



2021 ANNUAL REPORT





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**DECLARATION OF THE
MANAGEMENT**

Dear shareholders,

The events of 2021 have brought many challenges and transformations for the entire energy sector, both nationally and internationally. Implicitly, the challenges, the transformations, were also received by Electrica.

We had the opportunity to prove that in any context there is an opportunity to become more focused and involved in order to achieve common goals, being needed, more than ever, a higher degree of adaptability and consistency.

Also in 2021, Electrica Group has constantly sought to reflect its commitments to shareholders, consumers, and all stakeholders, through a team of over 8,000 very experienced people in the field of energy.

There was good cooperation between the Board of Directors and the Group's management team in 2021.

Corporate governance is a key element of Electrica's strategy and is essential for the sustainable development of the company in the future, but also a condition to create added value for our investors and partners. Since its listing in 2014, in order to ensure high standards of corporate governance, transparency and integrity of the business, Electrica Group has adhered and applied the provisions of the Corporate Governance Code issued by BSE and LSE. Starting with 2015, the Group has created its own Code of Governance which is permanently revised and supplemented. As there are updates, progress and other impactful elements, the Group reports them to the capital market, given the commitment made to our shareholders to communicate transparently and promptly, understanding that transparency and communication are important elements in our relationship with investors.



Electrica Group makes every effort to implement the best standards in the Investor Relation corporate disclosure Policy, increasing the transparency and quality of communication with analysts, being constantly thoughtful of the shareholders' opinion. Evidence of the recognition of these efforts was the Group's ranking in the top of listed companies, by obtaining a rating of 10 on Vektor – the indicator of communication with investors for the companies listed on the stock exchange. The award given by the Association for Investor Relations at the Romanian Stock Exchange (ARIR), for the activity carried out by The Group in the category „Best Sustainability Report”, also came as a recognition of having best practices in place.

The Board of Directors has done its best to integrate the principles of sustainable development into the company's business model and strategy as

well as into our investment processes, in a difficult year, with many transformations and challenges. According to the strategy for the period 2019-2023, Electrica aims to expand in related fields and obtain synergies with the fields in which it operates. An important step towards the implementation of the growth strategy by expanding the value chain was the signing of the financing agreement worth RON 750 million, with Erste Group Bank AG and Raiffeisen Bank Romania S.A., for production projects from renewable resources and other value-added services, but also the acquisition of ready-to-build projects, of different capacities, in order to develop the electricity production line.

Being aware of the strategic role we have in the Romanian energy market, as well as in supporting the objectives of the European Green Deal, we continued the strategy of modifying, transforming, and integrating the activities, being approved the establishment of a subsidiary dedicated to projects in the area of power generation from renewable sources, Electrica Productie Energie S.A.

I believe that the Directors must have a special involvement in the sustainability aspects, because, through their role, they militate for the long-term success of the company.

In order to take to another level our involvement in the company and to remain relevant in the perception of all stakeholders, whether we are talking about shareholders, community or employees, in August

2021 the shareholders approved the set-up of the Electrica Foundation, an independent organization, established with the purpose of getting involved in social responsibility activities throughout Romania. Managing the impact that the unfavourable context had on the energy market in 2021 and the limitation of the negative effects of this context was also possible through a close collaboration with the Group's executive management, but also with the support of the professionalism and dedication of wonderful people from the great Electrica team. Sure, it's always possible to do more and better. On behalf of the entire Board of Directors, I thank you for your support and assistance and I assure you that we, the Directors, will act with all our diligence and knowledge in order to achieve the planned objectives, for the long-term sustainable development and for increasing the value of the Electrica Group.

Iulian Cristian BOSOANCA
- Chair of the Board of Directors Electrica SA

Dear shareholders,

The energy sector has been in a continuous transformation in 2021, starting with the total liberalization of energy prices and up to the accelerated increase in acquisition costs of electricity. On the national market, the uncertainties generated by the changes in the legislative framework was added to these challenges with impact on the financial statements of the distribution operators, but especially the electricity and natural gas supply companies.

In this difficult market context, and in a period marked by volatility, we have adopted a series of measures to prepare the Electric Group to act more agilely, across all business lines, and strengthens its resilience to other challenges that may occur. We proved that we are a solid company, which found the right resources and implemented the right projects to keep our promise to all interested parties. For all of this, as well as for the support provided, a big "thank you" to the entire Electrica's team.

Being aware of the strategic position of the Group, we have focused our resources to ensure the continuity of the activity and energy supply. For Electrica Group, the key words of 2021 were consolidation, growth, flexibility.

Starting with 1 January 2021, the new company Distribuție Energie Electrica România S.A. (DEER), resulting from the legal merger of the Group's three Distribution companies, has become the most important electricity distribution operator at national level, with a coverage of 40.7% of Romania's territory and 3.8 million users.

The total investments assumed and accomplished between 2018-2021, exceeded the value of RON 2.65 billion, representing by far, the highest



level of investment among distribution operators. In fact, after the listing in 2014, The Electrica Group became the largest investor in the modernization and refurbishment of the electricity distribution networks, with a total of over RON 4.8 billion invested in the period 2014-2021.

Under the circumstances of energy market liberalisation, Electrica Furnizare was the market leader in 2021, with a market share of 18.42% and one of our major objectives was to protect the entire customers' portfolio, the company providing energy for approximately 3.5 million of consumption places. For this purpose, we have kept the tariffs negotiated with the customers throughout 2021, despite the increase in the purchase price, the company keeping its commitment to remain a trustful partner for its consumers.

With the largest portfolio of customers in the regulated market at the beginning of 2021, Electrica Furnizare, managed to apply measures so that, at the end of the year, over one million customers were transferred to the competitive market.

Electrica Serv S.A. is one of the most performant providers of energy services, in continuous transformation and keeping up with the new technologies. The company provides integrated maintenance services, design, support services for some of the Distribution Operators as well as values-added energy services such as complete grid connection, energy efficiency solutions, electromobility and energy independence by installing photovoltaic power plants for final customers, achieving in 2021 a doubling of the turnover.

Consistent with the goal of creating medium and long-term value for investors and reconfirming the Group's commitment to aligning with the objectives of the European Green Deal, we have continued the integration of activities and we proposed to our shareholders to set up a subsidiary dedicated to projects in the area of generation of electricity from renewable sources, Electrica Productie Energie S.A., cumulated with the development and operation of storage solutions that the company intends to develop and in the future.

In 2021, the inorganic growth projects resulted in the acquisition of four companies that have a portfolio of projects for the production of electricity from renewable sources with a projected installed capacity of 284 MW, of which 163 MW in three photovoltaic projects and 121 MW in a wind project that will include a storage capacity of 60 MWh. The acquisition adds to the existing production capacity at the end of 2020, of 7MW.

We have continued the process of organizational transformation and optimization, started in the previous years with the Group Reorganization Plan, a necessary and timely measure in order to increase financial and operational performance, reduce costs and the cultural transformation of the organization by accelerating the adoption of good practices.

The Board of Directors proposed for the approval of the General Meeting of Shareholders a gross dividend, from the individual profit registered by Electrica SA. for the financial year 2021, in the amount of 0.45 RON / share. The total gross value of the dividends amounted to RON 152.8 million, corresponding to 50% of the individual net profit after distribution to the legal reserve, established on the basis of electrica SA's audited individual financial statements for 2021.

In the near future, we intend to continue the projects of consolidation and sustainable development across all business lines, supported by the acceleration of digitalization and the development of the production from renewable sources. We will continue to invest in the preparation of distribution grids towards smart grid concept, in order to cope with the challenges of energy transition, as well as the development of alternative channels for interactions with end users.

For an optimal use of opportunities, Electrica aimed, on long term, the development of a portfolio of electricity generation capacities from renewable sources with a cumulative capacity of 400 MW, in parallel with electricity storage capacities up to 100 MW.

Part of the Group's development strategy is also the expansion of operations outside the domestic market (at regional level) in order to ensure a balance between long-term value creation and maximizing profit for shareholders.

On behalf of the Electrica Group team, thank you for your trust and support and we assure you that we will make every effort for a positive change, through continuing the initiatives to improve the operational and financial performance of the company and that we will remain the same reliable partner for all stakeholders.

Georgeta Corina POPESCU
- General Manager of Electrica S.A.



DIRECTORS' REPORT FOR THE YEAR 2021

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

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

in compliance with art. 63 of the Law no. 24/2017 on issuers of financial instruments and market operations and with annex no. 15 to ASF Regulation no. 5/2018 and the Bucharest Stock Exchange Code for the 12-month period ended 31 December 2021

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

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GLOSSARY

ANRE	Romanian Energy Regulatory Authority	EEA	European Economic Area
ASF	Romanian Financial Supervisory Authority (Autoritatea de Supraveghere Financiara)	EBIT	Earnings before interest and tax
BPS	Basis points	EBITDA	Earnings before interest, tax, depreciation, and amortization
BoD	Board of Directors	EDN	Electrical Distribution Network
BRP	Balance Responsible Party	EGMS	Extraordinary General Meeting of Shareholders
BSE	Bucharest Stock Exchange	EFSA	Electrica Furnizare SA
BTA	Business Transfer Agreement	ELSA	Electrica SA
CAPEX	Capital Expenditure	ERM	Enterprise Risk Management
CGC	Corporate Governance Code	EU	European Union
CMC	Competitive Market Component	EUR	The monetary unit of several member states of the European Union
CMBC (EA/CN)	Centralized Market for Bilateral Contracts (Extended Auction/Continuous Negotiation)	FCA	Financial Conduct Authority – United Kingdom
CMNG-AN	Centralized Market for Bilateral Natural Gas Contracts – Auction and Negotiation	FPM-LT	Medium and Long-Term Flexible Products Market
CMNG-PA	Centralized Market for Bilateral Natural Gas Contracts – Public Auction	GC	Green Certificates
CMNG – OTC	Centralized Market for Bilateral Natural Gas Contracts – OTC	GDP	Gross Domestic Product
CMUS	Centralized Market for Universal Service	GDR	Global Depositary Receipts
CNTEE	The National Transmission System Operator	GEO	Government Emergency Ordinance
CSR	Corporate Social Responsibility	GMS	General Meeting of Shareholders
DAM	Day Ahead Market	HV	High Voltage
DAM-NG	Day Ahead Market – Natural Gas	IAS	International Accounting Standard
DEER	Distributie Energie Electrica Romania	IFRIC	International Financial Reporting Interpretations Committee
DSO	Distribution System Operator	IFRS	International Financial Reporting Standard
DMS	Distribution Management System	IM-NG	Intraday Market for Natural Gas
		IMS	Integrated Management System
		IPO	Initial Public Offering

IR	Investor Relations	RRR	Regulated Rate of Return
ISIN	International Securities Identification Number	SAD	Distribution Automation System
KPI	Key Performance Indicators	SAPE	Societatea de Administrare a Participatiilor in Energie
kV	KiloVolt	SCADA	Supervisory Control And Data Acquisition
LOC	Land Ownership Certificate	SDEE	Societatea de Distributie a Energiei Electrice SA
LR	Last Resort	SDMN	Societatea de Distributie a Energiei Electrice Muntenia Nord SA
LSH	Labor safety and health	SDTN	Societatea de Distributie a Energiei Electrice Transilvania Nord SA
LV	Low Voltage	SDTS	Societatea de Distributie a Energiei Electrice Transilvania Sud SA
MV	Medium Voltage	SED	Servicii Energetice Dobrogea SA
MVA	Mega Volt Ampere	SEM	Servicii Energetice Muntenia SA
MWh	MegaWatt hour	SEO	Servicii Energetice Oltenia SA
MKP	Management Key Position	SoLR	Supplier of last resort
NAFA	National Agency for Fiscal Administration	SPO	Secondary Public Offering
NES	National Electricity System	TWh	TeraWatt hour
NL	Network Losses	TSO	Transmission and system operator
NRC	Nomination and Remuneration Committee	UM	Unit of Measurement
OMPF	Order of Ministry of Public Finances	US	Universal Service
OGMS	Ordinary General Meeting of Shareholders	USD	United States Dollar
OHS	Occupational Health and Safety	VAT	Value Added Tax
OHSAS	Occupational Health and Safety Assessment Series		
OPCOM	Romanian Gas and Electricity market operator		
PCB	Polychlorinated Biphenylsor		
RAB	Regulated Asset Base		
RM	Retail Market		
RON	Romanian monetary unit		

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

Identification details of Electrica

Report date: 28 February 2022

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

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

Telephone/fax number: +4021.208.5999; +4021.208.5998

Fiscal code: 13267221

Trade Registry No: J40/7425/2000

LEI Code (Legal Entity Identifier): 213800P4SUNUM5AUDX61

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

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

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

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

Reporting period: 2021 Year (period 1 January - 31 December 2021)

Audit: The individual and consolidated financial statements as of and for the period ended 31 December 2021 are audited by an independent financial auditor

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

Source: Electrica



1. Electrica 2021

Overview

1.1. 2021 Key financial data

In 2021, the net result of the Electrica Group was a loss of RON 553 mn, a result generated mainly by 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 CPT for distribution segment.

