 12/2015 - in force starting with 25th of March 2022**
 - elimination of the legal ban on issuing a single license to the electricity market operator on the Romanian electricity market.

- It was published **ANRE Decision no. 491/30th of March 2022** regarding the granting of the license of the market operator of the Romanian Commodity Exchange
- **Draft order on the approval of the Regulation for granting licenses and authorizations in the electricity sector - public debate**
 - renaming the types of licenses granted by ANRE, in accordance with the provisions of art. 10 para. (2) of the Energy Law.
 - taking over in the regulation of all the exceptional situations provided by law in which the provision of services and activities in the field of electricity is allowed without a license issued by ANRE, in accordance with the provisions of art. 10 para. (4[^]2), para. (5), para. (6) and para. (6[^]2) of the Energy Law
 - the explicit specification of the situation of modification of the license for the commercial exploitation of energy capacities by including in its content some energetic capacities on which the applicant may have a provisional exploitation right, until the date when the license holder obtains the definitive exploitation right, in the case of the transfer of ownership / use over the respective energy capacities.

c) Smart metering regulations (SM):

- **Draft Decision amending the Calendar for the implementation of smart electricity metering systems at national level for the period 2019 - 2028 approved by ANRE Decision no. 778/2019 - public debate**
 - the modification of the SM implementation calendar at national level, corresponding to the period 2019 - 2028, in compliance with the provisions of the normative acts applicable to the field, in force, which establish the regulatory framework regarding the SMI implementation process at national level and which of the approved SMI implementation schedule.

d) Technical regulations

Network connection

- **ANRE issued orders for connection in order to harmonize with the provisions of GEO no. 143/2021:**
 - i. **household connection** - In the case of household customers, upon commissioning of the connection works performed, DSO will reimburse the applicant the effective value of the design and execution of the connection, up to an average value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection works become the property of the distribution operator from the moment of commissioning, at the value reimbursed to the household customer, being recognized by ANRE as part of the regulated assets base.
 - ii. **non-household connections** - In the case of non-household customers, the equivalent value of the connection works, including those of the connection / connection design performed, is fully paid by the customers. The assets resulting from the connection works enter the patrimony of the DSO from the moment of commissioning, without being recognized by ANRE as part of the base of the regulated assets.
 - iii. **Order issued:**
 - ANRE Order no. 17/02.03.2022 Order amending and supplementing the Regulation on the connection of users to electricity networks of public interest, approved by ANRE Order no. 59/2013 in force starting with 4th of March 2022
 - ANRE Order no. 18/02.03.2022 Order approving the Procedure regarding the connection to the low voltage electrical networks of public interest of the consumption places belonging to the users of household customers - in force starting with 7th of March 2022 - abrogate the ANRE Order no. 17/2021

- ANRE Order no. 21/09.03.2022 Order for the modification and completion of the Methodology for establishing the tariffs for connecting users to the electricity networks of public interest, approved by ANRE Order no. 11/2014 - in force starting with 11th March 2022
- ANRE Order no. 22/09.03.2022 Order for the modification and completion of the ANRE Order no. 141/2014 for the approval of the specific tariffs and specific indices used to establish the tariffs for connecting users to the electricity networks of public interest - in force starting with 11th March 2022
- ANRE Order no. 23/09.03.2022 Order regarding the approval of the average values used by the distribution operator for the reimbursement to the requesting household customers, of the equivalent value of the design and execution works of a connection - in force starting with 11th March 2022
- **ANRE Order no. 63/2022 for the amendment of ANRE Order no. 95/2018 on the approval of the mandatory clauses in the contracts for the provision of services in order to carry out the connection works to the electricity networks of public interest - in force starting with 31st of March 2022**
 - clarification of the applicability situations of the obligatory Clauses correlated with the modification of art. 44, para. (4) of the Connection Regulation, introduced by ANRE Order no 160/2020. And it introduces the possibility for the certified economic operator to be able to constitute the guarantee of good execution of the contract in support of the network operator, through a guaranteed instrument issued by non-banking financial institutions.
 - the contracts for the provision of services to carry out the connection works to the electricity networks of public interest concluded before the date of entry into force of this order shall be updated, by the conclusion by the parties of an additional act within 30 days from the date of entry into force of the order.
- **ANRE Order no. 137/2021 Order for the approval of the Procedure regarding the determination of the available capacity in the electrical networks for the connection of new installations of electricity production - in force starting with 1st of March 2022:**
 - rules for determining the capacity available in the electrical transmission network/electrical distribution network at the 110 kV voltage level;
 - rules for the data publication regarding available capacities;
 - deadlines and frequency of data publication regarding available capacities by network operators: monthly starting with 1st of April 2022; twice a month starting with 1st of July 2022.
- **Connection projects for the purpose of elaborating the draft orders is to harmonize with the provisions of the ANRE regulatory framework in which the legislative amendments of GEO no. 143/2021, namely with the provisions of ANRE Orders no. 17/2022, no. 18/2022 and no. 19/2022**
 - draft projects consider:
 - modification and completion of ANRE Order no. 74/2014 for the approval of the Framework Content of the technical connection approvals
 - modification and completion of ANRE Order no. 5/2014 for the approval of the Framework Content of the connection certificates
 - approval of framework contracts for connection to electricity networks of public interest - will abrogate ANRE Order no. 164/2020
 - **Draft order for the approval of the Procedure regarding the connection to the electric networks of public interest of the recharging points for electric vehicles - public debate**
 - connection of a new place of consumption, consisting of one or more recharging points for electric vehicles;
 - connection of a place of consumption / place of consumption and production, with recharging points for electric vehicles, with / without storage facilities, new;

- installation at a place of consumption / place of consumption and production with / without existing storage installation of one or more recharging points for electric vehicles.
- it is applied in conjunction with the provisions of the Connection Regulation, of the Household Connection Procedure and of the Prosumers Connection Procedure, in force.
- establishes, for certain stages or actions within the connection process, shorter deadlines, similar to those provided for the connection of prosumers.
- when installing at an existing place of consumption one or more recharging points for electric vehicles, without exceeding the approved power, the existing ATR / CfR is not updated, and in the existing electrical installations upstream of the delimitation point no works are performed additional.
- the obligation of OD to draw up its own procedures, within 30 days of publication in the Official Gazette, for the organization of the connection activity of the categories of users to whom the document is addressed and to make available to interested parties all relevant information regarding the connection process.

Prosumers

- **ANRE Order no. 15/23.02.2022 - Methodology for establishing the rules for the sale of electricity produced in power plants from renewable sources with installed power of up to 400 kW per place of consumption belonging to prosumers - in force since 1st of May 2022**
 - The distribution operators ensure the acquisition, installation, sealing, verification, reading and, if necessary, the replacement of the electricity metering groups produced, located in the users' installations, according to the ANRE regulations.
 - Consumers who own electricity generation units in RES with an installed capacity of up to 400 kW per place of consumption may sell the electricity produced and delivered in the electricity network to the electricity suppliers with whom they have concluded electricity supply contracts, according to ANRE regulations.
 - At the request of prosumers who produce electricity in power generation units with a power installed at the place of consumption:
 - up to 200 kW - the electricity suppliers with whom they have concluded electricity supply contracts are obliged to make a quantitative compensation in the bill of the prosumers between the electricity produced and delivered in the network and the consumed one and to report in the bills of the prosumers the difference of between the amount delivered and the amount consumed, if the amount of energy produced and delivered to the network is greater than the amount of electricity consumed, prosumers may use the amount of electricity carried over for a maximum period of 24 months from the date billing.
 - between 200 kW and 400 kW - the electricity suppliers are obliged to purchase the electricity produced and delivered at a price equal to the weighted average price registered in the DAM in the month in which the respective energy was produced and to make the financial regularization between the prosumers. the delivered electricity and the consumed electricity from the network.
 - Quantitative compensation of prosumers with installations with a power of up to 200 kW per place of consumption, will be granted until 31st of December 2030, and after this period the respective prosumers can sell the electricity produced under the conditions provided for prosumers with installed capacities between 200 kW and 400 kW, per place of consumption.
- **ANRE Order no. 19/02.03.2022 Order approving the Procedure regarding the connection to the electricity networks of public interest of the places of consumption and production belonging to the prosumers - in force starting with 7th of March 2022 - abrogate ANRE Order no. 15/2021**
 - harmonization with the provisions of GEO no. 143/2021.

Distribution service performance standard

- **ANRE Order no. 64/2022 for the modification and completion of the Performance Standard for the electricity distribution service, approved by ANRE Order no. 46/2021 - in force starting with 31st of March 2022:**
 - **household clients**, the index reading period may be longer than one month, but must not exceed **3 months**, for non-compliance compensation is granted 10 lei
 - **non-household clients**, the index reading period may be longer than one month, but must not exceed 6 months, for non-compliance compensation is granted 10 lei
 - **prosumers**, the periodicity of reading the index of the measuring group is a calendar month - compensation 10 lei regardless of voltage level
 - DSO does not grant compensation to users whose metering units are located on their property and who did not allow access to DSO in order to read the index of metering units within the range specified in the invoices issued by electricity suppliers, with prior notification / approval of up to three times the number of users
 - DSO has the obligation to ensure access to historical consumption data of users who benefit from intelligent electricity metering systems, in accordance with the provisions of the framework conditions for achieving the timetable for the implementation of intelligent electricity metering systems at national level - if DSO does not meet the deadlines for a period of one month, he is obliged to pay the user compensation in the amount of 30 lei to LV
 - modification of the DSO calendar regarding the installation of quality analyzers
 - *by 31.12.2023 will monitor at least 50% of the number of power stations and at least 20% of the number of substations,*
 - *by 31.12.2025 will monitor at least 75% of the number of power stations and at least 60% of the number of substations,*
 - *until 31.12.2026 will fully monitor (100%) the power stations and at least 80% of the number of substations,*
 - *starting with 01.01.2028 will fully monitor (100%) the transformation stations.*
 - *The substations monitored according to each stage also include the substations that fully supply users integrated in intelligent electricity metering systems.*
- DSO have the obligation to submit to ANRE until 30th of June 2022, the implementation program for monitoring the continuity and quality of electricity with analyzers mounted in power stations and substations

Commercial Regulations

- **ANRE Order no. 82/2021** for the amendment and completion of the *Regulation for the supply of electricity to final customers*, approved by ANRE Order no. 235/2019 and the abrogate of ANRE Order no. 130/2015 regarding the approval of the *Procedure regarding the electricity supply of the DSO own consumption places* – in force from 1st July 2021 (except for the provisions of art. I points 25-27, 33 and 34 which enter into force on 1st July 2022):
 - in case of the electricity supplier change, the customers can communicate to the new supplier the self-read index at the date of sending the change of supplier notification; the supplier has the obligation to take over and send to the DSO the index self-read by the final customer; the self-read index is taken into account by the DSO when setting the electricity consumption in the process of changing the supplier;
 - if the final customer does not send the self-read index, the DSO has the obligation to read the index of the measuring equipment in the period between the date of sending the supplier change notification and the date of the actual change of the supplier;
 - the DSO has the obligation to create and maintain in the database, for each consumption place, for each month from the period January - December, information on the estimated active electricity consumption, established as appropriate, based on: (i) consumption of electricity recorded at the consumption place in the similar period of the previous year or of the determined electricity consumption taking into account the

most recent readings made by the DSO; (ii) the specific consumption profile, determined by the DSO for the respective category of final customer if there is no consumption history for the place of consumption.

- the DSO has the obligation to allow free access to all electricity suppliers to the data in the database and to inform them on how to access the data;
- **until 1st November 2021**, the DSOs have the obligation to make available to the electricity suppliers the consumption data provided in the order and to publish on its own web pages information regarding the way of accessing these data;
- **starting with 1st January 2022**, in the case of consumption places for which consumer agreements are concluded, the distribution service invoicing will be performed by the DSO, based on these agreements, if there is no index for these consumption places read by the DSO or by the end customer.

Annual report and sanctions

- **ANRE Order no. 1/19.01.2022 - Order for the abrogation of ANRE Order no. 32/2016 on the approval of the Methodology for drawing up the Annual Report by licensees in the electricity and heat sector and on the modification of some ANRE orders - in force since 21st of January 2022**
 - the obligation of the license holders to draw up the Annual Activity Report is eliminated.
 - the ANRE Order no. 32/2016 is abrogated - the information from the annexes from the Methodology preparation of the Annual Report must be sent to ANRE in accordance with the provisions of other orders.
- **ANRE Order no. 12/23.02.2022 - Order for approving the Procedure regarding the establishment and individualization of the contravention sanctions related to the turnover resulting from the control activity - in force from 1st of March 2022**
 - This order scope is to in force the necessary rules for establishing and individualizing the sanctions related to the turnover provided in the Law on electricity and natural gas no. 123/2012, art. 95 para. (2) and (3).
- **ANRE Order no. 13/23.02.2022 - Order approving the Procedure regarding the establishment and individualization of the contravention sanctions related to the turnover, by the ANRE Regulatory Committee, as a result of the investigation actions - in force starting with 28th of February 2022.**
 - It aims at establishing and individualizing the sanctions in case of committing the contraventions provided in art. 93 para. (1) and art. 194 of the Law on Electricity and Natural Gas no. 123/2012, with subsequent amendments and completions, hereinafter referred to as the Law, for which sanctions are provided from the turnover of the year prior to the application of the sanction.

c) Primary legislation:

- **Energy law no. 123/2012 - amended by Government Emergency Ordinance "GEO" no. 143/2021 - in force starting with 31 of December 2021**
 - the possibility of concluding directly negotiated bilateral transactions;
 - the obligation of DSO to ensure the reading of the index of the measuring group for the final household customers at a time interval of maximum 3 months.
 - The role of DSO as a neutral market facilitator in the acquisition of electricity for network losses coverage, according to transparent, non-discriminatory, and market-based procedures, in compliance with ANRE regulations
 - **household connections** - In the case of household customers, upon commissioning of the connection works performed, DSO will reimburse the applicant the effective value of the design and execution of the connection, up to an average value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection works become the property of the distribution operator

from the moment of commissioning, through the effect of this law, to the value reimbursed to the household customer, being recognized by ANRE as part of the regulated assets base.

- **non-household connections** - In the case of non-household customers, the value of the connection works, including those for the design of the connection / connection made, is fully borne by the customers. The assets resulting from the connection works enter the patrimony of the DSO from the moment of commissioning, through the effect of the present law, without being recognized by ANRE as part of the base of the regulated assets.
 - in case the final customers do not have SM, DSO provides them with individual conventional meters that accurately measure their real consumption. DSO ensures that end customers can easily read their conventional meters, either directly or indirectly, through an online interface or other appropriate interface that does not involve physical connection to the meter.
 - ANRE has the obligation to issue the regulations provided in the Law within the terms expressly provided from the date of entry into force of the Law (60 days or 6 months)
- **Law no. 259/29.10.2021 for the approval of GEO no. 118/2021 regarding the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, as well as for the completion of the GEO no. 27/1996 regarding providing facilities to persons residing or working in some localities in the Apuseni Mountains and in the Biosphere Reserve "Danube Delta"**
 - For the period 1st of November 2021 – 31st of March 2022, a support scheme was established for the payment of invoices related to the consumption of power and gas for several categories of final customers.
 - In order to regularize the amounts related to the support scheme, **the electricity / natural gas distribution operators have the obligation, in April-June 2022, in addition to the readings established according to the regulations in force, to read the meter index to final customers** who have benefited from the support scheme and to communicate to the electricity / natural gas suppliers their measurement data.
 - Exemption of some categories of small consumers (SMEs, PFA) from the payment of distribution tariffs, transport, green certificates, contribution for high efficiency cogeneration and excise.
 - **GEO no. 3/2022 for the amendment and completion of the GEO no. 118/2021 for household customers increases the maximum consumption limit from 1500 kWh to 1900 kWh (380kWh / month) – in force starting with 26th of January 2022**
 - **for domestic customers** in the period 1st of February 2022 – 31st of March 2022, the final invoiced price of electricity is capped at 0.8 lei / kWh, VAT included, (compared to 1 lei / kWh), of which the price component of energy is maximum 0.336 lei / kWh (compared to 0.525 lei / kWh);
 - **for non-household customers** in the period February 1, 2022 - March 31, 2022, the final billed price of electricity is capped at the minimum of 1 lei / kWh, VAT included, of which the energy price component is a maximum of 0.525 lei / kWh
 - The DSOs have the obligation in April-June 2022, in addition to the readings established according to the regulations in force, to read the meter index to household customers and to transmit to the electricity / natural gas suppliers their measurement data.
 - **GEO no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market during the period 1st of April 2022 – 31st of March 2023 - in force starting with 22nd of March 2022**
 - in order to cover the additional costs related to network losses for 2021, ANRE modifies the regulated tariffs, with applicability starting with 1st of April 2022.
 - the resulting tariffs do not change between 1st of April 2022 – 31st of March 2023.

- the additional costs financed from bank loans made during the GEO period to cover the network losses are capitalized, with a duration of 5 years and $RRR = 50\% \times RRR \text{ RP4}$.
- the electricity costs purchased for network losses after the date of entry into force of the GEO will be recognized in the regulated tariffs, according to ANRE methodologies.
- the transmission and distribution tariffs will be modified according to the costs registered until 31st of March 2023, in a period of up to 5 years, after until 31st of March 2023.
- producers in the portfolio of the Romanian state, have the obligation to respond in 5 working days with partial or total sales offers, energy purchase requests addressed by TSO and DSO, individually or in aggregate, directly or through dedicated platforms in the organized market. Failure to comply with the provision is sanctioned with a fine of 100,000 ÷ 400,000 lei

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

Electricity market functioning

- **ANRE Order no. 128/2021 - Order for the approval of suspension and re-establishment Rules of market activities and for the applicable settlement Rules – in force since 1st of October 2022:**
 - determining the situations and conditions in which TSO can suspend market activities with diminishing the impact on the coupling of DAM and IM energy markets;
 - identification of the market activities that can be suspended and of the procedure of their suspension and restoration: stages, role and responsibilities TSO / designated electricity market operator / factors involved;
 - the communication procedure detailing the tasks and actions that each party must perform;
 - the suspension during the collapse period and the restoration from collapse of SEN of all contracts on the wholesale market (including transactions concluded on DAM and IM), and its sale / acquisition will be made at a single restoration price, respectively the settlement method applicable in these situations and the way of making payments and contesting the settlement.
 - the order will be applied starting with 1st of October 2022, the date from which the ANRE Order no. 23/2016 repeals.
- **ANRE Order no. 65/2022 for the approval of the Regulation on the organized framework for contracting electricity by large final customers - in force starting with 1st of April 2022**
 - the extension of the market share, by accepting the TSO and the DSO their market share being intended exclusively for the acquisition of network losses;
 - application of regulation inclusive by the producers to whom the measures of GEO no. 27/2022 apply
 - use of standard contract or EFET type;
 - reduction of the average power per settlement interval from 10 MW to 5 MW, for a better profiling of the end customers offers;
 - the possibility for the initiator to opt for the variation of the contracted power per settlement interval with a maximum of 0.5 MW per settlement interval;
 - minimum delivery time of one month;
 - the option regarding the full / partial trading of the initial offer.
- **Draft order regarding the modification of ANRE Order no. 65/2022 for the approval of the Regulation on the organized framework for contracting electricity by large final customers - public debate**
 - the possibility of introducing initiating offers by the producers participating in the market;
 - elimination of the specification according to which the large final electricity customer includes the transmission and system operator and the distribution operators who purchase, individually or by aggregation, electricity to cover their own technological consumption from the networks they operate, in order to avoid resale to the operators of the electricity purchased on this market, based on the license held.

They can participate in the market from the position of final customer, which, according to the definition in the Energy Law, represents any natural or legal person who buys electricity for their own consumption.

▪ **ANRE Order 3/2022 approving the Regulation on the organization and operation of the online supplier change platform (POSF) and for contracting the supply of electricity and natural gas - in force since August 28, 2022**

- The online platform (POSF) is unique at national level, end customers and economic operators involved in changing the supplier and contracting the supply have the obligation to use exclusively this platform.
- Implementation of the platform starting with August 28, 2022.
- Duration of the supplier change process 24 hours
- The client is obliged to register the self-read index in POSF
- The client uploads the self-read index at the beginning of the supplier change process and a second self-read index at the date of the actual change of the supplier. If the end customer does not upload the index on the date of the actual change of the supplier, OD has the obligation to register in POSF, within 5 days from the date of the actual change of the supplier by the end customer, the index read by OD or provided by the intelligent measurement system.
- The regulation details: how the POSF is organized and operated, the content of the POSF database, the data needed to create the POSF access account, the rights and obligations of POSF users, the rules for concluding the supply contract, the actual supplier change procedure.
- ANRE is the administrator and operator of the Online Platform intended for the change by the final customer of the electricity and / or natural gas (POSF) supplier
- In the period between the date of entry into force of the Order and August 28, 2022, all economic operators are obliged to comply with any ANRE requests for the realization and implementation of POSF.

d) **Draft Order on the approval of the Regulation on the organization and functioning of the market for fixed-term contracts organized by the company Bursa Romana de Marfuri S.A. - public debate**

- The present draft order envisages the establishment of an organized framework for the trading of electricity on the Market of futures contracts, through electronic trading platforms managed by the company Bursa Romana de Marfuri S.A. (RCE).

■ **Investments**

At the end of the first quarter of 2022, the operator Distribuție Energie Electrica Romania (DEER) made and put into operation investments amounting to RON 44.2 mn, representing 8% of the value of the commissioning program planned for 2022 (RON 587.1 mn, of which RON 558.5 mn plan for 2022, and 28.6 mn RON values related to 2021 plan); RON 33.9 mn from the 2022 plan and RON 4.4 mn recoveries related to 2021 and 5.9 mn additional works compared to the 2022 plan, resulting from legislative changes regarding the connection. For the accomplishment of some additional works compared to the plan, for the connection of the users, expenses of RON 46.6 mn were estimated in CAPEX, taking into account the legal requirements introduced by the Emergency Ordinance no. 143 / 28.12.2021 for the amendment and completion of the Law on electricity and natural gas no. 123/2012, as well as for the modification of some normative acts.

Supply segment

■ **Key Projects**

- Starting from the significant changes in the energy market regarding the regulatory framework and growing competition, EFSA finished an ambitious internal transformation project which set to successfully meet the

current and future challenges and which mainly targeted the internal reorganization of the company, in terms of internal and external work processes and streamlining the customer experience in all points of contact, as well as the development of new skills specific to the sales area.

- In the first stage, the project focused on developing the sales strategy and in the second stage, the effort focused on internal processes, systems and technology improvement, and, naturally, on upgrading organizational structures.
- During 2021, EFSA continued to implement the redefinition and adaption processes to the current challenges of the energy market, by optimizing and rethinking its activities, in order to provide the company's customers with services at the highest professional level. In Q1 2022, EFSA continued its efforts to transform the internal processes in the sales and customer relations areas, focusing on digitization and automation.
- The current priorities in the supply segment are:
 - ✓ improving operational performance;
 - ✓ speeding up the digitization of main business workstreams;
 - ✓ continuous development of value-added products and services;
 - ✓ increasing the quality of supply service.

■ Regulatory framework

a) Primary legislation

In 2022, with an impact on the activity of supplying electricity and natural gas, the following normative acts were adopted:

- **GEO no. 143/2021** for the amendment of the Law on electricity and natural gas no. 123/2012, in force since December 31, 2021:
 - the ordinance mainly aims at transposing *Directive (EU) 2019/944 on the internal market in electricity*, including amendments / completions regarding, mainly:
 - provision of universal service (SU): by any provider on the competitive market (by providing the obligation regarding the elaboration of offers for SU and the provision of SU, upon request), only to domestic customers;
 - electricity supply price: elimination of the provisions regarding the regulation / approval of supply prices to final customers; mention, however, of the possibility of interventions in price formation for the protection of vulnerable customers or those in energy poverty, in compliance with certain conditions and notification to the European Commission;
 - wholesale electricity market: elimination of the obligation for transactions on this market to take place in a public and centralized manner; the new provisions explicitly mention "directly negotiated bilateral transactions";
 - obligations (various) suppliers: abrogation of the provisions regarding the establishment of single physical contact points at max. 50 km for customers receiving universal service;
 - (various) supplier rights: introduction of the possibility for suppliers to charge final customers (without distinction) commissions for the termination of supply contracts concluded for a determined duration and with fixed prices, in case of their early termination by the customer; introducing the possibility of charging a commission for changing the supplier, less for domestic customers and small businesses;
 - change of electricity supplier: introduction of the 24-hour supplier change deadline until 2026 and on any working day; providing for the right of customers to collectively change their supplier;

- standard offers for electricity / price comparators: extension of suppliers' obligations regarding the elaboration of standard offers and their loading in the ANRE price comparator to include micro-enterprises (i.e. the enterprise that has less than 10 employees and whose figure annual business and / or whose total annual balance does not exceed 2 million euros) with an estimated annual consumption below 100,000 kWh;
 - deceptive / incorrect commercial practices in the activity of supplying electricity / natural gas: maintaining the contravention found by ANRE only in relation to the non-domestic client and eliminating the correlative fine for non-compliance, from turnover and replacement with a fixed amount fine; for the relationship with the domestic clients, the commission of the contravention will be ascertained by the National Authority for Consumer Protection (ANPC);
 - electricity and natural gas invoicing: obligation to issue the regularization invoice for household customers once at max. 3 months, contravention for non-compliance, sanctioned with a fine;
 - ban on electricity disconnection: introduction of the possibility for ANRE to provide for other cases of non-disconnection in addition to those provided for vulnerable customers;
 - contraventions: return to the definition of the contravention committed repeatedly as implying the commission of at least twice the same contravention act, during 12 consecutive months (compared to the commission of at least twice before);
 - prosumers: introduction of quantitative compensation (compared to previously only financial compensation), increase of power limits.
- **GEO no. 118/2021** regarding the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, approved with modifications and completions by Law no. 259/2021:
 - the provided support scheme will be applied for the period November 2021- March 2022 and was established in the context of the price increase on the international electricity and natural gas markets, as well as of the effects caused by these increases for the Romanian population;
 - the following consumer support schemes are provided:
 - compensation for household customers if it falls within the maximum consumption limits provided for the entire application period (i.e. 1,500 kWh for electricity, 1,000 m³ for natural gas), respectively monthly and in the reference price of 0.68 lei / kWh for energy electricity, respectively 125 lei / MWh for natural gas; the value of the compensation is 0.291 lei / kWh for electricity, respectively 33% of the natural gas bill;
 - exemption from the payment of regulated tariffs, other contributions and excise duties for SMEs, individual medical practices and other liberal professions, micro-enterprises, authorized natural persons, individual enterprises, family enterprises (i.e. regulated introduction / withdrawal tariffs, distribution tariff , system services tariff, transport tariff, green certificates, contribution for high efficiency cogeneration and excise - for electricity; transport cost, distribution tariff and excise - for natural gas);
 - final price cap billed at maximum 1 lei / kWh, of which the price component of electricity of max. 0.525 lei / kWh for electricity, respectively no more than 0.37 lei / kWh, of which the price component of natural gas of max. 0.250 lei / kWh for natural gas for domestic customers, public and private hospitals, public and private educational units and nurseries, non-governmental organizations, religious units, public and private providers of social services;
 - suspension of payment of bills - on request, only for vulnerable consumers, for a period of min. 1 month and max. 6 months;
 - mechanisms are also provided for the settlement of the amounts related to the support schemes from the state budget to the electricity and natural gas suppliers.

- **GEO no. 2/2022** regarding the establishment of social protection measures for employees and other professional categories in the context of prohibition, suspension or limitation of economic activities, determined by the epidemiological situation generated by the spread of SARS-CoV-2 coronavirus, as well as for amending and supplementing normative acts:
 - the ordinance provides for amendments and completions of GEO no. 118/2021 as follows:
 - extending the scope of application of the ceiling by including in the category of beneficiaries and public cultural institutions and cultural establishments subordinated to the central and local public administration authorities;
 - the provision of the interdiction to disconnect or interrupt, until 30.06.2022, the supply of electricity for non-payment of household customers;
 - the provision, in case of invoices that do not comply with the legal provisions regarding the application of the support schemes (compensation, exemption, capping), of their ex officio restoration in max. 15 days from the date of issue. For the invoices already issued, the deadline for their restoration is 15 days from the entry into force of this GEO, so until February 3, 2022 (inclusive). Also, the execution of the obligation to pay the invoices being recalculated is suspended, until the issuance of the new invoices.

- **GEO no. 3/2022** for the amendment and completion of GEO no. 118/2021:
 - are provided, with the application between February 1 and March 31, 2022 the following amendments and completions of GEO no. 118/2021:
 - increasing the consumption margin for granting compensation, from 300 kWh / month (+ 10%) to 500 kWh / month (+ 10%) for electricity and from 200 m³ / month to 300 m³ / month for natural gas;
 - changing the capped price for domestic customers (from 1 lei / kWh to 0.8 lei / kWh for electricity and from 0.37 lei / kWh to 0.31 lei / kWh for natural gas) and introducing the capping for all customers non-household appliances (1 lei / kWh for electricity and 0.37 lei / kWh for natural gas);
 - the capping still targets both the final price and the purchase component of electricity / natural gas: for domestic customers - 0.8 lei / kWh the final price for electricity, of which 0.336 lei / kWh the price component of electricity; 0.31 lei / kWh final price for natural gas, of which 0.200 lei / kWh natural gas price component; for non-household customers: 1 lei / kWh final price for electricity, of which 0.525 lei / kWh price component of electricity; 0.37 lei / kWh final price for natural gas, of which 0.250 lei / kWh natural gas price component;
 - the recovery of the capped amounts will be made according to the thresholds indicated above, corroborated with the application period: from November 1, 2021 to January 31, 2022, by the difference between the average monthly purchase price and the threshold of 525 lei / MWh for electricity and 250 lei / MWh for natural gas. From February 1, the recovery is 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 - due to the difference between the average monthly purchase price and the threshold of 525 lei for electricity and 250 lei / MWh for natural gas.