The revenues of the Electrica Group in 2021 and 2020 were RON 7,179 mn, respectively RON 6,501 mn.

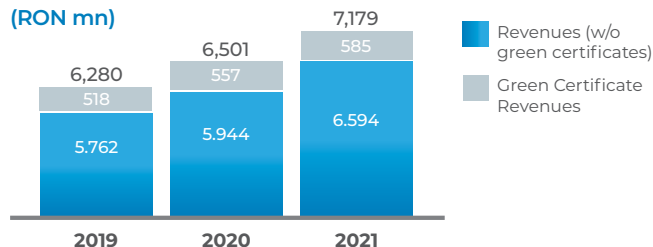
(RON mn)	2021	2020	2019
Revenue	7,179	6,501	6,280
Other operating income	196	165	160
Operational costs	(7,980)	(6,215)	(6,206)
EBITDA ¹	128	953	718
EBIT	606	459	234
Gross profit	632	442	226
Net profit	(553)	388	207

Source: Electrica

As can be seen in the graphs below, the EBITDA margin decreased by 1640 ppb in 2021 compared to 2020 (vs. 330 ppb increase in 2020 compared to 2019), while the net profit margin decreased by 1370 ppb (vs. increase 270 ppb in 2020 compared to 2019).

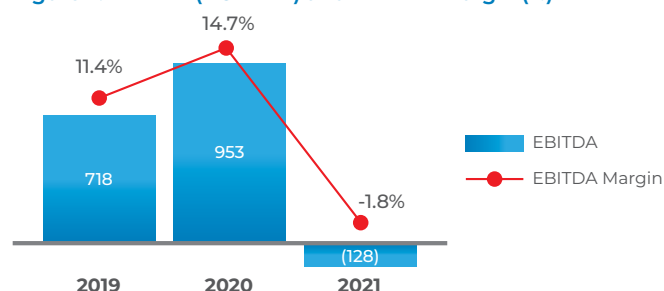
The Group has a capital structure with a net debt position of RON 1,056 mn (31 December, 2020: RON 81 mn).

Figure 1: Consolidated revenue of Electrica Group (RON mn)



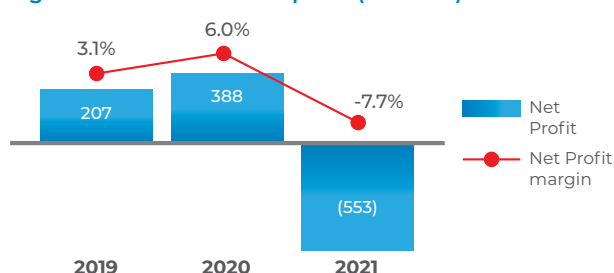
Source: Electrica

Figure 2: EBITDA (RON mn) and EBITDA margin (%)



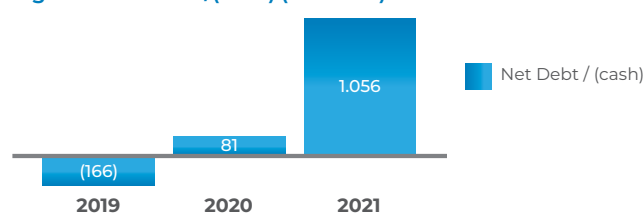
Source: Electrica

Figure 3: Consolidated net profit (RON mn)



Source: Electrica

Figure 4: Net debt/(cash) (RON mn)



Source: Electrica

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

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

DISTRIBUTION SEGMENT

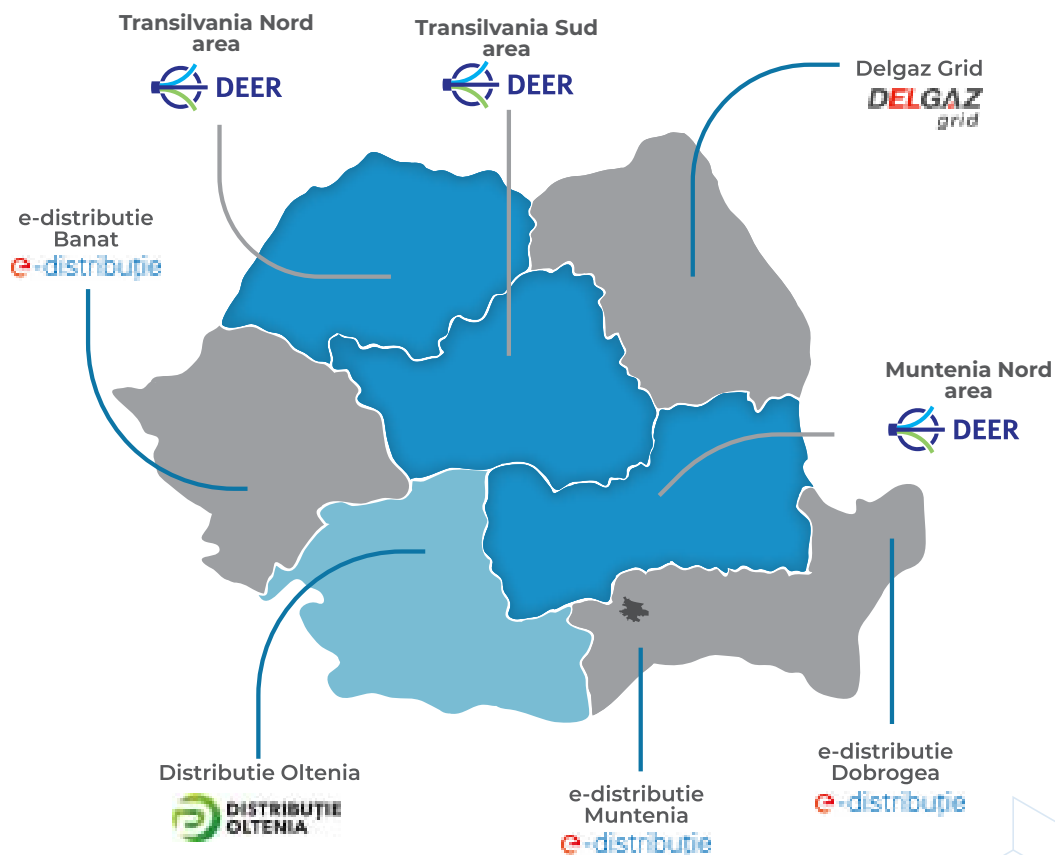
Essential market information:

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

Electrica Group is a key player in the electricity distribution sector, both in terms of areas covered and of number of users served;

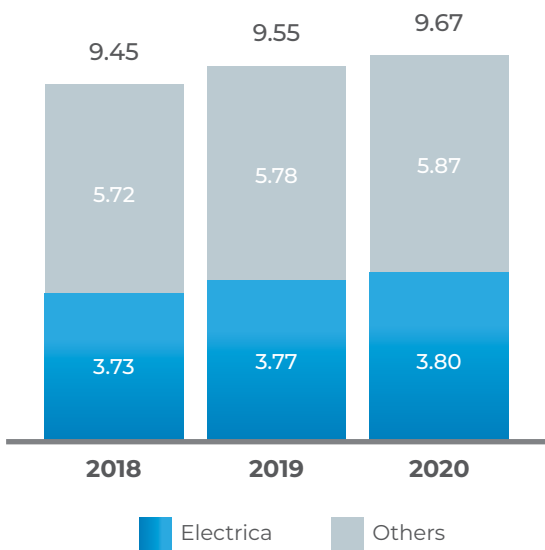
- The estimated Regulated Assets Base (RAB) value at the end of 2021 was RON 6,0 bn;
- 200,774 km of electric lines - 7,601 km for High Voltage ("HV"), 46,403 km for Medium Voltage ("MV") and 146,771 km for Low Voltage ("LV");
- The total area covered: 97,196 km², 40.7% of Romania's territory;
- 3.03 mn users (2021) for the distribution activity;
- 18.5 TWh of electricity distributed in 2021, a decrease of 1.6% as compared to 2020;
- **39.6% market share for the distribution of electricity to final users in 2020 (based on distributed quantities, according to ANRE report for 2020).**

Figure 5: Romanian electricity distribution map



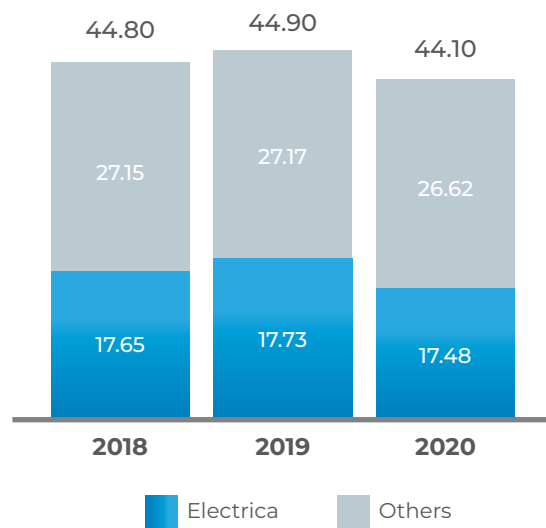
Source: Electrica

Figure 6: Evolution of the number of users (mn)



Source: ANRE Report for performance indicators' monitoring 2020

Figure 7: Quantity distributed (TWh)



Source: ANRE Report for performance indicators' monitoring 2020, Electrica

Key financial indicators

In 2021, revenues from the electricity distribution segment decreased by approx. RON 20 mn, or 0.7%, to RON 2,730.8 mn, from RON 2,750.8 mn in 2020. The effect of the decrease by RON 195.9 mn of revenues recognized in accordance with IFRIC 12 (these having no significant impact on the result), was offset by the increase in distribution tariffs as well as the volumes of electricity distributed by 5.7%. EBITDA in the segment is adversely affected by the increase in CPT costs and contributed to a decrease of RON 251.6 mn or 40.3%. 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 technological consumption (CPT), to comply with the general conditions associated with the license. distribution 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 2021, for the Group's electricity distribution subsidiary, the average electricity purchase price for CPT was 67% higher than the value set by ANRE ex-ante in tariffs, generating additional costs of RON 397 mn. The effect of the increase in electricity purchase prices for CPT was felt mainly in the third and fourth quarters of 2021 when the increase in prices was 36%, respectively 55% 167% compared to the same period in 2020.