- **Joint order of the Minister of Labor and Social Solidarity (no. 183 / 14.02.2022), the Minister of Energy (no. 112 / 12.02.2022) and the Minister of Finance (no. 173 / 15.02.2022)** for approving the procedure and deadlines for the settlement of the amounts related to the compensation scheme, the documents based on which the settlement is made, as well as other measures necessary for the application of the provisions of the Government Emergency Ordinance no. 118/2021:
 - it is applied for the settlement requests of the amounts related to the compensation scheme, submitted or re-deposited after the date of entry into force of the order, the previously submitted settlement requests are solved according to the norms applicable at the date of their submission;

- repeals the Order of the Minister of Labor and Social Solidarity, of the Minister of Energy and of the Minister of Finance no. 1,155 / 1,240 / 1,480 / 2021
 - clarifications are provided regarding the application of the support schemes and the settlement to the suppliers of the afferent amounts; the deadline for requesting payment of compensation by suppliers is July 31, 2022;
 - compensation scheme for household customers: the documents to be sent by the suppliers for settlement and the related terms are provided (the documents refer to a single calendar month and are prepared separately for electricity / natural gas);
 - scheme for exemption of non-household clients from the payment of regulated tariffs, excise duties, contributions, etc. - the following are provided: the documents that must be sent by the suppliers for settlement; a model application and self-declaration; the fact that, when the supplier changes, the compensation is made pro rata;
 - capping - it is provided that: the subscription (the equivalent value of the subscription services) is not included in the final invoiced price capped the average price from the settlement formula refers to the quantities purchased by each supplier; the difference for settlement will be calculated monthly.
- **GEO no. 27/2022** regarding the measures applicable to final customers in the electricity and natural gas market during the period April 1, 2022— March 31, 2023, as well as for the modification and completion of some normative acts in the energy field:
 - the application period of the support scheme (ceiling type) is 1 year, respectively April 1, 2022 - March 31, 2023.
 - 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 lei / kWh (VAT included) for non-household customers (the classification of household customers is based on the average monthly consumption In 2021, capped prices will apply for the entire period regardless of the amount consumed. In the case of household customers who did not initially qualify for capping but whose consumption in 2022 falls, suppliers issue in February 2023 regularization invoices using capped price for the tranche in which it consumed).
 - for natural gas the final invoiced price is: maximum 0.31 lei / kWh (VAT included) for domestic customers, maximum 0.37 lei / kWh (including VAT) for non-household customers whose annual natural gas consumption is achieved in the year 2021 at the place of consumption is at most 50,000 MWh for thermal energy producers.
 - customers connected after January 1, 2022 will be billed with a ceiling: household electricity customers with 0.68 lei / kWh (with the minimum ceiling), domestic gas customers with 0.31 lei / kWh (category ceiling), non-household customers of electricity with 1 lei / kWh (category ceiling) and non-household customers of natural gas with 0.37 lei / kWh (regardless of consumption).
 - customers who do not fit in the ceiling will have adjustable prices per month, the variable being a correction component for the purchase price, so that the cost of the purchase (with PE within 5%) to be transferred to final customers. The only exception is the first two months of the application period, when the price is not adjustable. At the request of the final customers, the suppliers may conclude supply contracts in other conditions than those provided in the article that refers to the uncapped customers.
 - the subscription is included in the ceiling; if the price from the contracts in force concluded with the final clients is lower than the capped price, the contractual price is applied.

- the supply component is 73 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 regime it is 80 lei / MWh for the electricity supply activity and 13.5 lei / MWh for the natural gas supply activity (GEO establishes the value of the supply component, without specifying that it is a maximum).
 - for the purchase of electricity and natural gas, the monthly imbalance must not exceed 5% of the equivalent value of the energy delivered monthly to the final clients in the portfolio, which exceeds this threshold will not be recognized and settled; the purchase made for the supply in the last resort regime does not have the balancing cost limited to 5%; the obligation to set up storage deposits of at least 30% of the amount of natural gas necessary for the consumption of final customers from its own portfolio appears between April 1 and October 31, 2022.
 - the recovery of the amounts from the capping is made entirely with the condition of respecting the 5% limit of the cost with the imbalances; losses recorded from the application of the support scheme between November 1, 2021 - March 31, 2022 can also be recovered (a supply cost of 73 lei / MWh is accepted and we have the cost limitation with imbalances to 5% of the acquisition cost) - because its recovery or at a high level it is necessary to bill all consumption, including SoLR, until the beginning of May.
 - the supplier has the obligation to notify the clients regarding the changes deriving from the application of the GEO provisions together with the first invoice sent after the entry into force (the fine is between 100 thousand and 400 thousand lei).
 - Fines: between 1-5% of turnover for non-compliance with the ceiling and cost limits; between 20 thousand - 400 thousand lei for non-compliance with the provisions for supply in the last resort regime; between 100 thousand and 400 thousand lei if we do not inform the final clients, if we do not keep differentiated / segmented the monthly records of the clients, we do not identify the clients in order to apply the ceilings or if we do not send the documents requested by ANRE.
- **GEO no. 42/2022** for the amendment and completion of the Government Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market during the period April 1, 2022— March 31, 2023, as well as for the modification and completion of some normative acts in the energy field:
 - the deadline for submitting documents for the recovery of the amounts capped is extended by applying GEO 118/2021 from May 15 to July 15, 2022;
 - ANRE publishes reporting models in order to settle the capped amounts, models that are drawn up for each category of clients that benefit from capping (average unit costs must be calculated both for the regulated network tariffs and for taxes); a fine of 50 thousand lei was introduced for non-compliance with the instructions for uploading the models and for non-compliance with the deadlines for rectifying the data uploaded on the computer platform and re-submitting the requests / declarations for settlement;
 - in the category of non-household natural gas customers that benefit from capping are also the producers of thermal energy without exceptions.
 - **Joint Order no. 668/315/965/2022** - Order of the Minister of Labor and Social Solidarity, of the Minister of Energy and of the Minister of Finance regarding the amendment and completion of the annex to the Order of the Minister of Labor and Social Solidarity, of the Minister of Energy and of the Minister of Finance no. 183/112/173/2022 for the approval of the procedure and terms of settlement of the amounts related to the compensation scheme, of the documents based on which the settlement is made, as well as of other measures necessary for the application of the provisions of the Government Emergency Ordinance no. 118/2021 regarding the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, as well as for the completion of the Government Ordinance no. 27/1996 on granting facilities

to persons residing or working in some localities in the Apuseni Mountains and in the "Danube Delta" Biosphere Reserve:

- the annex is amended and supplemented with provisions regarding the updating of the value of green certificates by submitting an application by suppliers and introducing a new chapter detailing aspects regarding the settlement procedure as a result of the regularization procedure provided after the end of GEO 118, respectively after March 31, 2022 (request for settlement of the amounts related to the compensation for each calendar month for which the regularization settlement is requested, declaration on one's own responsibility).

Regarding the legislation related to the energy sector in the first quarter of 2022, in the context of the COVID-19 pandemic, the government decided to successively extend the state of alert until March 9, 2022 by GD no. 1242/2021, GD no. 34/2022 and GD no. 171/2022.

b) Secondary legislation:

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

- **ANRE Order no. 1/2022** for the abrogation of ANRE Order no. 32/2016 on the approval of the Methodology for drawing up the Annual Report by licensees in the electricity and heat sector:
 - the obligation of the license holders (including the suppliers) to prepare and send to ANRE the annual report regarding the activities that are the object of the license has been eliminated.
- **ANRE Order no. 3/2022** for the approval of the Regulation on the organization and operation of the online platform for changing the electricity and natural gas supplier and for contracting the supply of electricity and natural gas:
 - application deadline - August 28, 2022;
 - initiative in order to achieve the objective provided by the European legislation regarding the change of supplier in 24 hours, starting with the year 2026;
 - ANRE is the administrator and operator of the platform in which data will be uploaded by end customers, suppliers, network operators, aggregators, etc. (including standard offers of suppliers), which will facilitate

the process of changing the supplier by going through the necessary administrative and technical stages and through which customers will be able to contract a new supplier;

- The regulation describes also the rules regarding the conclusion of the supply contract, respectively the effective procedure for changing the supplier, which will replace the procedure in force.
- **ANRE Order no. 4/2022** for the amendment and completion of ANRE Order no. 143/2020 regarding the obligation of producers whose annual production achieved in the previous year exceeds 3,000,000 MWh to offer natural gas on the centralized markets of natural gas:
 - the quantitative weight provided for the period January 1 - December 31, 2022 and distributed in order to be offered on each of the standardized products was modified.
- **ANRE Order no. 12/2022** - for the approval of the Procedure regarding the establishment and individualization of the contravention sanctions related to the turnover resulting from the control activity:
 - the procedure aims to establish the necessary rules for establishing and individualizing the contravention sanctions related to the turnover provided in the Law on electricity and natural gas no. 123/2012;
 - the individualization of the sanctions is made according to the gravity and duration of the deed, the impact produced on the electricity or natural gas market, and of the final customer, respecting the principles of effectiveness, proportionality and the discouraging effect of the sanction;
- **ANRE Order no. 13/2022** - for the approval of the Procedure regarding the establishment and individualization of the contravention sanctions related to the turnover, by the Regulatory Committee of the National Energy Regulatory Authority, as a result of the investigation actions:
 - the procedure aims at establishing and individualizing the contravention sanctions related to the turnover provided in the Law on electricity and natural gas no. 123/2012 and applies to the investigation activities carried out by ANRE in the electricity and natural gas sector.
- **ANRE Order no. 14/2022** regarding the establishment of the mandatory quota for the acquisition of green certificates related to the year 2021:
 - the mandatory quota for 2021 was set at the level of 0.449792 GC / MWh (compared to 0.4505 GC / MWh the estimated quota for 2021 and 0.45074 GC / MWh the mandatory quota for 2020).
- **ANRE Order no. 15/2022** for the approval of the Methodology for establishing the rules for the sale of electricity produced in power plants from renewable sources with installed power of up to 400 kW per place of consumption belonging to prosumers:
 - enters into force on May 1, 2022 and repeals ANRE Order no. 50/2021 for the approval of the rules for the sale of electricity produced in power plants from renewable sources with installed power of up to 100 kW belonging to prosumers
 - suppliers must notify the prosumers with whom they already have contracts (with P <100kW) regarding the modification of the applicable legal framework and the possibility to benefit on request from the quantitative compensation mechanism; at the request of the prosumers, the suppliers must send the signed contracts within 10 days;
 - for the application on request of the quantitative compensation mechanism, the installed electric power of the power plant for the production of electricity from renewable sources is at most 200 kW per place of consumption; the quantitative compensation is made at the price of active electricity, and the eventual

surplus is carried forward for a maximum of 24 months - after this period, the unused quantity will enter the process of financial regularization.

- for the application on request of the financial regulation mechanism, the installed electric power of the power plant for the production of electricity from renewable sources is higher than 200 kW, but not more than 400 kW per place of consumption; for financial compensation the reference is the weighted average market price for the next day of the month in which the electricity was produced and delivered
- **ANRE Order no. 24/2022** on the amendment of the Regulation for the granting of licenses and authorizations in the electricity sector, approved by the Order of the President of the National Energy Regulatory Authority no. 12/2015:
 - ANRE may grant several licenses to the operators of the electricity market, depending on the requests (amends the regulation in order to rename the type of license granted to the operator of the electricity market and to eliminate the legal prohibition of issuing a single license of this type on the electricity market in Romania).
 - **ANRE Orders no. 27 - 31/2022** for the amendment of the annex to the ANRE Orders no. 118 - 123/2021 on the approval of the specific tariffs for the electricity distribution service and the price for the reactive electricity, for the Company Delgaz Grid — S.A / Societatea Distribuție Energie Electric Romania — S.A/ Societatea Distribuție Energie Oltenia — S.A/ Societatea E-Distribuție Banat — S.A/ Societatea E-Distribuție Dobrogea — S.A./ Societatea E-Distribuție Muntenia — S.A.
 - the new tariffs are applicable from 1 April 2022;
 - the low voltage tariffs for Distribuție Energie Electrica Romania are higher by 17%- 25% compared to the first quarter of 2022 (there were increases for all categories respectively the lowest of 9.1% at HV – Transilvania Nord and the highest by 30.2% at MV-Muntenia Nord).
 - **ANRE Order no. 25/2022** amending and supplementing the Order of the President of the National Energy Regulatory Authority no. 163/2015 for the approval of the General Conditions associated with the license for the management of the centralized electricity markets.
 - extending the scope of the general conditions associated with the license for the activity of the electricity market operator, in order to create the premises for granting this type of license to other operators of the electricity market;
 - differentiation and clear specification of the rights and prohibitions of the quality of EMO (Energy Market Operator) or the quality of NEMO (Designated Electricity Market Operator).
 - **ANRE Order no. 33/2022** for the amendment of Annex no. 1 of the Order of the President of the National Energy Regulatory Authority no. 124/2021 on the approval of the average tariff for the electricity transmission service, of the transmission tariff components for the introduction of electricity into the grid (TG) and for the extraction of electricity from the grid (TL), of the tariff for the system service and of the regulated price for reactive electricity, practiced by the National Electricity Transmission Company "Transelectrica" — S.A.
 - the new tariffs are applicable from 1 April 2022;
 - the average tariff for the electricity transmission service is higher by 17.3%, the transmission tariff - the component of electricity introduction into the grid is higher by 69.8% (TG is – 2.53 lei / MWh), the

transmission tariff - the component for extracting electricity from the network is higher by 13.8% (TL is – 25.57 lei / MWh) compared to the first quarter of 2022.

- **ANRE Order no. 64/2022** for amending and supplementing the Performance Standard for the electricity distribution service, approved by the Order of the President of the National Energy Regulatory Authority no. 46/2021.
 - the reading interval of the index of the metering group is established by contract and can be more than one month, but it should not exceed 3 months in the case of household customers and 6 months in the case of non-household final customers, for prosumers it is a calendar month, for users who benefit from intelligent electricity metering systems The DO has the obligation to ensure access to historical consumption data (non-compliance with these terms leads to payment of some compensations);
 - establishes a timetable for monitoring stations and transformation points - the final implementation deadline is 01.01.2028.
- **ANRE Order no. 65/2022** for the approval of the Regulation on the organized framework for contracting electricity by large final customers
 - simplification of the organized framework for contracting electricity for large final customers of electricity (with an annual consumption of more than 70,000 MWh) established by ANRE Order no. 55/2012: elimination of the obligation to use the framework contract, extension of market participation by accepting TSO and OD exclusively for the acquisition of c.p.t., reduction of the average power per settlement range from 10 MW to 5 MW, the possibility for the per settlement interval with a maximum of 0.5 MW per settlement interval, minimum delivery time of one month, elimination of the public negotiation stage.
- **ANRE Order no. 66/2022** for the approval of the Methodology regarding the determination of the level of the minimum natural gas stock that the licenses holders of the natural gas supply have the obligation to lodge in the period April 2022 — October 2022
 - the quantities of natural gas representing the minimum stocks to be stored by each supplier in the period April 2022 - October 2022 represent at least 30% of the quantity of natural gas required for the consumption of final customers in its portfolio for the period 1 November 2022-31 March 2023 (are established reporting models with the quantity broken down for each month and category of consumers and monitoring models with the level of fulfillment of the natural gas storage obligation).
- **ANRE Order no. 67/2022** regarding the application in April 2022 of the provisions of art. 23 of the Methodology for determining and monitoring the contribution for high efficiency cogeneration, approved by the Order of the President of the National Energy Regulatory Authority no. 117/2013
 - during April 2022 ANRE analyzes the value of the contribution for cogeneration, and if it varies by more than +/- 2.5% compared to the value in force, until April 30, 2022 the new value of the contribution will be approved by ANRE order for the year 2022.
- **ANRE decisions** regarding the revocation of some suppliers from the quality of last resort electricity suppliers:
 - revocation of Tinmar Energy S.A. as a supplier of last resort of electricity (starting with 06.04.2022) - ANRE Decision no. 525/2022.

2.2. Summary of financial indicators

A summary of the main financial indicators is presented below:

- In the three month period ended 31 March 2022, EBITDA decreased by RON 250 mn as compared with the same period of 2021, recording a negative value of RON 50.7mn;
- The capital expenses in Q1 2022 were of RON 115.6 mn, increasing by approx. 26.6%, compared to RON 91.3 mn in Q1 2021, in line with the annual evolution of the approved investment plans and the investment plan allocation throughout the year;
- The operating result in Q1 2022 is of RON -174.7 mn, recording a fall of RON 252.4 mn as compared with the same period of the previous year, when the Group recorded an operating profit of RON 77.7 mn. The decrease was mainly due to the performance of the electricity supply segment significantly influenced by the increase in energy costs, to which is added the increase in electricity costs to cover the NL for the distribution segment caused by the difference between the estimated average cost of energy acquisition for own technological consumption (NL) and the ex-ante price set by ANRE for 2022.
- The cost of electricity purchased increased by RON 1,732.9 mn, or 152.1%, to RON 2,872.5 mn in the three month period ended 31 March 2022, compared to RON 1,139.6 mn recorded in the comparative period, mainly as a result of the increase in the electricity purchase price on the supply segment to which is added the increase in electricity costs for NL coverage for the distribution segment;
- In Q1 2022, the revenue from the electricity supply segment increased by RON 818.3 mn y-o-y, or 58.9%, to RON 2,207.5 mn (out of which RON 2,190.9 mn external revenues), mainly as a result of rising selling prices; the contribution of the electricity supply segment to the Group's consolidated revenue is in proportion of 85%;
- Revenue from the distribution segment increased by RON 97.5 mn, or 14.7%, to RON 760 mn (out of which RON 378.5 mn external revenues), compared to Q1 2021; the contribution of the electricity distribution segment to the Group's consolidated revenue is of 14.7%.