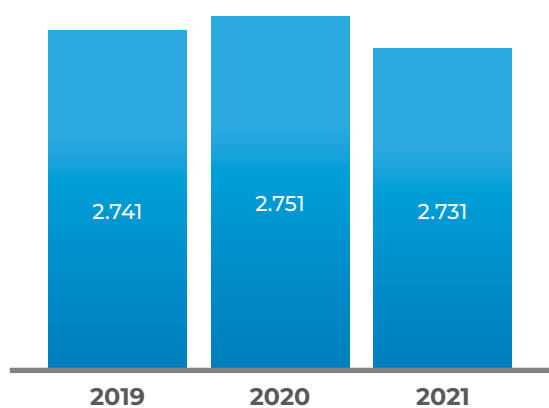
According to the methodology applicable to the distribution activity, respectively ANRE Order no. 169/2018 approving the Methodology for establishing

the tariffs for the electricity distribution service, the difference between the energy price for CPT achieved in 2021, by each Distribution Operator and the ex-before established by ANRE, it will be recovered through tariffs in 2023, within the minimum limit between the average price realized and the average of the prices realized in 2021 by the network operators (distribution and transport).

The net result of the segment is further influenced, unfavorably by the increase of the negative financial result, to which is added the favorable impact from the decrease of the depreciation of tangible and intangible assets and registered a reduction of approx. RON 216.1 mn. The result was also adversely affected by the provision of impairment adjustments for trade receivables related to the insolvency of electricity suppliers in the market in the amount of approximately RON 20.4 million.

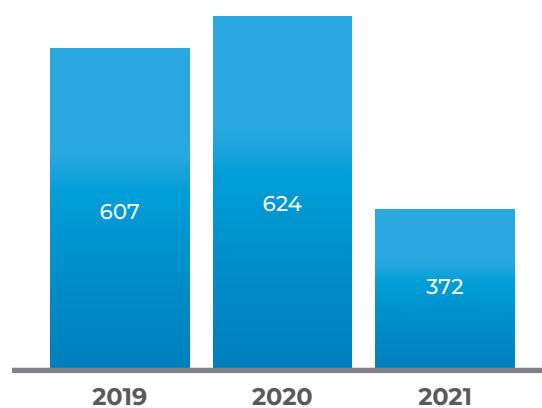
We also mention the fact that, at the beginning of the current PR4 regulatory period, ANRE made a total negative correction for the closing of PR3 in the amount of RON (730) million (nominal terms), respectively (RON 665) million (2018 terms), of which (341) million RON for the meters recognized as investments 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 (146) million RON.

Figure 8: Revenues - distribution segment (RON mn)



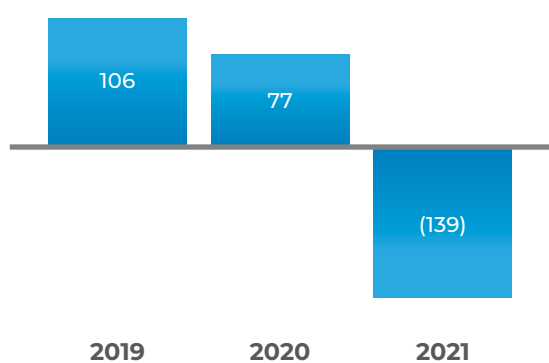
Source: Electrica

Figure 9: EBITDA – distribution segment (RON mn)



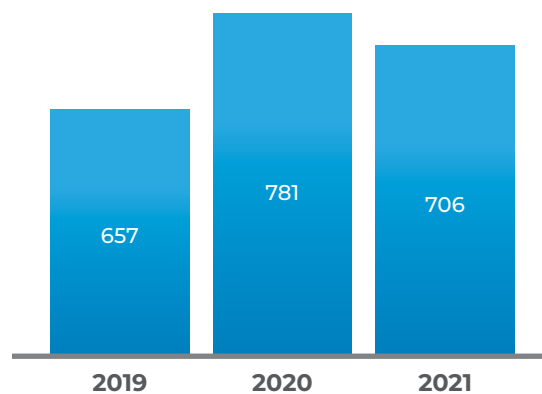
Source: Electrica

Figure 10: Net Profit – distribution segment (RON mn)



Source: Electrica

Figure 11: Net debt/(Cash) – distribution segment (RON mn) de distributie (mil. RON)



Source: Electrica

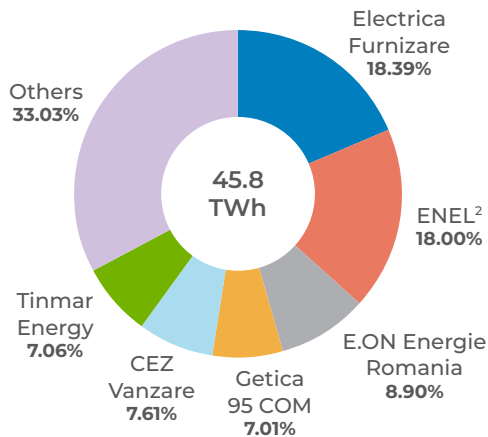
SUPPLY SEGMENT

Essential market data (according to ANRE Report for November 2021)

- The supply market is composed of both competitive and universal service and last resort segments (US and LR);
- The universal service and last resort segment consist of 6 last resort suppliers designated at the national level;
- The competitive segment consists of 92 suppliers (including the last resort suppliers operating on the retail competitive segment), out of which 84 are relatively small (below 4% market share);

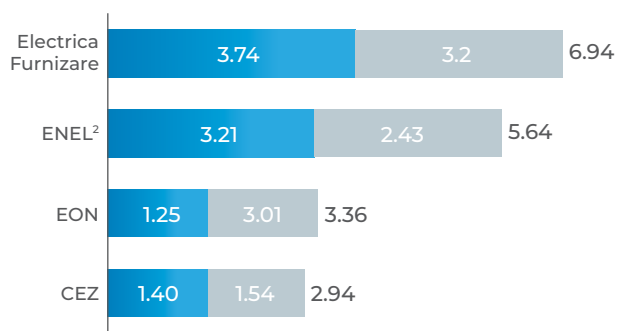
EFSA is the market leader with a market share of 18.39%; it is also the leader on the LR segment having a market share of 30.67%, while its market share on the competitive segment is 12.58% (in accordance with ANRE November 2021 Report). Comparatively, in 2020, EFSA had a market share of 19.25% in the total energy market; 54.56% of the LR market, and a market share of 10.86% of the competitive market (ANRE report for December 2020).

Overall Market Share – November 2021



Source: November 2021 ANRE Report

Supplied volumes in 2021 (TWh)¹



Key financial indicators

Revenues from the supply of electricity and natural gas increased in 2021 by approx. RON 757,2 mn, or 15.1%, to RON 5,772.4 mn, from RON 5,015.1 million in 2021.

This evolution represents mainly the effect of the increase of the sale prices of electricity on the retail market by 12.5%, but also of a slight increase of the quantity of electricity supplied by 1%.

Regarding EBITDA, the supply segment registered in 2021 a significant decrease of RON 705.2 mn reaching the level of -RON 439.7 mn, and a decrease of the EBITDA margin from 5.3% in 2020 to -7.6% in 2021.

The main cause of this evolution is the increase in prices on the electricity market and the impossibility of transferring these price increases to the final customer. Thus, the prices on the Romanian electricity market increased by approximately 400% on the Next Day Market from January to

December 2021. The acquisition market registered during 2021 significant increases, manifested at the level of international and determined by the international economic and political context. The prices for Q products (quarter) registered an ascending trend since the end of the first quarter of 2021, later the growth being much faster, so the prices in the wholesale market registered an increase from RON 250-280 / MWh - to RON 1,300 / MWh. Another important factor was the unilateral termination of some of the contracts concluded on the wholesale market as well as the takeover of a significant number of final customers based on the obligations assumed as a supplier of last resort, which led to the need to purchase larger quantities. from the Day-Ahead Market. The negative impact on the gross electricity margin, generated by the increase in prices is approximately RON 896,1 M in 2021. Although up pricing was taken in cases where

¹ Based on the performance indicators published by each SoLR for Q3 2021 – last available information for all suppliers

² ENEL refers to Enel Energie Muntenia and Enel Energie

the legislation in force allowed the modification of existing contracts, the positive impact generated by these steps was only partial.

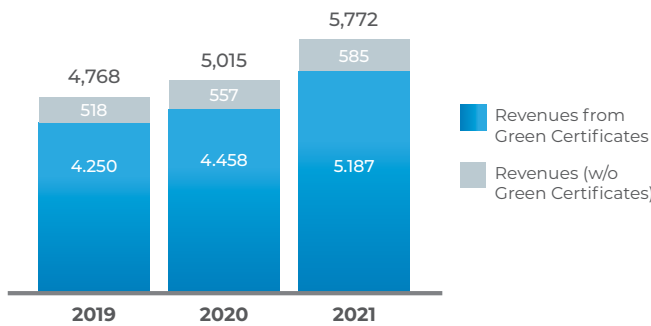
Also, another factor that contributed to the decrease in the EBITDA margin was the impact generated by the protection measures related to the liberalization of the electricity market. Thus, according to Order 171/2020 with the amendments and completions of Order 5/2021 art. 4, paragraphs 4 and 5, for domestic customers who have concluded, based on one of the competitive offers (transmitted either as a result of ANRE Order 171/2020 in conjunction with ANRE Order 5/2021 or published), a contract with effect between 1 and 30 June 2021, the electricity consumption achieved between 1 January 2021 and the date of entry into force of the new contract was billed at the price of the universal service offer communicated by the supplier of last resort. If the customer did not enter the competitive market until 30 June 2021, a commercial discount was applied for the period 01 January 2021 - 30 June 2021, a discount which was supplemented by a discount for the period 01.07.2021-31.08.2021, which generated a total negative impact of RON 18.3 M in total gross margin. According to Law 259/2021, regarding the approval

of the Emergency Ordinance 118/2021, completed and modified by the Emergency Ordinance no. 120/2021, certain temporary energy support measures were established for domestic and non-household consumers, which generated a negative impact on the company's results as a result of the supply segment. Thus, in the last quarter of the year, the application of the support scheme for the final consumer provided by GEO 118/2021, Law 259/2021, and GEO 130/2021 also generated an effect of reducing the EBITDA margin through the capping mechanism due to the uncertainty in regarding the full recovery of the respective amounts by the suppliers.

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

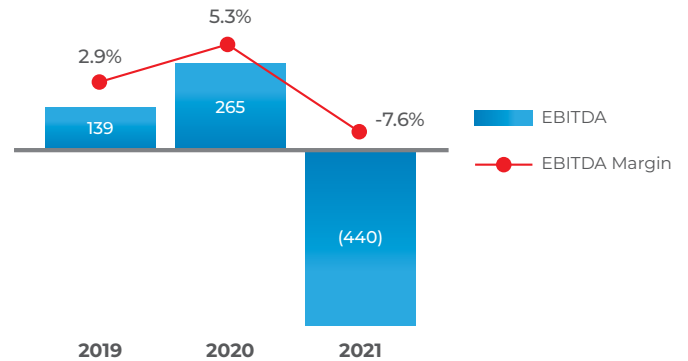
The supply segment has a net cash financial position which has decreased compared to 2020 by approx. RON 424.3 mn, following the decrease of the cash level, the use of overdrafts, the increase of trade receivables, and the usage of funds from the cash pooling scheme.

Figure 12: Revenues - supply segment (RON mn)



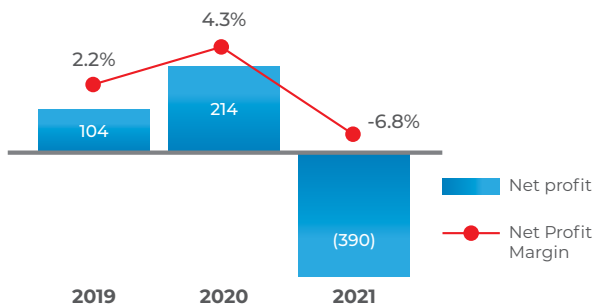
Source: Electrica

Figure 13: EBITDA - supply segment (RON mn)



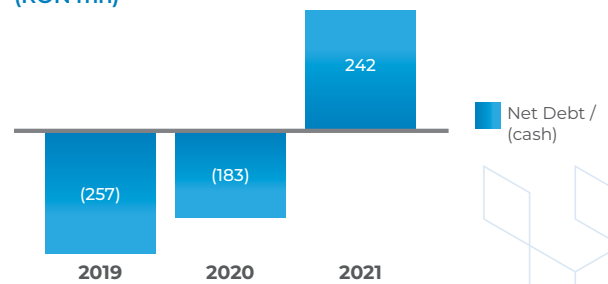
Source: Electrica

Figure 14: Net profit - supply segment (RON mn)



Source: Electrica

Figure 15: Net debt/(Cash) - supply segment (RON mn)



Source: Electrica

1.2. Key events in 2021

In 2021 the following main events took place:

- **ELSA's General Meetings of Shareholders (GMS) and the main projects developed and completed during the year as a result of the approval received from ELSA's GMS**

In 2021, an Ordinary General Meetings of Shareholders (OGMS) took place on 28 April, and three Extraordinary General Meetings of Shareholders (EGMS) were held on 28 April, 11 August, and, respectively, on 8 December. On 4 March 2021, **ELSA's BoD approved the convening of ELSA's Ordinary General Meeting of Shareholders (OGMS) and of the Extraordinary General Meeting of Shareholders (EGMS)**, meetings that took place on 28 April 2021.

During the OGMS, ELSA's shareholders approved mainly the following:

- the audited annual financial statements for 2020 and the ELSA's budget of revenues and expenses for 2021, both at individual and consolidated level;
- distribution of the net profit for the financial year 2020: total value of gross dividends - RON 247.9 M, the value of gross dividend/share - RON 0.73, ex date - 2 June 2021, registration date - 3 June 2021, date of dividends' payment - 25 June 2021;
- discharge of liability of the members of ELSA's Board of Directors for the financial year 2020;
- prolongation of the mandate of the financial auditor of ELSA, Deloitte Audit S.R.L., for two years, respectively for the financial years 2021 and 2022;
- the Remuneration Policy of the Directors and Executive Managers;
- the election of the BoD's members, by applying the cumulative voting method. Following the elections, ELSA's new Board of Directors is composed of: Mr. Iulian Cristian Bosoanca, Mr. Gicu Iorga, Mr. Ion-Cosmin Petrescu, Mr. Adrian-Florin Lotrean, Mr. Radu Mircea Florescu, Mr. Dragos-Valentin Neacsu, and Mr. George Cristodorescu. The mandate's duration for the elected directors is for four years.

The shareholders attending the EGMS approved mainly the following:

- the guarantee to be issued by ELSA for the term loan in the amount of up to EUR 210 M or equivalent in RON that DEER will contract from the European Investment Bank (EIB) for financing the investments plan for the period 2021-2023, the value of the independent guarantee provided by ELSA for the first request being of maximum EUR 252 M or equivalent in RON;
- ELSA's contracting of a non-binding bridge loan in the amount of up to RON 750 M from a consortium comprised by Erste Bank and Raiffeisen Bank, together with an engagement letter for arranging a bond issue (conditional upon obtaining the necessary corporate approvals) to finance the inorganic growth opportunities, having a single guarantee, respectively a mortgage on the bank accounts opened by ELSA with BCR and Raiffeisen Bank, for a maximum value of RON 825 M.

On 18 June 2021, **ELSA's BoD approved the convening of ELSA's Extraordinary General Meeting of Shareholders (EGMS)**, which took place on 11 August 2021.

The ELSA's shareholders attending the EGMS approved, mainly, the following:

- The empowerment of the ELSA representative to participate in the EGMS of DEER and to express the vote in favor of the approval to transfer one share held by ELSA in DEER towards SERV, representing 0.00000071% of DEER's share capital, for the total price of RON 10 and approving the article 6 amendment - Share Capital, from the Articles of Association of DEER, to reflect the new shareholdings of the two shareholders;
- The empowerment of the ELSA representative to participate in the EGMS of SERV and to express the vote in favor of the approval to transfer one share held by ELSA in SERV towards DEER, representing 0.00001905% of SERV's share capital, for the total price of RON 10 and approving the amendment of article 6 - Share Capital, from the Articles of Association of SERV, to reflect the new shareholdings of the two shareholders;
- The approval of the participation of ELSA, as a founding member, to the establishment of Electrica Foundation;
- The approval for the amendment of the ELSA's Articles of Association, regarding:
 - the alignment of the art. 12, para. (2) provisions with the Law 24/2017 regarding the issuers of financial instruments and market operations;
 - the introduction of a new attribution of the OGMS regarding the approval of the Remuneration Policy for Directors and Executive Managers;
 - the completion of the situations in which the secret vote is applied, in accordance with the applicable legal provisions.

- The approval of ELSA's participation, together with SERV, in the establishment of a new legal entity - Electrica Productie Energie S.A., organized as a public limited liability company, a subsidiary of ELSA, in which ELSA holds a percentage of 99.9920% of the share capital and SERV holds a percentage of 0.0080% of the share capital.

On 15 October 2021, **ELSA's BoD approved the convening of ELSA's Extraordinary General Meeting of Shareholders (EGMS)**, which took place on 8 December 2021.

The shareholders attending the EGMS rejected:

- The acquisition by Electrica, as Buyer, of the following holdings of MT Project B.V. ("MTP") and HiTech Solar Investment GmbH („HSI"), as Sellers:
 - in TCV Impex S.A. („TCV"), a company of Romanian nationality, having its registered office at 1/VII Bd. Pipera, Nord City Tower Building, office no. 1, Section A7, 8th floor, Voluntari, Ilfov County, registered with Ilfov Trade Registry under no. J23/1072/2018, sole registration code 19123942,
 - in ACV Solar Technology S.A. ("ACV"), a company of Romanian nationality, having its registered office at 1/VII Bd. Pipera, Nord City Tower Building, office no. 1, Section A6, 8th floor, Voluntari, Ilfov County, registered with Ilfov Trade Registry under no. J23/351/2018, sole registration code 30042717,
 - in TIS Energy S.A. („TIS"), a company of Romanian nationality, having its registered office at 1/VII Bd. Pipera, Nord City Tower Building, office no. 1, Section A5, 8th floor, Voluntari, Ilfov County, registered with Ilfov Trade Registry under no. J23/354/2018, sole registration code 28563306,
 - in Delta & Zeta Energy S.A. ("DZE"), a company of Romanian nationality, having its registered office at 1/VII Bd. Pipera, Nord City Tower Building, office no. 1, Section A3, 8th floor, Voluntari, Ilfov county, registered with Ilfov Trade Registry under no. J23/350/2018, sole registration code 29092649,
 - in the Gama & Delta Energy S.A. („GDE"), a company of Romanian nationality, having its registered office at 1/VII Bd. Pipera, Nord City Tower Building, office no. 1, Section A4, 8th floor, Voluntari, Ilfov county, registered with Ilfov Trade Registry under no. J23/349/2018, sole registration code 29092657, hereinafter referred to as the Companies, holdings which together represent 100% of the share capital of each Company, as follows:
 - 4,597,060 shares held by MTP out of the total number of 4,600,000 shares, representing 99.936087%, respectively 2,940 shares held by HSI out of the total number of 4,600,000 shares, representing 0.063913% of the share capital of TCV for a total price of EUR 5,997,900 which will be adjusted in accordance with the provisions of the Sale Purchase Agreement („SPA");
 - 4,249,100 shares held by MTP out of the total number of 4,250,000 shares, representing 99.978824%, respectively 900 shares held by HSI out of the total number of 4,250,000 shares, representing 0.021176% of the share capital of ACV for a total price of EUR 6,058,500 which will be adjusted in accordance with the provisions of the SPA;
 - 5,899,100 shares held by MTP out of the total number of 5,900,000 shares, representing 99.984746%, respectively 900 shares held by HSI out of the total number of 5,900,000 shares, representing 0.015254% of the share capital of TIS for a total price of EUR 7,094,500 which will be adjusted in accordance with the provisions of the SPA;
 - 5,993,322 shares held by MTP out of the total number of 6,000,000 shares, representing 99.888700%, respectively 6,678 shares held by HSI out of the total number of 6,000,000 shares, representing 0.111300% of the share capital of DZE for a total price of EUR 7,924,550 which will be adjusted in accordance with the provisions of the SPA;
 - 6,693,382 shares held by MTP out of the total number of 6,700,000 shares, representing 99.901224%, respectively 6,618 shares held by HSI out of the total number of 6,700,000 shares, representing 0.098776% of the share capital of GDE for a total price of EUR 7,924,550 which will be adjusted in accordance with the provisions of the SPA.

Also, the shareholders attending the EGMS approved:

- The completion of the guarantee structure for the bridge loan up to RON 750,000,000 of non-binding nature to be contracted by Electrica from a consortium of banks comprising by Erste Bank and Raiffeisen Bank accompanied by an engagement letter for the arrangement of a bond issue (bond issue conditional upon obtaining the necessary corporate approvals) to finance inorganic growth opportunities, the contracting of which was approved by Electrica's EGMS resolution no 1 of 28 April 2021, as follows: in addition to the mortgage guarantee on the bank accounts opened by Electrica to BCR and Raiffeisen Bank, which will be

made up for a maximum amount of RON 825,000,000, as approved by Electrica's EGMS resolution no 1 of 28 April 2021, a mortgage on the present and future receivables of Electrica, resulting from the intragroup loan agreements that will be concluded with its subsidiaries in order to carry out the inorganic growth transactions granted from the amounts drawn from the bridge loan, shall be constituted as a guarantee in favour of the banks, subject to the fulfilment of certain conditions detailed in the bridge loan agreement, this being to be constituted for a maximum value that will not exceed the total ceiling of the previously approved guarantees, in the amount of RON 825,000,000.

Changes in the structure of ELSA's Board of Directors (BoD) and its committees

At the beginning of 2021, the composition of the Board of Directors was as follows: Mrs. Ramona Ungur, Mr. Dragos Andrei, Mr. Iulian Cristian Bosoanca, Mr. Bogdan Iliescu, Mr. Gicu Iorga, Mr. Radu Mircea Florescu and Mr. Valentin Radu. On 22 April 2021, the Board of Directors took note of the resignation of Mrs. Ramona Ungur as the administrator of the Company.

Subsequently, on 28 April 2021, during the OGMS meeting, ELSA's shareholders elected the following BoD members: Mr. Iulian Cristian Bosoanca, Mr. Gicu Iorga, Mr. Ion-Cosmin Petrescu, Mr. Adrian-Florin Lotrean, Mr. Radu Mircea Florescu, Mr. Dragos Valentin Neacsu, and Mr. George Cristodorescu.

1 January - 28 April 2021	28 April - 31 December 2021
Ms. Ramona Ungur	Mr. Iulian Cristian Bosoanca
Mr. Dragos Andrei	Mr. Gicu Iorga
Mr. Iulian Cristian Bosoanca	Mr. Ion-Cosmin Petrescu
Mr. Bogdan Iliescu	Mr. Adrian-Florin Lotrean
Mr. Gicu Iorga	Mr. Radu Mircea Florescu
Mr. Radu Mircea Florescu	Mr. Dragos-Valentin Neacsu
Mr. Valentin Radu	Mr. George Cristodorescu

Regarding the position of **Chairman of ELSA's BoD**, it was occupied by Mr. Iulian Cristian Bosoanca being elected in this capacity during the Board meeting of 15 December 2020 for the period starting from 1 January 2021 and until 31 December 2021. Subsequently, as a result of the change of the BoD structure, during the meeting of 6 May 2021, Mr. Iulian Cristian Bosoanca was re-elected as Chairman of the Board of Directors starting with 6 May 2021 and until 31 December 2021.