3. Organizational Structure

3.1. Group Structure

As of 31 March 2022, the most significant shareholder of ELSA is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

Presentation of Group subsidiaries

Subsidiary	Activity	Sole registration code	Headquarters	% shareholdings as of 31 March 2022
Distributie Energie Electrica Romania S.A. („DEER”)	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99,9999929%
Electrica Furnizare S.A. („EFSA”)	Electricity and natural gas supply	28909028	Bucharest	99,9998415011992%
Electrica Serv S.A. („SERV”)	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucharest	99,99998095%
Electrica Productie Energie S.A („EPE”)	Production of electricity	44854129	Bucharest	99,9920%
Electrica Energie Verde 1 S.R.L.* („EEV1” – former Long Bridge Milenium SRL)	Production of electricity	19157481	Bucharest	100%*
Sunwind Energy S.R.L.	Production of electricity	42910478	Constanta	60%

Source: Electrica

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

As at 31 March 2022, the Company’s associates are the following:

Associate	Activity	Sole registration code	Head Office	% shareholdings as of 31 March 2022
Crucea Power Park S.R.L.	Production of electricity	25242042	Constanta	30%
New Trend Energy S.R.L.	Production of electricity	42921590	Constanta	30%
Foton Power Energy S.R.L.	Production of electricity	43652555	Constanta	30%

The main activities of the Group are the regulated distribution of electricity through operation and development of electricity distribution networks and the electricity supply to end consumers as well as the production of electricity from renewable sources. The Group is the electricity distribution operator and the main electricity supplier in North Muntenia (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), North Transylvania (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties) and South Transylvania (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) operating with transformer stations and power lines with voltages from 0.4 kV up to 110 kV.

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

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

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

Regarding the electricity production segment, it is represented, mainly, by the EEV1 subsidiary, which owns a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW). To this were added, during 2021, four production park projects, purchased by ELSA (three photovoltaic - with an installed capacity of 163.5 MW and a wind farm with an installed capacity of 121 MW, with attached an electricity storage capacity of 60 MWh). Also, in 2021, EPE was established, the company's activity is the production of electricity from renewable sources through the acquisition and development of projects, respectively the operation of electricity generation parks from renewable sources, cumulated with the development and operation of independent solutions storage that he intends to develop in the near future.

The establishment of the new subsidiary together with the investments in the four associates are part of the Electrica Group's strategy, which aims to develop a portfolio of electricity generation capacities from renewable sources (wind and photovoltaic) with a cumulative capacity of 400 MW, in parallel with electricity storage capacity with an installed capacity of up to 100 MW.

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

The Strategic Plan for the period 2019 - 2023, which reflects the vision of the Board of Directors regarding the management of activities in the interest of stakeholders, in the medium and long term, was formulated following an analysis of the following areas:

- the external environment, in order to determine the main external factors with impact on the energy market and the key factors that can significantly influence the evolution of the electricity market in the future;
- industry analysis, in order to identify the trends on the energy market, to evaluate the attractiveness of the market and to determine the critical success factors necessary to compete and survive on this market;
- internal analysis of the Group, in order to evaluate the previous and current performance (in relation to other players in the market).

The Electrica Group remains dedicated to ensuring the balance between generating value for its customers and maximizing profit for shareholders, while maintaining its ambition to become a regional player in the energy field, within a culture of ethics, integrity and sustainability.

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

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

For the period 2019-2023, the key objectives of the Group are:

- Expanding in related fields and obtaining synergies with the fields in which the Group operates;
- Improving the operational performance in order to continuously increase the quality of services offered to customers;
- Continuing investments to improve the reliability of the infrastructure;
- Increasing the performance and consolidating the sustainability of the economic results.

In addition to the traditional areas of interest, namely electricity distribution, electricity and 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 the development of skills, but also on an offer of products and services in line with their needs.

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

In the distribution segment, as a result of the application, starting with January 1, 2021, of the new unified target organization chart, through which all structures in the area of strategic activities (asset management, energy management, integration program management, ITC&C, strategic project management), financial and support were reunited under a unique coordination at the level of the company resulting from the merger - Distribuție Energie Electrica Romania SA (DEER). In the coming years, the process of continuous adaptation and improvement of processes and support technology will continue, as defined by the approved Strategy for the distribution segment.

In the supply segment, the reconfiguration and modernization projects of the IT infrastructure continue at an accelerated pace. Thus, at the beginning of this year, the implementation of the SAP Hana system was carried out and currently we are working on the implementation of the SAP-ISU system and the migration of databases. At the same time, other IT&C projects aim to increase the degree of automation and digitization of internal processes, so that operational costs can be optimized.

In the energy services segment, after elaborating at the end of year 2020 a concept and a plan of measures for operational optimization, organizational and strategic repositioning of Electrica Serv SA, starting with 2021, it was ordered to start the gradual implementation process with a focus on developing new business lines.

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

3.3. Key information by segments

SUPPLY SEGMENT

Market data (according to ANRE Report for December 2021)

- The supply market consists of both the competitive segment and the universal and last resort service segment (SU and LRS);
- The universal and last resort service segment includes six nationally designated providers of last resort;
- The competitive segment includes 92 suppliers (including those of last resort with activity on the competitive segment of the retail market), of which 85 are relatively small (<4% market share).

In December 2021, EFSA is the market leader with a share of 18.42%; is also the leader on the SoLR market, with a market share of 30.59%, on the competitive market with a share of 12.72% (according to ANRE report December 2021). In comparison, in 2020, EFSA had a market share in the total electricity market of 19.25%; SoLR market share of 54.56% and a competitive market share of 10.86% (ANRE report for December 2020).

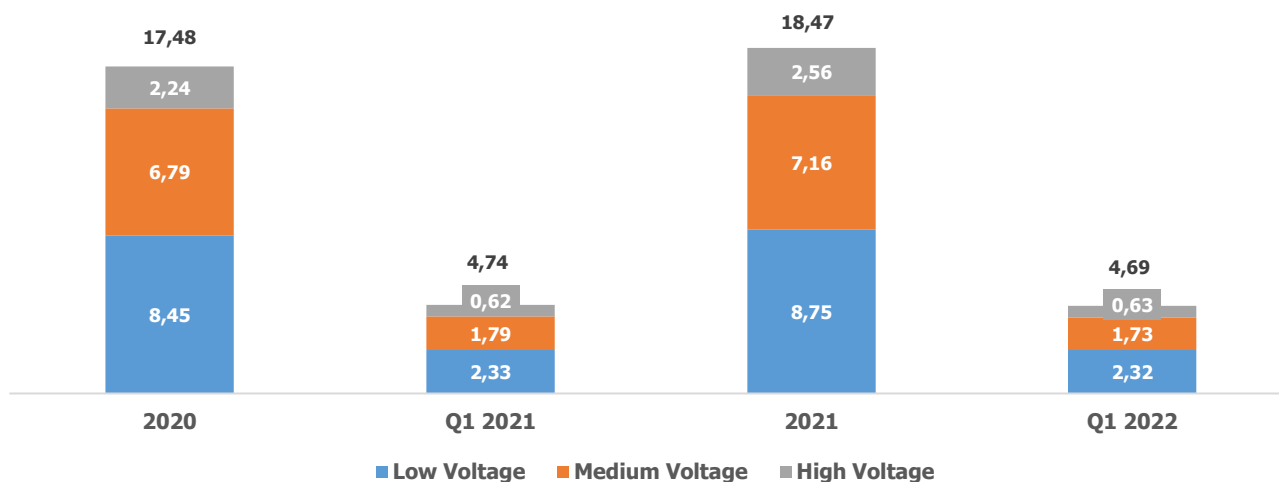
In Q1 2022, the Group supplied 2.3 TWh of electricity to approx. 3.5 mn consumption places (both in last resort and universal service regime and on the competitive market), representing an increase of 0.06% y-o-y.

DISTRIBUTION SEGMENT

Information for the period ended 31 March 2022

- The estimated Regulated Assets Base (RAB) at the end of Q1 2022 was RON 6.1 bn
- 201.235 km of electric lines – 7,603 km for High Voltage ("HV"), 46.504 km for Medium Voltage ("MV") and 147.128 km for Low Voltage ("LV")
- Total area covered: 97.196 km², 40.7% of Romania's territory
- 3.8 mn users at the end of Q1 2022 for the distribution activity
- 4.686 TWh of electricity distributed in Q1 2022, a decrease of 1.1% as compared to Q1 2021.

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



Source: Electrica

4. Shareholders' Structure

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

After the secondary public offer that ended on 3 December 2019, during which a total number of 208,554 new shares were subscribed, with a nominal value of RON 10 and a total nominal value of RON 2,085,540, the ownership structure according to the Central Depository records (Romanian: Depozitarul Central) as of **31 March 2022**, is the following:

Shareholder	Number of shares held	Stake held (% of the share capital)	Shares with voting right	Percent of shares with voting right
Romanian State through the Ministry of Energy	169,046,299	48.7948%	169,046,299	49.7850%
The European Bank for Reconstruction and Development	17,355,272	5.0096%	17,355,272	5.1112%
Electrica (no voting rights)	6,890,593	1.9890%	0	0.0000%
Bank of New York Mellon – GDRs	2,619,216	0.7560%	2,619,216	0.7714%
Other legal persons	132,448,913	38.2310%	132,448,913	39.0068%
Individual persons	18,083,304	5.2197%	18,083,304	5.3256%
TOTAL	346,443,597	100.0000%	339,553,004	100.0000%

Source: Central Depository, Electrica

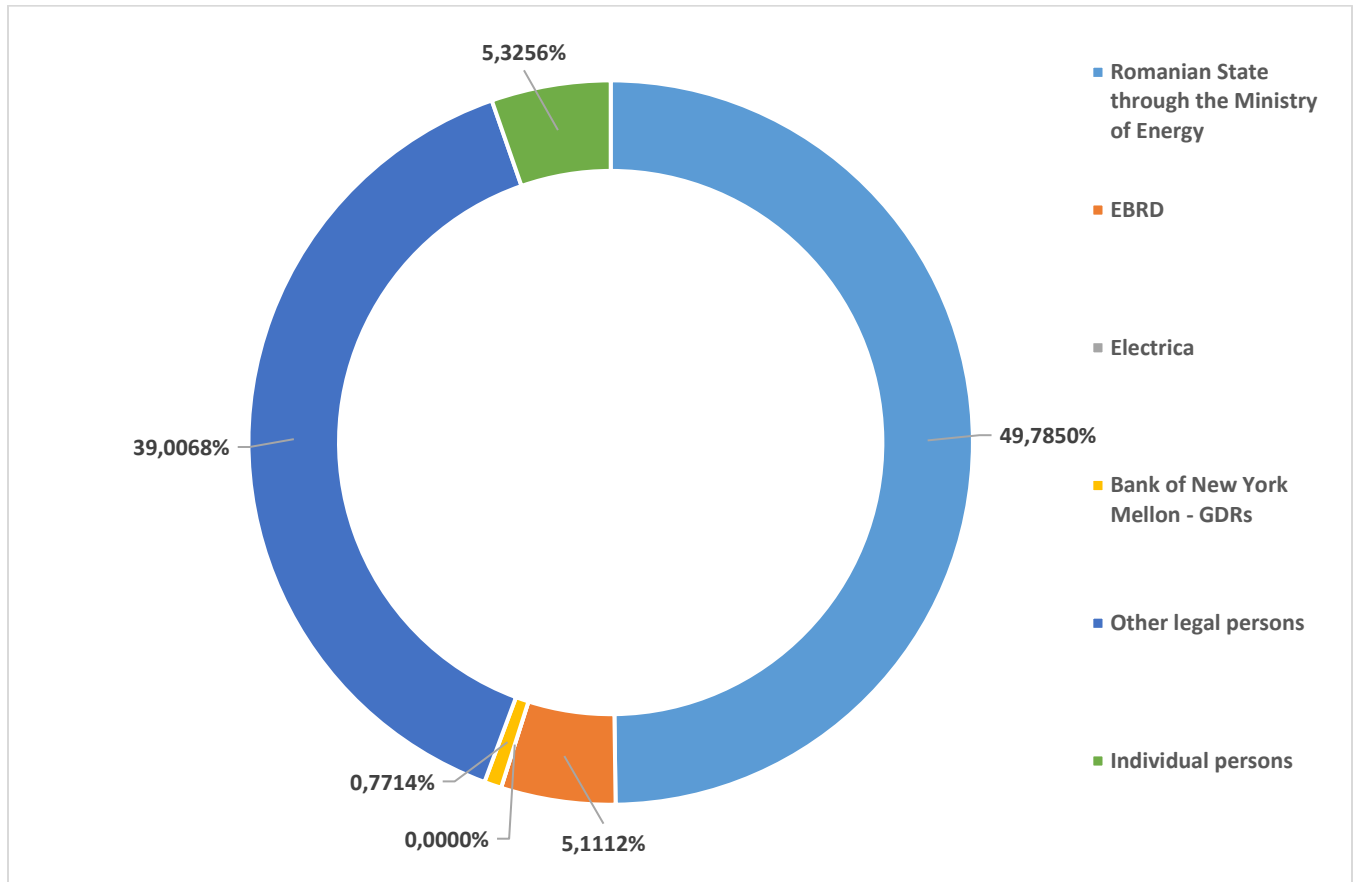
Note 1: The total shares with voting rights - 339,553,004, representing the total number of shares (346,443,597) without the number of own shares held by Electrica (6,890,593), for which the voting right is suspended

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

The shares presented to be held by the Bank of New York Mellon represent the global depositary receipts (GDRs) owned by ELSA shareholders that are traded on the London Stock Exchange (LSE). A global depositary receipt represents four shares. The Bank of New York Mellon is the depositary bank for these securities.

Following the stabilization process after the June 2014 IPO, ELSA owns 6,890,593 of its shares, representing 1.989% of the total share capital at 31 March 2022, with suspended voting rights, which does not entitle ELSA the right to receive dividends.

Figure 2: Shareholders' Structure as of 31 March 2022



Source: Electrifica

5. Operational Results

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

Indicator	31 March 2022 (not reviewed or audited)	31 March 2021 (not reviewed or audited)	Variation (%)
Revenues	2,579.0	1,696.2	52.0%
Other income	679.0	33.1	1,951.6%
Electricity and natural gas purchased	(2,872.5)	(1,139.6)	152.1%
Construction costs related to concession agreements	(108.3)	(86.9)	24.6%
Employee benefits	(187.6)	(186.4)	0.6%
Repairs, maintenance and materials	(25.5)	(19.5)	30.7%
Depreciation and amortization	(124.0)	(121.6)	2.0%
Other operating expenses	(114.9)	(97.5)	17.9%
Operating result	(174.7)	77.7	-
Finance income	0.4	2.0	-80.1%
Finance costs	(18.1)	(6.1)	196.7%
Net finance cost	(17.7)	(4.1)	332.4%
Share of the result of the associates	0	-	-
Result before tax	(192.4)	73.6	-
Income tax benefit/(expense)	34.7	(15.8)	-
Net result	(157.8)	57.9	-

Source: Electrica

Key financial indicators for the period ended 31 March 2022:

- **Revenues: RON 2.6 bn**, a 52.0% increase as compared with Q1 2021;
- **EBITDA: RON -50.7 mn**, a RON 199.3 mn decrease compared to same period of last year;
- **EBIT: RON -174.7 mn**, a RON 252.4 mn decrease compared to Q1 2021 ;
- **EBT: RON -192.4 mn**, reduced by RON 266.0 mn compared with Q1 2021;
- **Net result: loss of RON -157.8 mn**, a RON 215.7 mn y-o-y decrease.