Regarding the composition of ELSA's BoD consultative committees, it underwent changes during 2021 by the decision of ELSA's BoD dated 15 December 2020, and of the one from 6 May 2021. Thus, as of 31 December 2021, the composition of the consultative committees of ELSA's BoD was the following:

The Nomination and Remuneration Committee	The Audit and Risk Committee	The Strategy and Corporate Governance Committee
Chairman Mr. Adrian-Florin Lotrean	Chairman Mr. Radu Mircea Florescu	Chairman Mr. Gicu Iorga
Member Mr. Radu Mircea Florescu	Member Mr. Dragos-Valentin Neacsu	Member Mr. George Cristodorescu
Member Mr. Ion Cosmin Petrescu	Member Mr. Iulian Cristian Bosoanca	Member Mr. Adrian-Florin Lotrean

In accordance with the decision of the Board of Directors of 15 December 2021, the composition of the committees will remain the same during 2022.

Regarding ELSA's executive management during 2021, several changes occurred, as follows:

- The Board of Directors approved the continuation of the collaboration with Mrs. Livioara Şujdea and her appointment as Chief Distribution Officer (CDO), starting with February 1st, 2021, for a 4 years mandate.
- On 1 May 2021, the mandate agreement of the Chief Corporate Development Officer, Mrs. Anamaria Dana Acristini Georgescu, has terminated, upon the lapse of the mandate duration.
- During the meeting held on 22 September 2021, ELSA's Board of Directors decided on the appointment of Mr. Stefan Ionut Pascu as Chief Corporate Development Officer, until 31 December 2021. During the meeting held on 22 December 2021, the mandate agreement of Mr. Stefan Ionut Pascu has been extended until 31 December 2022.
- On 11 December 2021, the mandate agreement of the Chief Marketing Officer, Mrs. Catalina Popa, has terminated, upon the lapse of the mandate duration.
- During the meeting held on 15 December 2021, ELSA's Board of Directors revoked, without cause, Mrs. Bibiana Constantin from the position of Chief Human Resources Officer, starting with 1 January 2022, 31 December 2021, being the last day of exercising the mandate agreement.
- During the meeting held on 15 December 2021, ELSA's Board of Directors took note of the expiration on 3 January 2022 of the mandate agreement between the Company and the Chief Financial Officer, Mr. Mihai Darie.

Other relevant events

In 2021 the following main events took place:

- *Changes in the structure of shareholders within the subsidiaries of the Group*
On 18 August 2021, the second shareholder was introduced within DEER and SERV (DEER within FISE and FISE within DEER) in compliance with the assumed term by the Merger Project of the distribution subsidiaries, respectively by the Merger Project of energy services companies, mergers that took place during the year 2020;
- *Amendments to the articles of association within the Group's subsidiaries*
The amendment of the Article of Association of SERV by reducing to 3 the number of members for SERV's Board of Directors through EGMS of 30 December 2021.
- *Establishment of a new subsidiary of the Group*
On 6 September 2021, a new legal entity is established, Electrica Productie Energie S.A., organized as a public limited company, in which Electrica SA holds a percentage of 99.9920% of the share capital and Electrica Serv S.A. holds a percentage of 0.0080% of the share capital. The object of the activity is the production of electricity from renewable sources through the acquisition and development of projects, namely the operation of renewable electricity generation parks, combined with the development and operation of independent storage solutions which they intend to develop in the near future.
- *Fitch Ratings*
In April 2021, Electrica has received confirmation of maintaining the corporate rating of BBB (Investment Grade), with a Negative outlook, from the rating agency Fitch Ratings. The negative perspective is imposed by the rating of Romania (BBB- with negative perspective) taking into account that Fitch considers that the rating of the Company must be limited to one notch above that of the Romanian State, its main shareholder. Any revision of the Outlook of the Romanian sovereign rating back to Stable would result in a similar action for Electrica's rating. In Fitch Ratings' opinion, the BBB rating continues to reflect Electrica Group's solid financial profile, adequate liquidity, low gearing level, as well as the fact that the distribution segment dominates the Group's activities.
Fitch Ratings also viewed as positive for the analysis of Electrica's credit profile the consolidations achieved through the mergers of the distribution subsidiaries and, respectively, of the energy services subsidiaries, as they have simplified the Group structure and is estimated to provide costs savings and an improvement of internal business processes.
Also, in the rating agency's opinion, the Group's business profile proved to be solid, resilient to the COVID-19 outbreak and related economic shock, the volumes of distributed and respectively supplied energy in 2020 being only slightly lower than in 2019, while the investment projects in the distribution area were unfolded according to the planning.

- *Investments in entities producing electricity from renewable sources*

On **28 July 2021**, three shares sales and purchase agreements ("SPAs") were signed in three project companies, by ELSA, as a buyer, with Mr. Emanuel Muntmark, and with Mr. Catalin Mrejeru, as sellers, having as the main object of activity the production of energy from renewable sources, as follows:

- A SPA regarding the acquisition of 100% of the shares held by the sellers in Crucea Power Park SRL for an estimated total price of EUR 8,470,000. The final price will be determined by adjusting the total estimated price depending on the production capacity, respectively the authorized storage, based on a contractually established calculation formula. Crucea Power Park SRL develops the eolian project "Crucea Est", with a designed installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea commune, Constanta county;
- A SPA regarding the acquisition of 100% of the shares held by the sellers in Sunwind Energy SRL for a total estimated price of EUR 1,485,000. The final price will be determined by adjusting the total estimated price according to the authorized production capacity, based on a contractually established calculation formula. Sunwind Energy SRL is developing the photovoltaic project „Satu Mare 2” with a designed installed capacity of 27 MW, located near Satu Mare;
- A SPA regarding the acquisition of 100% of the shares held by the sellers in New Trend Energy SRL for a total estimated price of EUR 3,245,000. The final price will be determined by adjusting the total estimated price according to the authorized production capacity, based on a contractually established calculation formula. New Trend Energy SRL develops the photovoltaic project „Satu Mare 3”, with a designed capacity of 59 MW, located near Satu Mare.

On **7 December 2021**, Electrica signed, as a buyer, with Mr. Emanuel Muntmark, and with Mr. Catalin Mrejeru, as sellers, a shares sales and purchase agreement ("SPAs") in one project company having as the main object of activity the production of energy from renewable sources.

The SPA concerns the acquisition of 100% of the shares of Foton Power Energy S.R.L, wholly owned by the sellers, for an estimated total price of EUR 4,262,500. The final price will be determined by adjusting the total estimated price depending on the production capacity, respectively the authorized storage, based on a contractually established calculation formula. Foton Power Energy S.R.L. develops the photovoltaic project "Bihor 1", with a designed installed capacity of 77.5 MW, located near Oradea city.

The SPAs stipulate the acquisition by Electrica of the shares in the three companies and the payment of the corresponding price in four stages; in the first stage, when signing the sale-purchase agreements, 30% of the share capital of the three companies will be acquired, and subsequently, the rest of the shares will be acquired depending on the development stage of the project and provided that the suspensive conditions are met.

Treasury matters

On **10 June 2021**, was signed the Addendum no. 1 to the Convention no. 25/5 February 2020 concluded by ELSA with EFSA on Internal Treasury, by which the amount that can be borrowed by EFSA within the Convention is increased from up to RON 30 M to up to RON 180 M.

On **12 October 2021**, Electrica concluded with DEER an Intragroup Credit Agreement, valid until 12 October 2029, the amount that can be borrowed by DEER under the contract being up to RON 246,325,000.

On **22 October 2021**, was signed the Addendum no. 2 to the Convention no. 25/5 February 2020 concluded by ELSA with EFSA on Internal Treasury, by which the amount that can be borrowed by EFSA within the Convention is increased from up to RON 180 M to up to RON 245 M.

IT&C activities

Using the strategic advantage obtained in 2020 by merging the IT&C responsible operational entities and implementing capabilities-based departments and centers of excellence, the IT&C organizations of Electrica SA and its subsidiaries have taken over the needed tasks and projects to further consolidate the legal merger activities, by absorption. In turn, projects were triggered to unify the system and data used by each merging entity, others to align the support processes and prepare the expected flexibility to exploit the economies of scale and scope. Hence, the following activities have been achieved:

- The enrollments into the National Registry of Essential Services Operations of Distributie Energie Electrica Romania SA and Electrica Furnizare SA as Essential Services Operators.

- The current applications (used by SDTN, SDMN, SDTS) consolidation, a complex process involving the initial evaluation of three alternatives in use, choosing the optimum and extending its utilization to the other two operators.
- Merging and standardization of the common procurement operations for IT&C at the Group level in order to cover the licensing and producer support needs while acquiring the expected volume discount.
- Preparation of the projects for the unification of complex ERP (Enterprise Resource Planning) systems at DEER (from the three Distribution Operators) and FISE (from the two Electrical Services organizations), in sync with the 2021 EFSA ERP system update.
- Maximize the existing IT&C resource existing in Group key organizations, DEER and EFSA, in order to implement digital solutions required to fulfill speed and flexibility expectations.
- The IT&C Governance framework alignment in order to respond to the standardization and blending the IT&C specific processes and projects.

Litigations

- On 3 February 2021, the Bucharest Court, Civil Section VII, confirmed the reorganization plan of the company Transenergo Com S.A. (Transenergo), proposed by the special administrator from case no. 1372/3/2017. According to this plan, unsecured creditors will not benefit from any distributions of amounts. ELSA holds an unsecured receivable of RON 37 M composed of the main debit of RON 35.7 M and penalties of RON 1.3 M calculated until the date of insolvency proceedings' opening. Since ELSA is the beneficiary of an insurance policy of RON 4 M having as object the guarantee of the payment obligations of Transenergo resulting from the BRP Services Agreement no. 77/2005, the amount of RON 4 M was submitted under the resolutive condition of recovering the amounts from the insurer. ELSA appealed the sentence confirming the reorganization plan, an appeal that was the object of file no. 1372/3/2017/a35 of the Bucharest Court of Appeal.
- On 23 June 2021, the court definitely rejected the appeal filed by ELSA against the decision for the confirmation of the reorganization plan of Transenergo Com S.A. no. 469/3 February 2021 issued by Bucharest Courthouse – Civil Section VII - in case no. 1372/3/2017.
- Considering that the exposure registered by ELSA concerning Transenergo is fully provisioned, this file resolution has no negative impact on the company's financial results for 2020 or 2021, the impact is recorded in the previous periods (2016 and 2017).
- By the conclusion from 27 April 2021, the Bucharest Courthouse decided to suspend the trial of the case that forms the object of file no. 35729/3/2019 until the final settlement of file no. 2229/2/2017, pending before the Bucharest Court of Appeal.
- File no. 35729/3/2019 has as object the patrimonial liability incurring of the persons who have held positions of directors and respectively of executive managers of ELSA, for not fulfilled and/or improperly fulfilled obligations, according to art. 155 of Law no. 31/1990, which determined the damages retained by the Romanian Court of Accounts by Decision no. 11/23 December 2016, as well as against the representative of the Authority of Valuation of the State Assets in ELSA's OGMS on 10 December 2008 and the issuer of the voting mandate for the respective OGMS.
- Decision no. 1368/18 December 2020 issued in the retrial of case no. 4804/2/2020 (former no. 7341/2/2014) of the Bucharest Court of Appeal by which it dismissed the action and the ancillary intervention requests as unfounded, became final by non-appealing it by Fondul Proprietatea. The object of the case is Fondul Proprietatea's request for the cancellation of art. I, points 2, 3, 8, 9, and 10 of ANRE Order no. 112/2014 for amending and completing the Methodology for setting the electricity distribution service tariffs, approved by ANRE Order no. 72/2013. ELSA and DEER are accessory intervenients in the case.
- On 18 October 2021, the Company, as Defendant, has received a statement of claim of Mrs. Augusta Romana Alexandra Borislavski Popescu, who was Chief of Corporate Governance & M&A for a period of 4 years, by which the plaintiff requests:
 1. The obligation of the defendant to pay to the plaintiff 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. The obligation of the defendant to pay to the plaintiff damages for non-execution of the obligation to pay the percentage of 55% of the OAVT package;
 3. The obligation of the defendant to pay the amount of RON 11,973, representing the annual variable remuneration for 2018;

4. The obligation of the defendant to pay the amount of RON 24,756, representing the annual variable remuneration related to 2019;
5. Updating the amounts provided in the previous items, with penalizing legal interest. The asked damages should be calculated as the legal penalty interest plus 8% payable per each day of delay as of the date of the registration of the claim until the payment of the 55% of OAVT package by the defendant.
6. The obligation of the defendant to pay the expenses incurred by the request for arbitration.

The case was registered before the Vienna International Arbitral Centre, under no. ARB-5670 Borisilavski (RO) vs Energetica Electrica (RO).

- In case no. 35647/3/2019, on 13 December 2021, the Bucharest Court of Appeal rejected as unfounded the appeal filed by Electrica Furnizare S.A. (EFSA) against the decision pronounced by the Bucharest Court, maintaining as legal and valid the sentence pronounced by the Bucharest Court. The Decision is not final, it can be appealed within 30 days of the communication.

In this file, Societatea Energetica Electrica S.A. (Electrica) has the legal quality of being called in warranty. We mention that Bucharest Court admitted the exceptions of limitation periods regarding the claim filed by EFSA and consequently rejected as devoid of purpose the warranty claims filed by Mircea Patrascoiu, Anca Dobrica, and Victoria Lupu in file no. 35647/3/2019 having as object the underscoring of the liability of the members of the Board of Directors and the Chief Executive Officer of EFSA, claim submitted by the company concerned, following the damages ascertained by the Court of Accounts of Romania in the Decision no. 11/23 December 2016 and in the Control Report no. 5799/29 November 2016.

Policies in force

On 7 May 2021, Electrica published on the company's website, in the section *Investors -> Corporate Governance -> Corporate policies* and other documents, the updated form of the Remuneration Policy for Directors and Executive Managers, following its approval within the OGMS dated 28 April 2021.

Measures adopted in COVID-19 context

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

In the fight against the 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 conditions as close to normal as possible**.

Ever since the beginning of the crisis, the resilience plan in force at the Group level was constantly updated to respond to the pandemic context and legal framework evolutions. Essential activities and critical roles have been identified, staff backup has been insured and the action scenarios on escalation levels depending on the situation evolution from the external environment of the company have been redefined, in order to ensure the smooth running of the operations and the continuity in the electricity supply, as well as for the protection of the Group customers, employees, and partners.

During accelerated growth and peaks periods of the pandemic, the activities that involve interaction with clients and/or access to consumers' homes had been limited and the scheduled works had been reprioritized, in order for the scheduled interruptions in the electricity supply to be diminished. **EFSA's customers had been encouraged to use digital instruments** (MyElectrica, website, digital invoice) **offered or methods of mediated interaction** (by e-mail, by telephone) to solve the various requests, using also online payment methods (MyElectrica account, internet banking, and mobile banking).

In order to limit the spread of COVID-19 and **to protect the employees**, firstly for the frontline ones, various measures have been implemented, such as: providing medical protection devices and hygienic-sanitary materials, creation of a rotation system to minimize meetings between teams, work-from-home – where feasible, limiting or temporarily suspending access to certain locations, including customer relations centers, and redirecting communication and correspondence to alternative electronic channels, disinfection performed in locations in the case of occurrence, etc.

Social distancing measures have been recommended to the shareholders, who have been guided to use electronic means/remote interaction for solving any requests regarding the activity of Electrica Group.

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)

were carried out in strict compliance with the protection measures (use of the mask, distance, limitation of the number of people present in the premises) and with the monthly assessment of the situation according to the evolution of the context at national/regional level, for offering all services in safe conditions.

The action plans of the distribution operators consider keeping the general preventive measures for their staff, users, and collaborators, as well as the organizational measures to ensure safe management and operation of the network infrastructure, at a superior quality level for the electricity distribution service. The delays in **investments and maintenance works**, including those requiring consumers' interruption, in compliance with the Performance Standard for the distribution service, have been recovered.

The management permanently monitors **the financial performance and liquidity of the Group companies** on several tiers, in order 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 receivables collection from customers, to use the banking structures for liquidity concentration ("cash-pooling") implemented last year, as well as the available financing for the companies within the Group.

Distribution segment

At the end of 2020, Electrica has successfully completed the merger of the three electricity distribution companies within the Group. Starting with 1 January 2021, the new company Distribuție Energie Electrica Romania S.A. (DEER) becomes the most important electricity distribution operator at the 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.

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

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%.
- **The distribution tariffs approved for 2022** ANRE approved the **Order no. 3/20 January 2021** regarding the amendment of the Methodology for distribution tariffs setting approved by ANRE Order no. 169/18 September 2018:
 - granting a 2% additional incentive to RRR for investments in the electrical distribution network made with own funds within projects in which European non-reimbursable funds were also attracted, if the investments were made and put into operation by operators after 1st February 2021;

- if for certain assets categories, the primary legislation establishes other regulated depreciation periods than those provided by the Methodology or by the Catalogue for the classification and normal useful lives of fixed assets, approved by Government decision, the annual regulated depreciation related to those fixed assets is calculated based on the regulated depreciation periods established by the primary legislation.
- ANRE approved **Order no. 101/30.09.2021** for the modification and completion of the Methodology for establishing the tariffs for the distribution service - in force since October 1st, 2021:
 - **Network losses price:** (i) ANRE has the right to correct the projection of distribution tariffs for a regulatory period of one year if it finds that there have been significant variations in prices on the electricity market, which lead to a significant change in distribution service costs; (ii) at the justified request of the DO, the regulated income of year t+1 may include a cost adjustment with regulated network losses forecast for year t+1, by changing the reference price, depending on the evolution of prices on the electricity market and the result of the analysis on the evolution of tariffs for the current regulatory period.
 - **Personnel costs** - at the request of the DO accompanied by supporting documents, ANRE may accept in the regulated income for year t+1 a variation of the personnel costs approved for year t+1, generated by the appearance of unforeseen conditions during the substantiation and approval of the forecast. costs.
 - **Destination of non-household consumption place** - DO are obliged to find non-compliance with the obligation of non-household users to keep the destination of a place of consumption, and in this case, users are obliged to return the value of design and execution works paid by DO, and DO exclude fixed assets from RAB.
 - **Connection workings done by users** - Fixed assets made in year t of the connection workings paid by users are not included in the RAB, but they are recognized in the regulated income for year t+1, by including one-fifth of the refundable value.
 - the accounting depreciation of the fixed assets that are not part of the RAB and that were financed from own resources and for which the DO has assigned the use to a third party is taken into account to gross profit computation from other unregulated activities.

b) Investments Procedure

- **ANRE Order no. 19/16 March 2021** - in force since **19 March 2021**:
 - the amendment considers the establishment of the DSO obligation to carry out the connection workings to the final customers, **additionally to the annual investment plan**.

c) Licenses

- **ANRE Order no. 115/2021 for amendment and completion The Regulation for granting licenses and authorizations for the electricity sector** approved by ANRE Order no. 12/2015 - in force since **2 of December 2021**:

DSOs have the obligation to send to ANRE:

 - until 31 December 2021 - information on power lines, power stations, and medium and high voltage substations (technical data according to ANRE Order no. 181/2019);
 - until 31 December 2022 - information on medium and high voltage power lines, according to ANRE Order no. 115/2021 - including economic attributes;
 - until December 31, 2023 - all the information regarding the LV, according to the ANRE Order no. 115/2021 - including the economic attributes.
- Starting with 01 January 2022 enters into force the new scheme published on the ANRE website regarding the GIS information in the national stereographic coordinate system 1970, which has attached as attributes to the spatial data requested within the GIS application, a set of associated data to presented spatial data, which includes the fixed asset number and value for the electrical transmission/distribution network components, necessary for ANRE to verify the fixed assets made by the licensees in order to recognize them in RAB

d) Smart metering regulations (SM):

- **ANRE approved Order no. 94 / 18.08.2021 for the amendment and completion of the Framework Conditions for the realization of the implementation calendar of the intelligent electricity measurement systems at the national level** approved by ANRE Order no. 177/2018 - in force since **1 January 2022**

- The value of the indicator „Annual average of the daily success rates of data transmission from meter to HES / MDMS” of at least 80%. The indicator taken into account is calculated annually on each transformation station in the areas where the SMI has been implemented. In case of non-fulfillment of this condition, ANRE proceeds to the non-recognition of the depreciation costs and profitability corresponding to the equipment that ensures the transmission of the data related to the respective transformation stations, for the respective year.
- The DOs have the obligation to fulfill the annual targets provided in the implementation schedule of the SMI at the national approved level, in a proportion of at least 90% regarding the total number of users provided for integration, respecting all the areas planned for integration in that period.
- The invoicing of the distribution service is to be performed based on the measurement data registered by SMI for the users whose consumption/production and consumption places are integrated with SMI.
- The installation of meters that can be integrated with the SMI when connecting new users should be done only for consumption/production and consumption places located in areas where the implementation of the SMI is scheduled in the next 5 years.

e) Technical regulations

Network connection

- **ANRE Order no. 16/10 March 2021** - the amendment of the *Regulation on connecting users to electricity networks of public interest* (ANRE Order no. 59/2013) - in force since 16 March 2021:
 - the introduction of provisions regarding reinforcement works - the introduction of the DSO's obligation to recalculate the value of the connection tariff component;
 - elimination of the ANRE endorsement of the procedures regarding the users' connection to the network;
 - clarification of the termination circumstances of the effects of the framework convention for the handing over of user-financed connection facilities in their ownership.
- **ANRE Order no. 17/10 March 2021** - The procedure regarding the connection to the electricity networks of public interest of the consumption places belonging to the non-household final customer type users through connection installations with lengths up to 2,500 meters and household customers - revision of ANRE Order no. 183/2020 - in force since 16 March 2021:
 - the inclusion of household customers in the category of those for which the DSO have the obligation to finance and carry out the design and execution works of the connection installation;
 - the possibility for household and non-household customers to agree on the connection installation design and execution directly with a certified economic operator chosen by them;
 - the application of the procedure also for the consumption places with storage facilities or consumption and production places, with or without storage facilities, provided with installations for the production of electricity from renewable sources (prosumers);
 - applies to:
 - a. household users who have submitted connection requests to the concessionaire distribution operators after 19 December 2020;
 - b. to non-household final customers type users, who submitted connection requests to the concessionaire distribution operators after 30 July 2020.
- **ANRE Order no. 45/2021** - the amendment of the *Regulation on connecting users to electricity networks of public interest* - in force since 23 June 2021:
 - Elimination of the user's obligation to send to the network operator (NO), through the documentation attached to the connection request, the approved zonal urban plan („PUZ”) or the approved detailed urban plan („PUD”), if it was requested by the urbanism certificate;
- **ANRE Order no. 53/2021** for the approval of the *Methodology for evaluating the financing conditions of the investments for the localities' electrification or the electricity distribution networks' extension* approved by ANRE Order no. 36/2019 - in force since 28 June 2021:
 - also applicable if an association of public authorities requests the DSO to develop the electricity network of public interest in order to connect based on regional development and urbanism plans;
 - the definition of electricity distribution networks' extensions has been modified, by eliminating the phrase “urban” from its content;
 - for the situation in which the public authority/user/group of users decides to fully finance the investment, it was explicitly introduced, besides the term for returning the operators' co-financing quota, also the term for taking over by the network operator the elements related to the returned quota. It is mentioned that this completion is an explanation because the restitution of the quota is done simultaneously with the takeover;

- clarifications were made regarding the value of the quota returned to the public authority/user/group of users, in case they decide to fully finance the investment, by establishing the quota based on the minimum between the value of works according to the DSO offer and the value of works specified in the reception documents for the works' commissioning;
 - for the situation in which the public authority/user/group of users decides to fully finance the investment, it was specified that the technical project and the request for proposal are carried out by them, with an economic operator certified by ANRE;
 - based on the technical project and the specifications, the public authority/user/group of users carries out the works regarding the development of the electricity distribution network for electrifying the localities or for extending the electricity distribution networks with an economic operator certified by ANRE.
- **ANRE Order no. 85/2021** - Order for the amendment and completion of *ANRE Order no. 74/2014 for the approval of the Framework Content of the technical connection approvals (TCA)* - in force from 6 July 2021: the elimination of the DSO's obligation to send to ANRE reports regarding the users' appeals regarding the issuance of TCA.
 - **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 1 July 2022.