Revenues and other income

Electrica's revenues and other income for the three month period ended 31 March 2022 and 31 March 2021 amounted to RON 3,258.0 mn and RON 1,729.3 mn, respectively, representing an increase of approx. RON 1,528.7 mn, or 88.4%; the variation is generated mainly by the revenues' evolution, but also the operating income evolution, mainly subsidies (represent values to be recovered as a result of the application of the capping of electricity prices) recognized by EFSA. Other operating income registered in Q1 2022 compared to Q1 2021, an increase of RON 645.9 mn, of which RON 632.3 mn, recoverable subsidies from the Ministry of Energy, as a result of the application

of the mechanism for capping energy prices electricity and natural gas approved by Order no. 118/2021 with subsequent amendments and Order no. 27/2022.

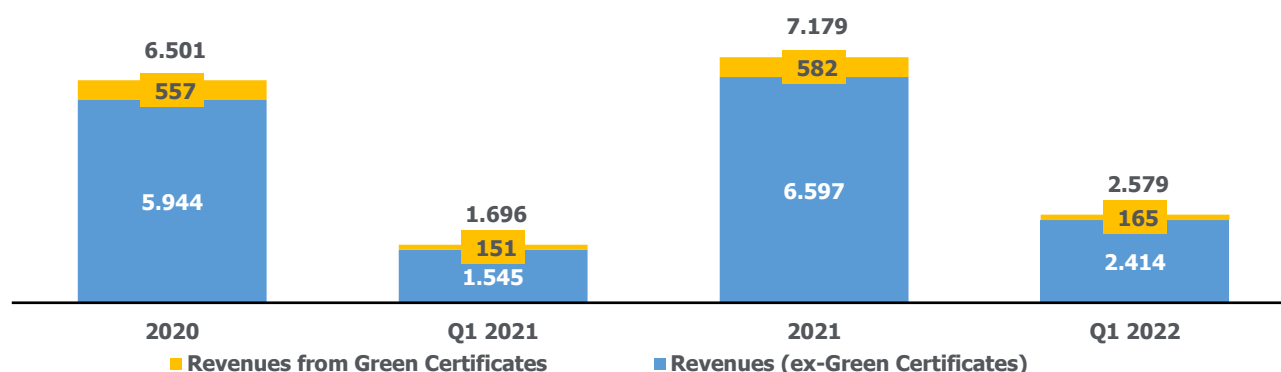
On 18 March 2022, it was issued Order no. 27 related to the application, between 1 April 2022 – 31 March 2023, for new capping schemes for electricity and natural gas as well as the regularization with the new calculation schemes for the period 1 November 2021 – 31 March 2022. The Order also provides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

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

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

Revenues

Figure 3: Revenue for Q1 2022 and comparative information (RON mn)



Source: Electrica

The revenues increased by RON 882.8 mn, or 52.0%, being the net effect of the following main factors:

- increase of RON 818.3 mn on the supply segment;
- internal revenue (from the Group): the Group's revenues decreased by RON 36.7 mn;
- RON 97.5 mn increase of the distribution segment's revenues.

During the three month period ended 31 March 2022, revenues from the electricity distribution segment increased by approx. RON 97.5 mn, or 14.4%, to RON 760.0 mn, from RON 662.5 mn in the same period of the previous year, as a result of the following factors:

- favorable impact of approx. RON 75.5 mn, mainly from the rise in the distribution tariffs by an average of 8.6%, compared to Q1 2021, positive effect reduced by the decrease in the volumes of electricity distributed by approx. 1.1%;
- favorable impact from the evolution of revenues recognized in accordance with IFRIC 12 - the revenues from electricity distribution segment are influenced by the recognition of investments into the network under concession agreements, these revenues increasing in Q1 2022 by RON 22.0 mn, compared to the same period last year.

As a result of GEO 27/2022, the distribution tariffs for 2022 increased starting with 1 April 2022, to cover the additional costs related to NL from 2021 estimated at a value of RON 363 mn. Thus, starting with Q2 2022, the distribution tariffs will be higher by 20.3% compared to 2021, implicitly the revenues from electricity distribution will be higher, with a favorable impact on the electricity margin for the distribution segment. The applicable tariffs starting with 1 April 2022 will not change until 1 April 2023.

Also, at the beginning of the current PR4 regulatory period, ANRE made a total negative correction to close PR3 in the amount of RON (730) mn (nominal terms), respectively RON (665) mn (2018 terms), of which RON (341) mn for meters recognized as investments in PR2 (2008-2013). The meter correction was challenged in court by the distribution branch of the Electrica Group, because in 2013, ANRE recognized the meters in BAR based on the principle of non-discrimination of all distribution operators, although they were not registered as fixed assets. The total negative correction related to PR3 decreased the regulated profitability related to PR4, with an average annual value of RON (146) mn.

Regarding the supply segment, the revenue from the electricity supply and natural gas increased by RON 818.3 mn, or 58.9%, to RON 2,207.5 mn, from RON 1,389.2 mn in Q1 2021.

The variation of the supply segment revenue is mainly driven by the net effect between the 116% retail sale price increase in the retail market and the 3.9% fall in the volumes of electricity supplied on the retail market.

The green certificates value included in final consumer invoice, set by ANRE, increased from RON 64.1/MWh in Q1 2021 to RON 72.54/MWh in Q1 2022.

Electricity purchased

In Q1 2022, the expense for electricity purchased increased by RON 1,732.9 mn, or 152.1%, to RON 2,872.5 mn, from RON 1,139.6 mn in the comparative period.

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

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

Three month period ending 31 March (RON mn)	2022	2021	%
Electricity purchased to cover network losses	693.2	221.0	213.7%
Electricity purchased for supply	1,942.2	694.0	179.9%
Transmission and system services related to supply activity	72.5	73.4	-1.1%
Green Certificates	164.5	151.3	8.8%
Total electricity purchased	2,872.5	1,139.6	152.1%

Source: Electrica

The cost of the electricity purchased for supply (including transmission and system services) increased by RON 1,260.7 mn, or 137.2%, to RON 2,179.3 mn in Q1 2022, from RON 918.6 mn recorded in Q1 2021.

The main cause of this evolution is represented by the increase of the prices on the electricity market and the limitation of the transfer to the final customer of these price increases. Thus, the prices on the spot market (Next Day Market) in Romania increased in Q1 2022 by approximately 320%, compared to the same period in 2021.

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

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

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

In order to fulfill the legal obligations for the acquisition of green certificates (GC) and considering the observance of the Internal Procurement Procedure, in the first quarter of 2022, the cost of GC acquisition increased by RON 7,165 mn (increase from 144,657 to RON 151,823 mn), respectively an increase of 4.95% compared to the same period of 2021.

This variation was determined by the ANRE regulations regarding:

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

Regarding the distribution segment, in the three month period ended 31 March 2022, the cost of the electricity purchased to cover network losses increased by RON 472.3 mn, or 213.7%, to RON 693.2 mn, from RON 221 mn, the evolution being generated both by a significant increase in the electricity purchase prices (negative effect of RON 501.3 mn) and lower volume of electricity needed to cover network losses (positive impact of RON 28.3 mn).

The Electricity Distribution Operators were directly affected by this significant price increase, being obliged, according to ANRE Order no. 73/2014, to purchase the electricity necessary to cover their own technological consumption (NL), in order to comply with the general conditions associated with the distribution license on the wholesale electricity market, in accordance with the Law on electricity and natural gas no. 123/2012 with subsequent amendments and completions (Art. 45). For Q1 2022, for the Group's electricity distribution subsidiary, the average electricity purchase price for NL was with 136% higher than the value set by ANRE ex-ante in tariffs, generating additional costs of RON 384 mn, amount that will be recovered in future tariffs in a period of up to 5 years after March 31, 2023. based on GEO 27/2022.

According to the methodology applicable to the distribution activity, respectively ANRE Order no. 169/2018 approving the Methodology for establishing tariffs for the electricity distribution service, with subsequent amendments and completions (Methodology), the difference between the energy price for NL achieved in 2022, by each Distribution Operator and the ex-ante price established by ANRE, can be recovered by tariffs starting with

2023, within the minimum between the average price realized and the average prices realized in 2021 by the network operators (distribution and transport), within the limits of increasing the tariffs provided by the Methodology. Based on GEO 27/2022, this difference will be recovered through tariffs in a period of up to 5 years after 31 March 2023.

Construction costs

In Q1 2022, the expenses with the construction of the electrical networks in connection with the concession contracts increased by RON 21.4 mn, or 24.6%, to RON 108.3 mn, from RON 86.9 mn in the comparative period, being correlated with the evolution of the investments realized, related to the Regulated Asset Base, and the allocation of the investment plan throughout the year.

Employee benefits

The expenses for salaries and employee benefits increased by RON 1.2 mn, or 0.6%, to RON 187.6 mn in Q1 2022, from RON 186.4 mn, so they remain approximately at the same level as compared with the previous similar period.

Repairs, maintenance and materials

In Q1 2022, the expenses with repairs, maintenance and materials recorded an increase of RON 6.0 mn, compared with the same period of the previous year, both from the evolution of the meteorological conditions with impact in the distribution segment, and from the increase of the expenses with the materials necessary for the new activities carried out by the energy services company.

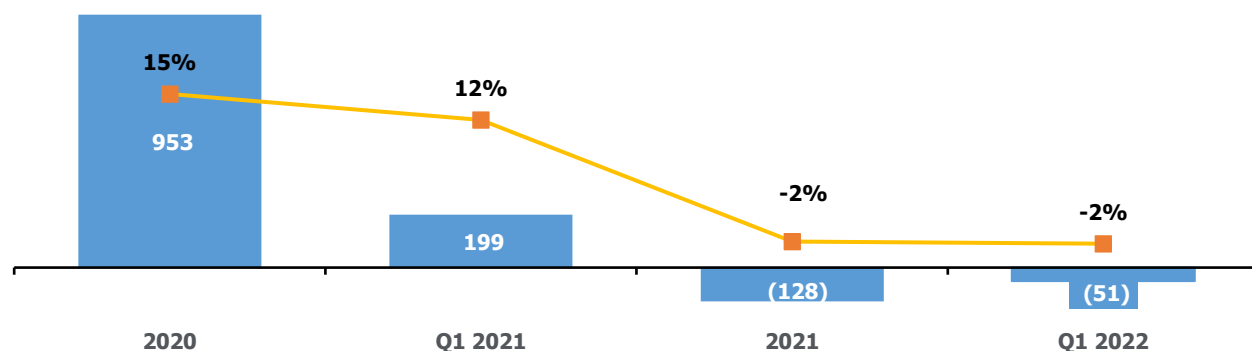
Other operating expenses

In the first three months of 2022, the other operating expenses increased by RON 17.4 mn, or 17.9%, to RON 114.8 mn, from RON 97.5 mn in the same period of 2021, mainly from:

- the variation of the impairment loss on trade and other receivables, which has a negative impact of RON 14.4 mn in Q1 2022;
- the favorable effect of the net change in provisions, of approx. RON 9.4 mn;
- higher operating expenses by RON 12.4 mn, especially on the electricity maintenance segment.

EBITDA and EBITDA margin

Figure 4: EBITDA and EBITDA margin for Q1 2022 and comparative information (RON mn and %)

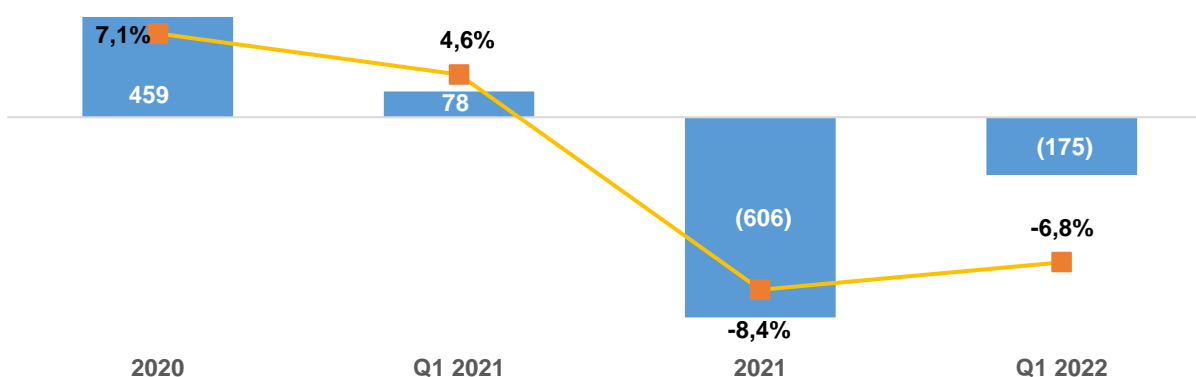


Source: Electrica

Operating result

The Group operating result (EBIT) decreased by approx. RON 252 mn y-o-y, the EBITDA evolution being alleviated by the increase of the depreciation expense by RON 2.4 mn, or 2%.

Figure 5: EBIT and EBIT margin for Q1 2022 and comparative information (RON mn and %)



Source: Electrica

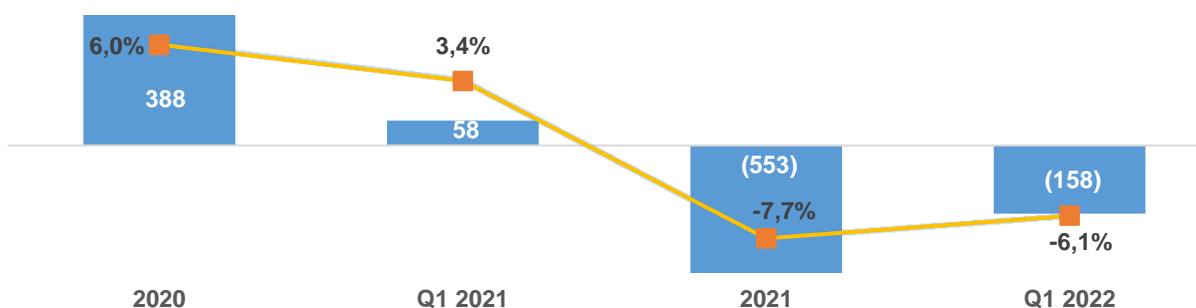
Net finance cost

The net finance cost at group level increased by RON 13.6 mn in Q1 2022 compared to the similar period in 2021, mainly as a result of the decrease in finance income and the increase of finance expenses of RON 12 mn related to loans for pre-financing the support scheme for electricity and natural gas consumers established by GEO no. 118/2021, approved with amendments and completions by Law no. 259/2021 and amended by GEO 27/2022, as well as the difference between the energy price for the realized NLand the ex-ante price established by ANRE until the recovery through tariffs.

Net result for the period

As a result of the above described factors, in the three month period ended 31 March 2022, the net result decreased by RON 215.7 mn, to RON -157.8 mn (loss), from RON 57.9 mn (profit) as compared with the previous similar period.