Prosumers

- **ANRE Order no. 15/10 March 2021** - Procedure regarding the *connection to the electricity networks of public interest of the consumption and production places belonging to the prosumers who have installations for electricity production from renewable sources with the installed power of at most 100 kW/consumption place* - in force since 16 March 2021:
 - considering the legislative amendments brought by Law no. 290/2020, in force since 19 December 2020, it was necessary to revise the previously proposed form regarding the DSO's obligations to finance and realize the design and execution works of the connection installations for non-household final customers, through connection installations with lengths up to 2,500 meters and the design and execution of connection installations for household customers.
- **ANRE Order no. 50/2021** for the *approval of the trading rules for the electricity produced in power plants from renewable sources with an installed power of up to 100 kW belonging to prosumers* - in force since 1 July 2021:
 - repeals the ANRE Order no. 226/2018;
 - revised as a result of the amendments brought by Law nr. 155/2020 and Ministry of the Environment, Waters and Forests Order no. 121/2021 amending the *Financing Guide of the Program regarding the installation of photovoltaic panel systems for electricity production, in order to cover the necessary consumption and the surplus delivery in the national network*, approved by Ministry of Environment Order no. 1287/2018;
 - elimination of the reporting models from Appendices 1 and 2 of the ANRE Order no. 226/2018, with their full takeover in the draft revision order of ANRE Order no. 195/2019.
- **ANRE Order no. 52/2021** for the approval of the Methodology for monitoring the system for promoting the electricity from renewable energy sources production (RES) – in force since 1 July 2021:
 - repeals the ANRE Order no. 195/2019;
 - systematization of data collection by integrating the information and data contained in the regulations in the field of electricity promotion in RES;
 - completing the data necessary to be collected for the monitoring of the promotion system for the electricity produced in RES power plants with an installed electrical power of at most 100 kW belonging to prosumers, through a dedicated software interface directly on the ANRE website;
 - introduces the DSO obligation to publish on their website, every month, information on the prosumers connected to the electricity grid;
 - introduces the obligation of the DSO and TSO, as appropriate, to publish on their website, every month, the information on technical connection approvals, connection contract and connection certificates issued in the previous month for power plants belonging to the producers of electricity from renewable energy sources (E-RES) and prosumers.

Distribution service performance standard

- **ANRE Order no. 46/15 June 2021** for the approval of the Distribution Service Performance Standard - in force since 1 July 2021:
 - the standard imposes additional obligations for the DSOs, and in order to fulfill them, additional investments and the increase of operating expenses will be necessary;
 - the obligation of the DSO to monitor the short interruptions, and to grant compensations for non-compliance with the imposed thresholds: HV=300 RON (>10 interruption/year), MV =10 RON (>10 interruption/week), LV=5 RON (>10 interruption/week);
 - the obligation to comply with the 90-day deadline for commissioning a connection, including the reception and commissioning of the connection installation, the compensation for non-compliance being 100 RON;
 - the obligation of the DSO to ensure, starting with 1 January 2022, reduced voltage deviations for LV level (from +10% to +5% of the nominal voltage value, monitored weekly), the compensations being for legal entities: HV - 270 RON, MV and LV - 130 RON (for each monitoring period), and for individuals: HV - 270 RON, MV and LV - 70 RON (for each monitoring period);
 - setting an implementation calendar for the quality analyzers, so that 100% of the power stations will be monitored with the help of this equipment until the end of 2026, respectively 100% of the transformation stations until 1st January 2028. This implementation program is correlated with the provisions of the SM implementation schedule;
 - setting intervals for the reception of telephone calls made by network users through the call centers managed by distribution operators, namely:
 - a. maximum 30 seconds from the call initiation by the user until it is taken over, without the intervention of the human operator;
 - b. maximum 180 seconds from receiving the call for the user to be able to select the option to transfer the call to a human operator;
 - c. maximum 20 minutes from taking over the call to start the user's conversation with a human operator.

Commercial Regulations

- **ANRE Order no. 25/2021** regarding *the amendment of the Framework Contract for the distribution service* - in force since 1st July 2021:
 - in the process of changing the supplier, for the small household and non-household customers, the measurement group index reading for settlement related to a consumption place is performed by the DSO, if the final customer does not send the self-read index;
 - the DSO has the obligation to inform the supplier about the change of the measuring group reading period at least 60 days before the change date;
 - within a maximum of two months from the entry into force of this order, the DSO and the electricity suppliers update the electricity distribution service contracts according to the provisions of the framework contract from the Appendix no. 1 to the ANRE Order no. 90/2015, with subsequent amendments and completions;
- **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 repeal 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 January 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 the 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 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.

Compliance Regulation

- **ANRE approved Order no. 97 / 08.09.2021** approving the Regulation on establishing the compliance program and designating the compliance agent by the electricity / natural gas distribution operators and by the natural gas storage operators that are part of a vertically integrated economic operator effective **1 January 2022**:
 - designating the approval and activity of the compliance agents - DO will send to ANRE the nominations of the compliance agent until 1st of November 2021, conditions: (i) at least 3 years before the date of designation as compliance agent and for the entire period in which a compliance agent is appointed, not to have held / not to hold any professional position or responsibility, interest or business relationship, of direct or indirect order, with the vertically integrated economic operator or with any part thereof; (ii) have at least 5 years of experience in the field of electricity / natural gas;
 - the manner of elaboration and the content of the compliance programs drawn up by the DO for electricity / natural gas, respectively for the storage of natural gas;
 - implementation of the measures provided in the compliance program and monitoring the application of the compliance programs, respectively of the measures therein;

f) Primary legislation:

- **Energy law no. 123/2012** - amended by Government Emergency Ordinance "**GEO**" no. 143/2021 - in force starting with 31 December 2021
 - new attributions of Ministry of Energy: approves the development plans of TSO and DOs from the point of view of ensuring the concordance with the provisions of the energy strategy and PNIESC 2021-2030; approves the reliability standard.
 - Directly negotiated bilateral transactions can be concluded on the wholesale market in all time intervals;
 - In the case of the final household customer, in order to issue the regularization invoice, the DO has the obligation to ensure the reading of the index of the measuring group at a time interval of a maximum of 3 months.
 - Each DO acts as a neutral market facilitator in electricity acquisition to cover NL, in accordance with transparent, non-discriminatory, and market-based procedures, in consideration of ANRE regulations.
 - household connections - In the case of household customers, when commissioning the connection workings, DO will reimburse the applicant the effective value of the connection design and execution works, up to an average value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection workings become the property of the distribution operator from the moment of commissioning, through the effect of this law, at the value reimbursed to the household customer, being 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 workings, including those for the design of the connection/connection made, is fully financed by them. The assets resulting from the connection workings enter the patrimony of the distribution operator 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 SMI, OD provides them with individual conventional meters that accurately measure their real consumption. OD ensures that end customers can easily read their conventional meters, either directly or indirectly, through an online interface or another appropriate interface that does not involve a physical connection to the meter.

- **GEO no. 84/2021** - in force starting with August 6, 2021
 - Repeals the provision of art. 72, paragraph (1) from GEO nr. 70/2020, according to which DOs and TSO ensure the continuity of electricity supply in the alert state
 - The cessation of the provision of services corresponding to the non-payment of outstanding debts cannot be achieved earlier than 90 days from the entry into force of GEO no. 84/2021.
- **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 Government Ordinance no. 27/1996 regarding providing facilities to persons residing or working in some localities in the Apuseni Mountains and the Biosphere Reserve „Danube Delta”**
 - For the period November 1st, 2021 - March 31, 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.
 - 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, the contribution for high-efficiency cogeneration, and excise.

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

15 minutes settlement

- **ANRE Order no. 27/31 March 2021** - ANRE orders amendment - settlement interval (SI) to 15 minutes - in force since 1st April 2021:
 - the amendment of ANRE orders containing references to trading/delivery/settlement intervals lasting one hour, with the intent to modify by using the phrase “settlement interval” and setting the duration of this interval to 15 minutes. The settlement interval is one hour until 1 July 2021, respectively 15 minutes, starting with 1 July 2021.

Electricity market functioning

- **ANRE Order no. 26/31 March 2021** for the amendment of art. VII of the ANRE Order no. 65/2020 - in force since 1st April 2021:
 - long-term supply contract means any contract with a delivery duration equal to or higher than one month;
- **Draft order approving the balancing clauses and conditions** - public debate – phase III:
 - the purchase by the TSO, on the European trading platforms for balancing energy, of energy from the balancing service providers from EU member countries;
 - separate activation by direction of the balancing energy from the frequency restoration reserve with automatic activation (RRFa = the new term used to define the secondary setting);
 - the use of standard balancing energy products within each European balancing energy platform, which have the same static characteristics for all balancing service providers from each EU member state;
 - considering, in the internal balancing market settlement, the unintentional electricity trade between state members;
 - the emergence of the capacity market for frequency recovery reserves (RSF = the new term used to define the setting);
 - enters into force starting with 1st October 2022;
 - the ODs collaborates and elaborates, following a public consultation process, a unique procedure regarding the way of establishing, verifying, confirming by the involved parties, and implementing the way of aggregating the measured values related to a BM, which each OD then publishes on its own website within three months from the publication of the order.
- **ANRE Order no. 128/2021 - Order for the approval of suspension and re-establishment Rules of market activities and for the applicable settlement Rules – in force since 1 October 2022:**
 - determining the situations and conditions in which TSO can suspend market activities with diminishing the impact on the coupling of DAM and IM energy markets;
 - identification of the market activities that can be suspended and of the procedure of their suspension

and restoration: stages, role, and responsibilities TSO / designated electricity market operator/factors involved;

- the communication procedure detailing the tasks and actions that each party must perform;
- the suspension during the collapse period and the restoration from the 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 to start with the 1 October 2022, the date from which the ANRE Order no. 23/2016 repeals.

■ **ANRE Order 3/2021 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 the 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 on 28 August 2022.
- Duration of the supplier change process 24 hours
- The client is obliged to register the self-read index in POSF
- The client uploads the self-read index at the beginning of the supplier change process and a second self-read index at the date of the actual change of the supplier. If the end customer does not upload the index on the date of the actual change of the supplier, OD has the obligation to register in POSF, within 5 days from the date of the actual change of the supplier by the end customer, the index read by OD or provided by the system. intelligent measurement.
- 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.

Investments

In 2021, the operator Distribuție Energie Electrica Romania (DEER), resulting from the merger in 2021 of the three distribution operators of Electrica Group realized and commissioned investments amounting to RON 541.4 M, representing 96.69 % of the commissioning program value planned for 2021 (eg. RON 558.6 M, of which RON 549.2 M related to the 2021 plan and RON 9.4 M for values carried forward related to 2020; RON 532.2 M were realized in the first category related to 2021 and RON 8.2 M were related to 2020).