Figure 6: Net result and Net result margin for Q1 2022 and comparative information (RON mn and %)



Source: Electrica

6. Outlook

The first quarter of 2022 was under the influence of public health events (COVID-19 pandemic declared by the WHO on March 11, 2020) and the impact of these events on the economic and social environment. Starting with March 9, 2022, Romania is no longer on alert due to COVID 19, so the restrictions in the alert state later became recommendations.

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

Globally, the budgets of countries where the number of pandemic infestations is high and economic sectors such as services, production, transportation, as well as commerce and international trade are affected, all these elements influencing the energy demand, the consumers' behavior, as well as the measures taken by the authorities, both for the energy sector and for the economic environment in general.

The current strategy of the Electrica Group is built on a set of trends and assumptions, and the acceleration of digitalization is one of its objectives. This aspect is even more important as during the following period it is necessary to continue to support the measures of social distancing, the need for remote intervention and back-up, as very relevant aspects for its activities. Thus, it will continue the efforts already started to support investments in IT tools and automation, both for streamlining processes and for increasing the performance of its distribution networks.

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

- Volatility of electricity price, with an accentuated increasing trend - correlation of exogenous factors to the industry - tightening of the environmental conditions in which producers must operate, limiting primary energy sources through imperative policies, the lack of policies to stimulate the emergence of new producers – as well as some endogenous ones - the tendency to sell only for short periods and congestion in the balancing and peak area - accentuates price volatility and the increasing trend;
- The ascending evolution, extremely fast, of the trading prices in the wholesale market for electricity and natural gas, both in Romania and in the rest of European countries in the fourth quarter of 2021 as well as in the first 3 months of 2022, has a significant impact on to all market participants and leads to their strategic changes / repositioning in the medium and long term.
- Increased competition between the players in the electricity supply market at national level, especially in terms of diversifying the portfolio of products offered to customers (offers for natural gas, insurance, home appliances etc.) and digital services offered (mobile applications, invoices and online payments, extending the customer service through chat solutions); the supply market liberalization imposed the priorities' rethinking and establishing strategies for maintaining the market share;
- The new legislation introducing provisions related to the non-regulated market transactions, will also influence the electricity market and future strategies of the SoLR regarding portfolios' management. At the same time, the tendencies to cap the prices to the final consumer, in the case of SoLR, represent a risk that must be managed properly;
- 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 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, respectively

EMERGENCY ORDINANCE no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market between April 1, 2022 and March 31, 2023, as well as for the modification and completion of some normative acts in the energy field, without adapting the secondary regulatory framework;

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

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

Key drivers	Description	Impact on
GDP evolution and industry structure	The economic growth is a determinant factor of electricity demand. Although there is not a one-to-one relationship between GDP growth rate and electricity demand growth rate, there is a positive correlation, mainly between the industrial demand for electricity and economic growth. In the future, household and industrial electricity demand will also be influenced by energy efficiency policies. The increase of electricity consumption was a constant trend in Romania in the last years. The COVID-19 pandemic has temporarily reduced electricity consumption, but the general upward trend will be maintained.	GDP evolution and industry structure
Demographic evolution and technology development	In contrast with the demographic decline recorded at EU and Romanian level, the electricity consumption is positively impacted by the changes in the consumer behaviour and the increase in urbanization. For example, the massive increase in the number of connected devices and implicitly, in a less accelerated manner, in the electricity consumption, maintains the increasing trend of consumption.	Electricity consumption
Changes in regulatory framework	Approved schemes to support customers in the payment of electricity / gas bills, with initial application between November 1, 2021 - March 31, 2022, which granted price caps, compensation for household customers and exemptions for SMEs, subsequently extended for the period April 1, 2022 - March 31, 2023, which capped the prices applicable to final customers, involve the ex post recovery by suppliers of the amounts related to these schemes, risking affecting the supply activity in case of delays in settlement of amounts incurred by suppliers or their complete non-recovery. As of 2022, only household customers shall have the right to universal service. Therefore, new competitive contracts must be signed with non-household customers which previously	Electricity prices

Key drivers	Description	Impact on
	<p>benefitted from universal service, if not, these customers may be switched to a supplier of last resort.</p> <p>The new <i>Performance Standard for electricity/gas supply</i> shall be enforced in 2022, bringing higher quality requirements for the supply of electricity, as well as higher obligations concerning the compensation of customers, including the obligation to pay compensations to all categories of customers in case of breach of quality standards.</p> <p>Starting with May 1, 2022, the new rules for the sale of electricity produced by prosumers enter into force, respectively quantitative compensation for customers with installed power up to 200 kW and financial compensation for customers with installed power between 200 and 400 kW, which will generate a new demand flow for this customer segment.</p> <p>Regarding the distribution segment, in 2019 the 4th regulatory period began (2019-2023), and ANRE approved significant changes to the Methodology for all elements of the tariff (regulated rate of return, base of regulated assets, own consumption technological, operating and maintenance costs, dynamic distribution tariffs starting with 2020).</p> <p>The energy law was amended in the period 2020-2021, so that: in 2021 OD financed the works for connecting domestic and non-domestic customers with lengths of less than 2.5 km, and starting with 2022, the free for non-domestic customers was eliminated. households, and for households the obligation to finance by OD only a connection in average value established by ANRE was maintained.</p>	
The evolution of the electricity price in the market	<p>The transactions concluded on the centralized platforms exceeded the threshold of 700 lei / MWh for the AN 2022 product and 1000 lei / 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 2021. The distribution operators purchase energy for NL at a price double the ex-ante approved price in the distribution tariffs. OD and OTS can purchase energy for individual or aggregate NL, directly or through dedicated platforms in the organized market, from the producers in the Romanian state's portfolio.</p>	Electricity prices
Technological development	<p>Smart networks and smart meters will create benefits for the end consumers, distribution operators and suppliers in terms of energy efficiency, resource optimization and network operation, implementation of demand response etc. It is necessary to prepare the networks and to integrate the distributed resources (storage solutions, micro-grids, local production, electric machines, etc.), also considering the management of their impact.</p>	Electricity prices and consumption
Increase in environmental awareness	<p>Romania has adopted the EU 20-20-20 targets, aiming to reduce greenhouse gas emissions, improve energy efficiency and raise the share of renewable energy. Moreover, the 2030 Framework provides even more ambitious targets and therefore more efforts are needed from governments and market players to achieve them.</p>	Electricity prices and consumption, regulatory framework

Source: Electrica

The regulatory framework perspective and the impact on the energy market

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

- Enforcement of GEO no. 143/2021 amending the Electricity and Gas Law no. 123/2012, which transposes into national legislation *Directive (EU) 944/2019 on common rules for the internal market for electricity* and brings new rights and obligations for the suppliers of electricity concerning inter alia: obligation to supply universal service (US) to household customers only; removal of the obligation to set up physical customer care centers for US customers at max. 50 km; obligation to issue settlement bills for household customers once every 3 months at the least; right to conclude directly negotiated bilateral transactions on the wholesale markets for any period of time; obligation to procure the electricity needed to cover customers' consumptions, whose breach shall be sanctioned with a fine calculated as a percentage form the annual turnover;
- Implementation, from 1 November 2021 to 31 March 2022, against the background of the surge in the energy price on the international and national markets and the impact thereof on Romanian customers, of the customer support schemes approved by GEO no. 118/2021, as approved with amendments by Law no. 259/2021 and amended by GEO no. 130/2021, in the context of the increase of the prices on the electricity and natural gas markets at international and national level, as well as of the effects caused by these increases for the Romanian

population. The way the schemes shall be implemented, i.e. through suppliers, and especially the way suppliers shall be compensated, ex-post, from the state budget for the costs borne, imply cash flow constraints, and uncertainties concerning the full recovery of the costs borne by suppliers with the implementation of the schemes;

- Enforcement, in 2022, of the new *Performance Standard for the supply of electricity/gas*, approved by ANRE Order no. 83/2021, bringing higher quality requirements for the supply of electricity, as well as higher obligations concerning the compensation of customers, including the obligation to pay compensations to all categories of customers in case of breach of the quality standards, and more guaranteed quality indicators;
- Amendment of the *Electricity Supply Regulation*, by ANRE Order no. 82/2021 and no. 91/2021, according to which, as of 1 January 2022, the consumption of electricity from the monthly invoice sent by the network operator to suppliers shall be determined, in the absence of the meter reading, based on a consumption convention. The mentioned provision has a positive impact regarding the level of invoiced consumption and the payment amount related to the distribution tariff for the respective consumption;
- Amendment of the *Gas Supply of Last Resort Regulation* by ANRE Order no. 125/2021, making more difficult for suppliers of last resort (SoLRs) to voluntarily relinquish this quality, and bringing changes concerning the duration of the supply of last resort (min. 12 months for small customers) and the price setting mechanism (i.e. the supply and transmission components of the final price must be kept unchanged for at least 3 months). Also, the criteria for selection of SoLRs for automatic takeover of customers have been supplemented with the takeover capacity criterion, under which the number of customers taken over may not exceed 30% of SoLR's number of customers.

For the distribution segment, the significant changes in the Romanian legislation were detailed *at chapter 1.2. Key Events*. Based on these changes, the expected effects refer to:

- GEO no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market between 1st of April 2022 and 31st of March 2023: i) to cover the additional costs related to network losses for 2021, ANRE amends the regulated tariffs, with applicability starting with 1st of April 2022, and the resulting tariffs do not change between 1st of April 2022 and 31st of March 2023; ii) the additional costs financed from bank loans made during the GEO period to cover the network losses are capitalized, with a duration of 5 years and $RRR = 50\% \times RRR_{RP4}$; iii) the electricity costs purchased for network losses after the date of entry into force of the GEO will be recognized in the regulated tariffs, according to the ANRE methodologies; iv) the transmission and distribution tariffs will be modified according to the costs registered until 31st of March 2023, in a period of up to 5 years, after 31st of March 2023; v) producers in the portfolio of the Romanian state, have the obligation to respond in 5 working days with partial or total sales offers, energy purchase requests addressed by TSO and DSO, individually or in aggregate, directly or through dedicated platforms in the organized market.

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

The human resources area perspective

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

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

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

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

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

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

The IT&C perspective

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

7. Capital Expenditures

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

Electrica's capital expenditures in the three month period ended 31 March 2022 and 31 March 2021 amounted to RON 115.6 mn and RON 91.3 mn, respectively.

The volume of investments in the distribution network reflects the Group's effort to accomplish the planned level of investments for 2022, especially in the distribution segment.

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

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

8. Statements

Based on the best available information, we confirm that the interim condensed consolidated financial statements not reviewed or audited for the three month period ended 31 March 2022 prepared in accordance with the International Accounting Standard IAS 34 – Interim Financial Reporting, provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 67 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 13 to ASF Regulation no. 5/2018 for the three month period ended 31 March 2022, comprises accurate and real information regarding the Group's development and performance.

Chair of the Board of Directors,

Iulian Cristian BOSOANCA

Chief Executive Officer,

Corina Georgeta POPESCU

Chief Financial Officer,

Stefan Alexandru Frangulea

9. Annexes

9.1. Economic and financial indicators of Electrica Group as of 31 March 2022 according to Annex 13/ASF Regulation no. 5/2018

Indicator	Formula	Value
Current liquidity ratio	Current assets/Current liabilities	0.8
Capital Gearing Ratio	Debt/Equity * 100	6.7%
Trade receivables turnover	Average balance trade receivables/ Turnover * 90	60 days
Non-current asset turnover ratio	Turnover/Non-current assets	0.4

Glossary

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

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



SOCIETATEA ENERGETICA ELECTRICA S.A.

Condensed Consolidated Interim Financial Statements

as at and for the three month period ended

31 March 2022

prepared in accordance with

International Accounting Standard 34 – “Interim Financial Reporting”, as
adopted by the European Union

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTH
PERIOD ENDED 31 MARCH 2022
PREPARED IN ACCORDANCE WITH IAS 34 "INTERIM FINANCIAL REPORTING" AS ADOPTED BY THE EUROPEAN
UNION

Contents

Condensed consolidated statement of financial position	1
Condensed consolidated statement of profit or loss	3
Condensed consolidated statement of comprehensive income	4
Condensed consolidated statement of changes in equity	5
Condensed consolidated statement of cash flows	7

Notes to the condensed consolidated interim financial statements

1. Reporting entity and general information	9
2. Basis of accounting	12
3. Basis of measurement	12
4. Significant accounting policies	12
5. Operating segments	13
6. Revenue	16
7. Other income	16
8. Electricity and natural gas purchased	16
9. Earnings per share	17
10. Income tax	17
11. Trade receivables	18
12. Cash and cash equivalents	19
13. Other payables	19
14. Long-term bank borrowings	20
15. Provisions	22
16. Financial instruments - fair values	22
17. Related parties	23
18. Acquisition of subsidiaries	25
19. Contingencies	26
20. Subsequent events	27

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

AS AT 31 MARCH 2022

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

	Note	31 March 2022 (unaudited and not reviewed)	31 December 2021 (audited)
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		5,511,333	5,514,557
Other intangible assets		9,345	8,983
Goodwill	18	4,430	-
Property, plant and equipment		495,883	505,419
Investments in associates		23,615	25,810
Deferred tax assets		58,703	83,531
Right of use assets		21,660	20,945
Other non-current assets		1,983	1,661
Total non-current assets		6,126,952	6,160,906
Current assets			
Trade receivables	11	2,099,259	1,344,619
Subsidies receivable	7	632,315	-
Other receivables		50,092	48,600
Cash and cash equivalents	12	94,307	221,830
Inventories		67,618	72,958
Prepayments		16,967	5,034
Current income tax assets		23,777	23,777
Assets held for sale		11,038	5,412
Total current assets		2,995,373	1,722,230
Total assets		9,122,325	7,883,136
EQUITY AND LIABILITIES			
Equity			
Share capital		3,464,436	3,464,436
Share premium		103,049	103,049
Treasury shares reserve		(75,372)	(75,372)
Capital contributions in kind from shareholders		7	7
Revaluation reserve		99,777	102,829
Legal reserves		408,405	408,405
Retained earnings		795,493	950,228
Total equity attributable to the owners of the Company		4,795,795	4,953,582
Non-controlling interests	18	(24)	-
Total equity		4,795,771	4,953,582

(Continued on page 2)

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

AS AT 31 MARCH 2022

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

	Note	31 March 2022 (unaudited and not reviewed)	31 December 2021 (audited)
Liabilities			
Non-current liabilities			
Long-term bank borrowings	14	307,029	118,756
Lease liabilities		13,650	12,102
Deferred tax liabilities		102,439	161,926
Employee benefits		149,177	149,177
Other payables	13	35,763	32,732
Total non-current liabilities		608,058	474,693
Current liabilities			
Current portion of long-term bank borrowings	14	412,771	509,733
Current portion of lease liabilities		8,625	9,442
Bank overdrafts	12	1,612,392	627,402
Trade payables		1,095,191	891,335
Other payables	13	444,071	271,263
Deferred revenue		16,921	9,662
Employee benefits		93,785	101,102
Provisions	15	34,740	34,922
Total current liabilities		3,718,496	2,454,861
Total liabilities		4,326,554	2,929,554
Total equity and liabilities		9,122,325	7,883,136

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

Chief Executive Officer

Georgeta Corina Popescu

Chief Financial Officer

Stefan Alexandru Frangulea

13 May 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Three month period ended	
		31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Revenue	6	2,579,045	1,696,223
Other income	7	678,997	33,096
Electricity and natural gas purchased	8	(2,872,531)	(1,139,636)
Construction costs related to concession agreements		(108,261)	(86,911)
Employee benefits		(187,550)	(186,444)
Repairs, maintenance and materials		(25,523)	(19,517)
Depreciation and amortization		(124,049)	(121,628)
Impairment for trade and other receivables, net		(19,701)	(5,275)
Other operating expenses		(95,158)	(92,178)
Operating profit/(loss)		(174,731)	77,730
Finance income		431	2,007
Finance costs		(18,141)	(6,100)
Net finance cost		(17,710)	(4,093)
Share of results of associates		(5)	-
Profit/(Loss) before tax		(192,446)	73,637
Income tax benefit/(expense)	10	34,659	(15,756)
Net profit/(loss)		(157,787)	57,881
Net profit/(Loss) attributable to:			
- owners of the Company		(157,787)	57,881
- non-controlling interests		-	-
Net profit/(loss)		(157,787)	57,881
Earnings/ (Loss) per share			
Basic and diluted earnings/ (loss) per share (RON)	9	(0.46)	0.17

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

13 May 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Net profit/(loss)	(157,787)	57,881
Other comprehensive income	-	-
Total comprehensive income/(loss)	(157,787)	57,881
Total comprehensive income/(loss) attributable to:		
- owners of the Company	(157,787)	57,881
- non-controlling interests	-	-
Total comprehensive income/ (loss)	(157,787)	57,881

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

Chief Executive Officer
 Georgeta Corina Popescu

Chief Financial Officer
 Stefan Alexandru Frangulea

13 May 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
 (All amounts are in THOUSAND RON, if not otherwise stated)

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

(Continued on page 6)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Attributable to the owners of the Company							Total equity
	Share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	
Balance at 1 January 2021 (audited)	3,464,436	103,049	(75,372)	7	116,372	392,276	1,759,506	5,760,274
Comprehensive income								
Profit for the period (unaudited and not reviewed)	-	-	-	-	-	-	57,881	57,881
Total comprehensive income (unaudited and not reviewed)	-	-	-	-	-	-	57,881	57,881
Other changes in equity (unaudited and not reviewed)								
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(5,219)	-	5,219	-
Balance at 31 March 2021 (unaudited and not reviewed)	3,464,436	103,049	(75,372)	7	111,153	392,276	1,822,606	5,818,155

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

Chief Executive Officer
 Georgeta Corina Popescu

Chief Financial Officer
 Stefan Alexandru Frangulea

13 May 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Three month period ended	
		31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Cash flows from operating activities			
(Loss)/Profit		(157,787)	57,881
Adjustments for:			
Depreciation		5,201	5,045
Amortisation		118,848	116,583
Impairment of property, plant and equipment, net		-	(137)
(Gain)/Loss on disposal of property, plant and equipment		(385)	50
Impairment of trade and other receivables, net	11	19,701	5,275
Adjustments for assets held for sale, net		(20)	89
Change in provisions, net	15	(182)	9,248
Net finance cost		17,710	4,093
Income tax (benefit)/expense	10	(34,659)	15,756
Share of loss of associates		5	-
		(31,568)	213,883
Changes in:			
Trade receivables		(782,080)	(125,606)
Subsidies receivables	7	(632,315)	-
Other receivables		(1,638)	135
Prepayments		(11,933)	(11,355)
Inventories		5,340	10,843
Trade payables		247,749	40,304
Other payables		175,775	20,588
Employee benefits		(7,317)	(6,393)
Deferred revenue		7,259	483
		(1,030,728)	142,882
Cash generated from/(used in) operating activities			
Interest paid		(17,020)	(5,898)
Income tax paid		-	(9,211)
		(1,047,748)	127,773
Net cash generated from/(used in) operating activities			

(Continued on page 8)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Three month period ended	
		31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(3,498)	(3,158)
Payments for network construction related to concession agreements		(147,176)	(151,289)
Payments for purchase of other intangible assets		(982)	(265)
Proceeds from sale of property, plant and equipment		2,349	448
Interest received		222	1,367
Payments for acquisition of Subsidiaries	18	(2,204)	-
Net cash used in investing activities		(151,289)	(152,897)
Cash flows from financing activities			
Proceeds from long term bank borrowings	14	113,451	96,892
Repayment of long-term bank loans	14	(23,229)	(12,064)
Payment of lease liabilities		(3,574)	(3,694)
Dividends paid		(124)	(95)
Net cash generated from financing activities		86,524	81,039
Net increase/(decrease) in cash and cash equivalents		(1,112,513)	55,915
Cash and cash equivalents at 1 January		(405,572)	405,963
Cash and cash equivalents at 31 March	12	(1,518,085)	461,878

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

The non-cash transactions are disclosed in Note 12.

Chief Executive Officer

Georgeta Corina Popescu

Chief Financial Officer

Stefan Alexandru Frangulea

13 May 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

1 Reporting entity and general information

These financial statements are the condensed consolidated interim financial statements of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the three month period ended 31 March 2022.

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

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

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

As at 31 March 2022 and 31 December 2021, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 March 2022	% shareholding as at 31 December 2021
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%	99.99999929%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998415011992%	99.9998415011992%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%	99.99998095%
Electrica Producție Energie S.A	Electricity generation	44854129	Bucuresti	99.9920%	99.9920%
Electrica Energie Verde 1 S.R.L.* ("EEV1" – former Long Bridge Milenium S.R.L.)	Electricity generation	19157481	Bucuresti	100%*	100%*
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	60%	-

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

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

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

Changes in Group structure in the first quarter of 2022

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

Group's main activities

The activities of the Group include operation and construction of electricity distribution networks and electricity and natural gas supply to final consumer, as well as energy production from renewable sources. The Group is the electricity distribution operator and the main electricity supplier in Muntenia Nord area (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita Nasaud counties) and Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with transformation station and 0.4 kV to 110 kV power lines.

Electricity distribution

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

	Orders 221, 222, 220/09.12.2020		
	Starting 1 January 2021		
	High voltage	Medium voltage	Low voltage
Transilvania Nord Area	19.23	66.35	173.93
Transilvania Sud Area	22.23	67.47	178.78
Muntenia Nord Area	18.72	56.87	184.75
	Order 119/25.11.2021		
	Starting 1 January 2022		
	High voltage	Medium voltage	Low voltage
Transilvania Nord area	21.79	48.13	122.78
Transilvania Sud area	22.34	45.49	127.04
Muntenia Nord area	21.02	43.54	140.68

Electricity supply

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

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

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

Electricity generation

Green certificates

Electricity producers are entitled by to receive a certain number of green certificates for each MWh of electricity produced from renewable sources and injected into the network, according to Law no. 220/2008 and based on the accreditation issued by ANRE. Photovoltaic Stanesti Park is accredited to receive a number of six green certificates for each MWh of electricity produced and delivered, out of which for the period 2013-2020, two green certificates were postponed for trading and are to be recovered in equal tranches from 1 January 2021 to 31 December 2030.

For the three month period ended 31 March 2022, the trading of green certificates was carried out at the minimum price on all markets, 144.6598 RON/CV (2021: 142.2107 RON/CV) as a result of the excess GC offered for sale compared to the suppliers' purchasing obligations.

COVID-19 impact

In the fight against the COVID-19 pandemic, the Group has adopted all the necessary measures for the activity of the companies within the Group to continue under normal conditions and issued guidelines aimed at preventing and/or mitigating the effects of contagion at the workplace. The resilience plans were integrated at Group level in order to ensure that actions taken are effectively implemented by each company individually, as well as at Group level. All key functions of the Group were maintained, enabling the Group to provide secure energy distribution and supply services while maintaining the safety of customers and employees.

Moreover, the Group will continue to communicate promptly and transparently any information that is reasonably expected to affect investor's perception and as further effects of the COVID-19 pandemic over the financial results of the Group can be established, such information will be included in the financial statements and will be made available to investors.

Increase in electricity price impact

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

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

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

The Group continues to closely monitor the macroeconomic outlook and as additional information will be available, their effects on the operations of Group companies and over financial results will be analyzed.

Geopolitical tensions

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

2 Basis of accounting

These condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("IFRS-EU") and these should be read together with the annual consolidated financial statements as at and for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021.

These condensed consolidated interim financial statements have been prepared for submission to the Bucharest Stock Exchange. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 13 May 2022.

Judgements and estimates

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

The significant professional judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2021.

3 Basis of measurement

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

4 Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2021.

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

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

5 Operating segments

(a) Basis for segmentation

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Electricity and natural gas supply	Supplying electricity and natural gas to final consumers (includes Electrica Furnizare S.A.).
Electricity distribution	Operation, maintenance and construction of electricity networks operated by the Group (includes Distributie Energie Electrica Romania S.A. and the activity performed by Electrica Serv S.A within the distribution network).
Electricity generation	Production of electricity from renewable sources (includes Electrica Energie Verde 1 S.R.L., Electrica Productie Energie S.A., and Sunwind Energy S.R.L.).
External electricity network maintenance	Repairs, maintenance and other services for electricity networks owned by other distributors (Electrica Serv S.A., without the activity performed in the electricity distribution segment).

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

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

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

(b) Information about reportable segments

Three month period ended 31 March 2022 (unaudited and not reviewed)	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
External revenues	2,190,974	378,536	3,354	6,181	2,579,045	-	-	2,579,045
Inter-segment revenue	16,492	381,459	-	9,477	407,428	-	(407,428)	-
Segment revenue	2,207,466	759,995	3,354	15,658	2,986,473	-	(407,428)	2,579,045
Segment profit/(loss) before tax	175,748	(363,767)	1,132	(7,478)	(194,365)	1,924	(5)	(192,446)
Net finance (cost)/ income	(8,037)	(25,423)	(151)	870	(32,741)	15,031	-	(17,710)
Amortization and depreciation	(2,883)	(117,173)	(571)	(2,985)	(123,612)	(437)	-	(124,049)
Impairment of assets held for sale	-	-	-	20	20	-	-	20
Adjusted EBITDA*	186,668	(221,171)	1,854	(5,383)	(38,032)	(12,670)	(5)	(50,707)
(Impairment)/Reversal of impairment of trade and other receivables, net	(24,123)	4,227	-	195	(19,701)	-	-	(19,701)
Segment profit/(loss) after tax	150,920	(306,743)	834	(4,717)	(159,706)	1,924	(5)	(157,787)
Employee benefits	(25,881)	(146,041)	(17)	(7,406)	(179,345)	(8,205)	-	(187,550)
Capital expenditure	1,709	111,851	-	742	114,302	1,254	-	115,556
Three month period ended 31 March 2021 (unaudited and not reviewed)								
External revenues	1,379,284	305,925	601	10,413	1,696,223	-	-	1,696,223
Inter-segment revenue	9,900	356,559	-	4,295	370,754	-	(370,754)	-
Segment revenue	1,389,184	662,484	601	14,708	2,066,977	-	(370,754)	1,696,223
Segment profit/(loss) before tax	33,709	54,912	(795)	(10,991)	76,835	(3,198)	-	73,637
Net finance income/(cost)	735	(15,904)	(280)	422	(15,027)	10,934	-	(4,093)
Amortization and depreciation	(3,313)	(114,682)	(572)	(2,474)	(121,041)	(587)	-	(121,628)
Reversal of impairment of property, plant and equipment, net	-	-	-	137	137	-	-	137
Impairment of assets held for sale	-	-	-	(89)	(89)	-	-	(89)
Adjusted EBITDA*	36,287	185,498	57	(8,987)	212,855	(13,545)	-	199,310
(Impairment)/Reversal of impairment of trade and other receivables, net	(3,602)	(1,522)	-	(153)	(5,277)	2	-	(5,275)
Segment profit/(loss) after tax	27,880	42,942	(667)	(9,076)	61,079	(3,198)	-	57,881
Employee benefits	(24,042)	(142,689)	-	(12,060)	(178,791)	(7,653)	-	(186,444)
Capital expenditure	902	89,517	-	291	90,710	569	-	91,279

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

At 31 March 2022 (unaudited and not reviewed)	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
Segment assets	2,894,696	7,596,365	44,363	420,084	10,955,508	661,886	(2,495,069)	9,122,325
Trade and other receivables	1,970,643	680,542	535	90,935	2,742,655	555,664	(1,148,968)	2,149,351
Subsidies receivables	632,315	-	-	-	632,315	-	-	632,315
Cash and cash equivalents	47,851	33,864	3,500	5,262	90,477	3,830	-	94,307
Trade and other payables and short term employee benefits	1,878,182	806,270	23,542	29,833	2,737,827	54,348	(1,123,365)	1,668,810
Bank overdrafts	896,103	508,376	-	-	1,404,479	207,913	-	1,612,392
Lease liability	2,754	13,834	2,915	2,443	21,946	329	-	22,275
Bank borrowings	-	719,800	-	-	719,800	-	-	719,800
At 31 December 2021 (audited)								
Segment assets	1,422,316	8,085,802	41,206	417,744	9,967,068	182,509	(2,266,441)	7,883,136
Trade and other receivables	1,216,895	1,057,157	998	85,924	2,360,974	75,106	(1,042,861)	1,393,219
Cash and cash equivalents	60,231	145,741	2,635	7,466	216,073	5,757	-	221,830
Trade and other payables and short term employee benefits	1,380,664	826,256	24,373	27,917	2,259,210	53,551	(1,016,329)	1,296,432
Bank overdrafts	298,602	208,109	-	-	506,711	120,691	-	627,402
Lease liability	3,270	15,147	-	2,614	21,031	513	-	21,544
Bank borrowings	-	628,489	-	-	628,489	-	-	628,489

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

6 Revenue

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Electricity distribution and supply	2,355,857	1,576,590
Supply of natural gas	96,840	16,165
Construction revenue related to concession agreements	111,851	89,518
Repairs, maintenance and other services rendered	12,085	13,351
Sale of green certificates	1,151	127
Services related to re-connection fees	1,093	64
Sales of merchandise	168	408
Total	2,579,045	1,696,223

In respect of timing of revenue recognition, most of the Group's services provided are transferred to the customer over time, only a small part amounting to RON 466 thousand (three month period ended 31 March 2021: RON 505 thousand) being transferred at a point in time (e.g. metering services provided by the distribution companies, providing periodic data analysis to customers for certain taxes collected on their behalf).

7 Other income

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Subsidies	632,315	-
Rental income	23,521	23,936
Late payment penalties from customers	5,423	2,554
Revenues from notices	1,067	1,137
Other	16,671	5,469
Total	678,997	33,096

During the three month period ended 31 March 2022, Electrica Furnizare S.A. recognized subsidies in amount of 632,315 to be received from the Ministry of Energy following the application of the capping price mechanism for the electricity and natural gas as approved by Order no. 118/2021 with subsequent amendments and Order no. 27/2022.

8 Electricity and natural gas purchased

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Electricity purchased	2,518,368	972,630
Green certificates purchased	164,578	151,280
Natural gas purchased	189,585	15,726
Total	2,872,531	1,139,636

The supply subsidiary has a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. The cost of green certificates is then invoiced to final customers separately from electricity

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

tariffs and included in the caption "Electricity distribution and supply" as presented in Note 6.

9 Earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit or loss attributable to Company's shareholders and weighted-average number of ordinary shares outstanding:

Profit or loss for the period attributable to the Company's shareholders

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Profit/(Loss) for the period attributable to the owners of the Company	(157,787)	57,881
Profit/(Loss) for the period attributable to Company's shareholders	(157,787)	57,881

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

For the calculation of the basic and diluted earnings per share, treasury shares (6,890,593 shares) were not treated as outstanding ordinary shares and were deducted from the number of issued ordinary shares.

The weighted average number of outstanding ordinary shares (unaudited and not reviewed) as at 31 March 2022 is 339,553,004 (31 March 2021: 339,553,004).

Earnings per share

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Basic and diluted earnings/(loss) per share (RON)	(0.46)	0.17

10 Income tax

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Tax expense	-	9,168
Deferred tax (benefit)/ expense	(34,659)	6,588
Total income tax (benefit)/expense	(34,659)	15,756

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

11 Trade receivables

	31 March 2022 (unaudited and not reviewed)	31 December 2021 (audited)
Trade receivables, gross	3,099,508	2,325,477
Bad debt allowance	(1,000,249)	(980,858)
Total trade receivables, net	2,099,259	1,344,619

Receivables from related parties are disclosed in Note 17.

Following the adoption of Order no. 118/2021 with subsequent amendments approved by Law no. 259/2021 with subsequent amendments and Order no. 226/2021 on the capping and compensation mechanism, part of the receivables of Electrica Furnizare S.A. subsidiary from sale of electricity and gas to final consumers will be recovered from the Romanian State through the National Agency for Payments and Social Inspection and Ministry of Energy. The amounts estimated to be received are RON 103,352 thousand (31 December 2021: RON 59,271 thousand) from the National Agency for Payments and Social Inspection for household consumers and RON 29,249 thousand (31 December 2021: RON 11,420 thousand) from the Ministry of Energy for non-household consumers.

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

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

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Balance as at 1 January (audited)	980,858	949,573
Loss allowance recognized	30,208	12,022
Loss allowance reversed	(10,507)	(6,747)
Amounts written off	(310)	(49)
Balance as at 31 March (unaudited and not reviewed)	1,000,249	954,799

Bad debt allowances are determined according to IFRS 9 "Financial instruments" based on "expected credit loss" model. In applying IFRS 9, the Group has identified 5 clusters of customers based on shared risk characteristics: 3 separate clusters for the distribution subsidiary and 2 clusters (households and non-households) for the supply subsidiary.

A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Group will derecognize these receivables together with the related allowances after the completion of bankruptcy procedures. These receivables were treated separately in computing the allowance according to IFRS 9.

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

12 Cash and cash equivalents

	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Total cash and cash equivalents in the condensed consolidated statement of financial position	94,307	581,980
Overdrafts used for cash management purposes	(1,612,392)	(120,102)
Total cash and cash equivalents in the condensed consolidated statement of cash flows	(1,518,085)	461,878
Restricted cash - short term	-	320,000

The Group has overdrafts from various banks (ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, BNP Paribas, Intesa Sanpaolo Bank and BRD – Groupe Societe Generale) with a total overdraft limit of up to RON 1,870,000 thousand and maturities ranging from May 2022 to January 2024.

The overdraft facilities are used for cash management purposes.

The following information is relevant in the context of the consolidated statement of cash flows. Non-cash activity includes:

- set-off between trade receivables and trade payables of RON 7,776 thousand for the three month period ended 31 March 2022 (three month period ended 31 March 2021: RON 1,170 thousand).

13 Other payables

	31 March 2022 (unaudited and not reviewed)		31 December 2021 (audited)	
	Current	Non-current	Current	Non-current
VAT payable	251,302	-	133,833	-
Liabilities towards the State	6,446	-	7,148	-
Other liabilities	186,323	35,763	130,282	32,732
Total	444,071	35,763	271,263	32,732

Other liabilities include mainly guarantees, connection fees, habitat tax and cogeneration contribution.

Other non-current liabilities refer to guarantees from customers related to electricity supply.

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

14 Long-term bank borrowings

Proceeds and payments of borrowings during the three month period ended 31 March 2022 were as follows:

	Currency	Interest rate	Maturity year	Amount
Balance at 1 January 2022 (audited)				628,489
Proceeds during the period , out of which: EBRD	RON	Floating rate (1.15% + interbank rate + ROBOR spread)	2031	113,451
Total proceeds				113,451
Accumulated interest				2,625
Payment of interest				(1,536)
Payments of borrowings , out of which:				
BRD	RON	3.99%	2026	(5,200)
BRD	RON	3.85%	2028	(6,428)
Banca Transilvania	RON	4.59%	2027	(4,464)
UniCredit Bank	RON	3.85%	2026	(2,400)
BCR	RON	ROBOR 3M+1%	2028	(4,737)
Total payments of borrowings				(23,229)
Balance at 31 March 2022 (unaudited and not reviewed)				719,800

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

Lender	Borrower	Balance at 31 March 2022 (unaudited and not reviewed)	Balance at 31 December 2021 (audited)
Banca Transilvania	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	93,762	98,227
UniCredit Bank	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	46,044	48,498
BRD	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	98,800	104,000
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	89,286	92,857
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	71,482	74,342
BCR	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	123,654	128,243
EBRD	Distributie Energie Electrica Romania	196,772	82,322
Total, out of which:		719,800	628,489
Current portion of the long-term bank borrowings		410,146	508,197
Accumulated interest		2,625	1,536
Long term borrowings		307,029	118,756

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

Financial Covenants

1) *Banca Comerciala Romana loan agreement*

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

As at 31 December 2021 and 31 March 2022 due to the breach in the covenant, the Group presented the entire loan payable in "Current portion of long-term bank borrowings" on the consolidated statement of financial position. The Group is still in the process of obtaining a waiver from the fulfillment of this condition for the loan to not be repayable on demand.

2) *European Bank for Reconstruction and Development loan agreement*

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

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

On 24 February 2022, EBRD issued a waiver letter in respect to the Loan agreement for:

- (a) the Guarantor's Financial Ratio, but in respect of its financial year ending 31 December 2021 only;
- (b) the Event of Default that has occurred and is continuing pursuant to Section 7.01(b) (Financial ratio) of the Loan Agreement, but only in respect of the Guarantor's failure to comply with the Guarantor's Financial Ratio for the financial year ending 31 December 2021.

Following the waiver obtained, as at 31 March 2022 there is no risk for the amount to be repayable on demand. The next calculation date is 30 June 2022.

3) *European Investment Bank loan agreement*

The agreement with European Investment Bank with a maximum loan value of EUR 120,000 thousand, out of which no drawings were yet made, stipulates two financial covenants: *interest coverage ratio* (the ratio of EBITDA to Net Finance Charges) shall not be less than 3x and *net leverage ratio* (the ratio of total Net Debt to EBITDA) shall not be more than 3x, which must be fulfilled by the guarantor Electrica SA. As at 31 December 2021 and 31 March 2022 the Group exceeded the maximum threshold for both covenants, bearing the risk of not being able to make drawings from the loan. The Group has started the procedures of obtaining a waiver in order to be able to make drawings from the loan.

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

4) *BRD-Groupe Societe Generale loan agreements*

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

15 Provisions

	Fiscal	Others	Total provisions
Balance at 1 January 2022 (audited)	1,084	33,838	34,922
Provisions recognised	-	838	838
Provisions used	-	(647)	(647)
Provisions reversed	-	(373)	(373)
Balance at 31 March 2022 (unaudited and not reviewed)	1,084	33,656	34,740

As at 31 March 2022 provisions mainly refer to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause of RON 3,514 thousand (31 December 2021: RON 3,971 thousand) and for various claims and litigations involving the Group companies with a total amount of RON 30,142 thousand (31 December 2021: RON 30,951 thousand).

16 Financial instruments – fair values

(a) Accounting classifications and fair values

According to IFRS 9, financial assets are measured at amortised cost because they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

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

(b) Measurement of fair values

Fair value hierarchy

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

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

17 Related parties

(a) Main shareholders

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

(b) Management and directors' compensation

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Executive management compensation	8,750	6,486

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:

	Three month period ended	
	31 March 2022 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)
Members of the Board of Directors	1,110	712

(c) Transactions with companies in which the State has control or significant influence

The Group has transactions with companies in which the State has control or significant influence in the ordinary course of business, related mainly to the acquisition of electricity and gas, transport and system services and sale of electricity. Significant purchases and balances are mainly with electricity and gas producers/suppliers, as follows:

Supplier	Purchases (excluding VAT)		Balance (including VAT)	
	Three month period ended 31 March 2022 (unaudited and not reviewed)	Three month period ended 31 March 2021 (unaudited and not reviewed)	31 March 2022 (unaudited and not reviewed)	31 December 2021 (audited)
OPCOM	729,077	201,649	52,199	29,203
Transelectrica	250,324	176,457	139,262	155,931
Nuclearelectrica	184,792	130,928	64,815	43,343
Complexul Energetic Oltenia	143,790	96,955	49,673	31,502
Hidroelectrica	89,213	65,754	34,039	19,711
Electrocentrale Bucuresti	181,919	-	22,255	-
ANRE	10,292	3,255	7,686	132
Transgaz	2,706	-	558	1,226
SNGN Romgaz SA	33,440	-	14,181	3,305
Others	1,487	3,135	812	1,332
Total	1,627,040	678,133	385,480	285,685

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

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

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Three month period ended 31 March 2022 (unaudited and not reviewed)	31 March 2022 (unaudited and not reviewed)		
OPCOM	103,874	52,369	-	52,369
Transelectrica	31,502	11,536	-	11,536
Hidroelectrica	15,153	8,982	-	8,982
CN Romarm	6,074	2,946	-	2,946
SNGN Romgaz	5,478	1,961	-	1,961
Transgaz	4,711	1,694	-	1,694
CFR Electrificare	2,572	1,996	-	1,996
CN Remin SA	516	71,377	(71,216)	161
Oltchim	-	536,156	(536,156)	-
C.N.C.A.F. MINVEST SA	-	26,802	(26,802)	-
CET Braila	-	3,362	(3,361)	1
Termoelectrica	-	1,206	(1,206)	-
National Agency for Payments and Social Inspection	-	103,352	-	103,352
Ministry of Energy (*)	-	661,564	-	661,564
Others	7,778	4,046	(581)	3,465
Total	177,658	1,489,349	(639,322)	850,027

(*) During the three month period ended 31 March 2022, Electrica Furnizare S.A. recognized subsidies in amount of 632,315, to be received from the Ministry of Energy, following the application of the capping price mechanism for the electricity and natural gas as approved by Order no. 118/2021 with subsequent amendments and Order no. 27/2022.

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	Three month period ended 31 March 2021 (unaudited and not reviewed)	31 December 2021 (audited)		
OPCOM	13,982	28,468	-	28,468
Transelectrica	6,447	27,091	-	27,091
SNGN Romgaz SA	4,131	1,664	-	1,664
Hidroelectrica	2,042	2,638	-	2,638
CN Romarm	3,697	1,093	-	1,093
CFR Electrificare	2,138	507	-	507
C.N.C.F CFR SA	1,340	701	(1)	700
CNAIR	-	962	-	962
Municipiul Galati	1,767	12	(12)	-
Transgaz	-	1,571	-	1,571
CN Remin SA	115	71,216	(71,216)	-
C.N.C.A.F MINVEST SA	-	26,802	(26,802)	-
Oltchim	-	536,156	(536,156)	-
CET Braila	6	3,361	(3,361)	-
Termoelectrica	-	1,206	(1,206)	-
National Agency for Payments and Social Inspection	-	59,271	-	59,271
Ministry of Energy	-	11,420	-	11,420
Altii	8,364	2,204	(536)	1,668
Total	44,029	776,343	(639,290)	137,053

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

18 Acquisition of subsidiaries

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

The Group has concluded that the acquired set is a business.

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

A. Consideration transferred

The Consideration transferred for the shares acquired was as follows:

	Sunwind Energy S.R.L. (31 March 2022)
Cash	2,204
Fair value of pre-existing interest	2,190
Consideration transferred	4,394

B. Acquisition-related costs

The Group incurred acquisition-related costs of RON 30 thousand relating to external legal fees and due diligence costs. These costs have been included in "Other operating expenses" in the condensed consolidated statement of profit or loss.

C. Identifiable assets acquired and liabilities assumed

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

	Sunwind Energy S.R.L. (31 March 2022)
Property, plant and equipment	163
Right of use assets	2,864
Trade and other receivables	20
Total assets	3,047
Trade and other payables	(1)
Finance lease liability	(2,915)
Other non-current liabilities	(191)
Total liabilities	(3,107)
Net assets	(60)

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Sunwind Energy S.R.L. (31 March 2022)
Consideration transferred	4,394
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	(24)
Fair value of identifiable net assets	60
Goodwill	4,430

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

19 Contingencies

Contingent assets

Claim against National Agency of Fiscal Administration ("ANAF")

In April 2021 Electrica SA filed a new legal action against ANAF - file no. 2444/2/2021, pending before the Bucharest Court of Appeal, with a trial term of 11 May 2022. The subject matter of the litigation is the enforcement of ANAF obligation to correct Electrica SA's tax record in order to reflect the Company's right for a refund of RON 5,860 thousand, paid by Electrica SA in 2020 for the purpose of applying for cancellation of ancillary tax obligations stipulated by the Government Emergency Ordinance no. 69/2020, and an additional amount of RON 818 thousand which was not reflected in the refund made by ANAF in 2020, and legal interest of RON 5,162 thousand computed for the amount reimbursed by ANAF in 2020.

Contingent Liabilities

Fiscal environment

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

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

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

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

The former SDEE Muntenia Nord S.A. subsidiary (currently Distributie Energie Electrica Romania S.A.) was subject to a tax audit performed by the Local Taxes Department of Galati City Hall that referred to the taxes on buildings paid for the period 2012-2016. The tax audit was finalized in December 2019, when the fiscal inspection report was communicated to the subsidiary. The fiscal report established additional payment obligations for the subsidiary representing building tax for the period 01.01.2012-31.12.2015 in the total amount of RON 24,831 thousand, of which principal in amount of RON 12,051 thousand and related late-payment penalties computed as of October 2019, in amount of RON 12,780 thousand. Against Galati City Hall, former SDEE Muntenia Nord S.A. subsidiary (currently Distributie Energie Electrica Romania S.A.) filed a legal request registered at Ploiesti Court of Appeal. At the term of 28 April 2022, the ruling was postponed and a new trial will be announced.

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

Other litigations and claims

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

As summarised in Note 15, the Group made provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not disclose information in the financial statements and did not make provisions for litigations and claims for which management assessed a remote possibility of outflow of economic benefits.

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

20 Subsequent events

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

Approval of the distribution of dividends

The Ordinary General Shareholders Meeting dated 20 April 2022 approved the distribution of dividends for the financial year 2021 for a gross amount of RON 152,799 thousand (the gross dividend per share being RON 0.45 and the payment date of the dividends being 17 June 2022).

The resolution of the Extraordinary General Shareholders Meeting („EGSM”)

The EGSM dated 20 April 2022 approved the cap of RON 900,000,000 for the bond issues of Electrica in the period 2022-2023, which may be denominated in both RON and other currencies and may be issued on the Romanian capital market based on a flexible structure with fixed or variable interest rate (including the possibility of including a step-up or step-down mechanism for bonds whose terms and conditions will be correlated with Electrica's sustainability objectives), through one or more separate issues.

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

The bonds will be nominative, non-convertible, non-guaranteed, in dematerialized form, will be part of the same class of securities and will be issued for a maximum period of up to 7 years and will be sold through the offer for sale addressed to institutional investors, through a financial investment services company/credit institution/intermediary syndicate („Intermediary”), according to the capital market legislation, will be registered with Depozitarul Central and will be admitted for trading on the regulated market of the Bucharest Stock Exchange.

Change in distribution of energy tariffs starting 1 April 2022

According to ANRE Order no. 28/23.03.2022, the specific tariffs for the electricity distribution service applicable starting 1 April 2022 for Muntenia Nord area, Transilvania Nord area, and Transilvania Sud area and as compared to those applicable starting 1 January 2022 (the last time they were modified), are as follows (RON/MWh, presented cumulatively for medium and low voltage levels):

	Order 28/23.03.2022			Order 119/25.11.2021		
	Starting 1 April 2022			Starting 1 January 2022		
	High voltage	Medium voltage	Low voltage	High voltage	Medium voltage	Low voltage
Transilvania Nord area	23.77	57.49	144.73	21.79	48.13	122.78
Transilvania Sud area	24.63	54.52	158.84	22.34	45.49	127.04
Muntenia Nord area	23.35	56.70	175.26	21.02	43.54	140.68

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

13 May 2022