In 2022, Distribuție Energie Electrica Romania (DEER), will continue to invest in distribution infrastructure, the investments to be commissioned for 2022 by DEER, cumulating RON 587.5 M (of which, RON 558.5 M plan for 2022 and RON 29 M values related to the plan for 2021). In addition to the works in the distribution networks provided in the investment plan 2022, it is estimated the realization of works for connecting users, considering the new legal requirements introduced by government emergency ordinance OUG nr. 143/2021 which amended and supplemented Energy Law no. 123/10 July 2012, as well as amending other legislation.

The investment plans were prepared in accordance with the requirements provided by ANRE in the "Procedure regarding the elaboration and approval of the investment programs of the concessionary economic operators of the electricity distribution service" approved by ANRE order no. 204/14 November 2019 with subsequent amendments and completions.

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. A process of redesign and adjustment to present market challenges came next, aiming to upgrade and re-think relevant activities in order to supply customers with the highest level of services.

In 2021, 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 processes;
- continuous development of value-added products and services;
- increasing the quality of supply service.

Regulatory Framework

a. Primary legislation

In 2021, the following legal acts, with an impact on the supply of electricity and gas, have been approved:

- **Government Emergency Ordinance no. 143/2021** amending Electricity and Gas Law no. 123/2012:
 - the ordinance primarily aims to transpose *Directive (EU) 944/2019 on common rules for the internal electricity market*, bringing several amendments/additions concerning mainly the following:
 - universal service (US): by any supplier on the competitive market (who shall elaborate US offers and supply the US to customers, if requested), exclusively to household customers;
 - electricity end-user price: removal of all provisions concerning regulation/approval of end-user prices; in return, the ordinance provides for the possibility of public interventions in the price setting for the supply of electricity to vulnerable or energy-poor customers, under certain conditions and with notification to the European Commission;
 - wholesale electricity market: removal of exclusively public and centralized trading obligation; the new stipulations explicitly mentioned “the directly negotiated bilateral transactions”;
 - suppliers' obligations: removal of the obligation to set up physical customer care centers for US customers at max. 50 km;
 - suppliers' (misc.) rights: permission to charge customers (without discrimination) contract termination fees where those customers voluntarily terminate fixed-term, fixed-price electricity supply contracts before their maturity; permission to charge customers, except for households and small enterprises, supplier switching fees;
 - electricity supplier switching: until 2026, supplier switching shall be performed in 24 h at the latest, in any working day; customers shall be given the right to engage in collection supplier switching schemes;
 - electricity standard offers/price comparison tool: expansion of suppliers' obligation to elaborate standard offers also for microenterprises*, and upload them to ANRE Price Comparison tool (eg. an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million) with an expected yearly consumption of below 100 000 kWh;
 - misleading/incorrect commercial practices in the field of electricity and gas supply: maintain the infringement identified by ANRE only concerning non-household customers; also, the penalty for breach of obligation calculated as a percentage of the annual turnover shall be replaced with a lump sum penalty; with regard to household customers, the non-compliance will be assessed by the National Consumer Protection Authority(NACP);
 - electricity and gas billing: settlement bills for household customers shall be issued once every 3 months at the least; the breach of the obligation shall be fined with a lump sum penalty;
 - prohibition of disconnection for electricity: ANRE shall be granted the right to identify additional categories of customers that cannot be disconnected, apart from the vulnerable ones;
 - offences: the repeated breach is (again) defined as at least 2 breaches occurring in 12 consecutive months (as opposed to at least 2 breaches);
 - prosumers: prosumers shall benefit also from net metering, in addition to the financial settlement before; installed capacity limits have been increased.

- **Law no. 226/2021** approving social protection measures for the vulnerable energy consumers:
 - the law applies as of 1 November 2021;
 - the following financial measures have been approved to support vulnerable consumers: the aid for residential heating, during the cold season, eg. 1 November – 31 March (max. RON 500 /month for electricity, and RON 250 /month for natural gas); the energy subsidy, to be given all year long (RON 30 /month for lighting and RON 70 /month in case electricity is the only source of energy used, and RON 10 /month for gas); the money for both types of aid shall be paid directly to energy suppliers, and deducted from the invoices;
 - consumers fulfilling the income-related eligibility criteria will benefit from the financial protection: the maximum monthly net average income that qualifies for the heating aid is RON 1,386 /person for families, and RON 2,053 for single persons.

- **Government Emergency Ordinance (OUG) no. 118/2021** establishing a compensation scheme for the consumption of electricity and gas during the 2021-2022 cold season, approved with amendments by Law No. 259/2021:
 - the support scheme shall be applied for the consumption of electricity and gas from November 2021 to March 2022, and has been approved given the surge in international energy prices and the impact thereof on the Romanian population;
 - The following support mechanisms have been put in place:
 - compensation for household customers provided they fall within the maximum consumption limits set for the whole period (eg. 1,500 kWh for electricity, and 1,000 m³ for gas), as well as per month, and within the reference price set at 0.68 lei/kWh for electricity, and 125 lei/MWh for gas; the compensation amounts to 0.291 lei/kWh for electricity, and 33% of the invoice for gas;
 - exemption from all energy regulated tariffs and taxes for SMEs, individual medical practices and other liberal professions, microenterprises, authorized natural persons, individual enterprises, family enterprises (eg. regulated transmission tariffs/cut-off from the network, distribution tariff, system services tariff, transmission tariffs, green certificates, high-efficiency cogeneration contribution, energy tax – for electricity; transmission costs, distribution tariff, and energy tax – for gas);
 - capping of the end-user price at max. 1 leu/kWh for electricity (out of which max. 0.525 lei/kWh will be the energy component), and max. 0.37 lei/kWh for gas (out of which max. 0.250 lei/kWh will be the energy component) for household customers, public and private hospitals, public and private schools, kindergartens for small babies, NGOs, churches, public and private social service providers;
 - moratorium on bills – upon request, only for vulnerable consumers, for min. 1 month and max. 6 months;
 - the legislation also provides for reimbursement mechanisms from the state budget to electricity and gas suppliers.

- **Order of the minister of labor and social protection (No. 1.155/25.11.2021), minister of energy (no. 1.240/25.11.2021), and minister of finance (no. 1.480/26.11.2021)** approving the procedure for compensation of suppliers for the consumer support scheme set by OUG no.118/2021:
 - the order clarifies as to the implementation of support schemes and compensation of suppliers;
 - regarding the household customers support scheme: the order mentions the documents to be sent by suppliers for compensation and related deadlines;
 - scheme for exemption of non-household customers from regulated tariffs, energy tax, contributions, etc. – the order includes the following: the documents to be sent by suppliers for compensation; a template for customers' application and declaration; the fact that the benefit shall be granted starting with the month of the application (except for the applications made in December, where the benefit shall be granted starting with November); the fact that, in case of supplier switching, customers shall be compensated pro-rata;
 - price cap – the order mentions that: the subscription (the value of subscription services) is not included in the price cap (eg. RON 1 /kWh for electricity, RON 0,37 /kWh for gas); the average price in the suppliers' compensation formula refers to procurements made by each supplier; the calculation for suppliers' compensation shall be calculated on a monthly basis, and a settlement shall follow at the end of the scheme's implementation period.

- **Government Emergency Ordinance no. 130/2021** regarding fiscal-budgetary measures, the extension of deadlines amending, inter alia, certain pieces of legislation:
 - the ordinance brought several changes to OUG no. 118/2021 and Law no. 259/2021 concerning mainly:
 - compensation of suppliers for the energy price cap scheme: the calculation formula shall factor in the average price of ongoing contracts with physical deliveries over the scheme's implementation

period; procurements related to supply of last resort shall be analyzed separately so as to reflect the additional volumes purchased for the supply of last resort to customers; underlying documents for compensation of suppliers shall consist in volumes and prices from ongoing procurement contracts with physical deliveries over the scheme's implementation period, and electricity/gas volumes delivered to cap priced customers.

- **Government Decision no. 1077/2021** approving the preventive action plan for the safeguard of security of gas supply in Romania
 - the Plan does not include important new elements as compared to the previous one;
 - the suppliers remain under the obligation to secure, in emergency situations, continuity of gas supply to protected customers in the three crisis cases respectively (eg. household customers, SMEs, essential service providers, district heating installations supplying heat to protected customers who cannot operate with other fuels and supply heat to the protected mentioned customers); gas supply cannot be cut to the protected customers.

Regarding the legislation related to the energy sector, in the context of the COVID-19 pandemic, the Government has decided to successively extend the state of alert initially established in 2020 (by Decision No. 394/2020), with 30 days each time, as follows: starting with 13 January 2021, by GD no. 3/2021; starting with 12 February 2021, by GD no. 35/2021; starting with 14 March 2021, by GD no. 293/2021; starting with 13 April 2021, by GD no. 432/2021; starting with 13 May 2021, by GD no. 531/2021; starting with 12 June 2021, by GD no. 636/2021; starting with 12 July 2021, by GD no. 730/2021; starting with 11 August 2021, through GD no. 826/2021; starting with 10 September 2021, by GD no. 932/2021; starting with 10 October 2021, by GD no. 1090/2021; starting with 9 November 2021, by GD no. 1183/2021; starting with 9 December 2021, by GD no. 1242/2021; starting with 8 January 2022, by GD no. 34/2022.

Correlatively, until 6 August 2021, this implied the application of the measures with impact on the electricity and natural gas supply activity (i.e., the obligation of the transmission and distribution operators of electricity and natural gas to ensure the continuity of service supply, and, in case a situation of disconnection occurs, the postponement of performing this operation until the end of the state of alert).

As of 6 August 2021, when GEO no. 84/2021 had been enforced, the prohibition to disconnect electricity and gas customers during the state of alert had been removed. Regarding the supply cessation in case of non-payment of the outstanding debts, according to GEO no. 84/2021, this measure could not have been taken earlier than 90 days from the entry into force of GEO no. 84/2021.

b. Secondary legislation

During the period analyzed, at the level of the regulatory framework, there were changes and completions in the following areas of activity and regulation:

Liberalization of the electricity market

- **ANRE Order no. 5/2021** amending the ANRE Order No. 171/2020 for the approval of the suppliers of last resort (SoLR) electricity supply *conditions and for amending and supplementing the Framework agreement for the supply of electricity to SoLR household customers*, approved by the ANRE Order No. 88/2015:
 - it includes provisions regarding the discount the SoLRs can grant to household customers who choose a competitive supply agreement. This discount, equal to the difference between the price in the universal service offer applicable between 1 January - 30 June 2021 and the price in the competitive offer with the lowest value, available on 20 January 2021, applies for the period from 1 January 2021 and until at least 30 June 2021;
 - New information obligations have been introduced for SoLRs for household customers from their own portfolio:
 - ✓ until 30 June 2021, accompanying each invoice issued: information regarding the regulated tariffs' elimination, as well as an offer selection form, in the form established by ANRE, containing the competitive offer with the lowest value, a competitive alternative offer, and the universal service offer, offers applicable in the first semester of 2021, as well as the value of the commercial discount granted and the application period, if applicable;
 - ✓ between 1 May - 30 June 2021, monthly: a competitive offer and the universal service offer, valid as of 1 July 2021;
 - ✓ in the second semester of 2021, accompanying each invoice issued: notification regarding the regulated tariffs' elimination.

- **ANRE Order no. 6/2021** for the amendment of the *Regulation for the electricity SoLR designation*, approved by ANRE Order No. 188/2020:
 - the definition of the non-household customers under supply of last resort regime (LR) has been modified, to include the customers who are taken over because there is no other supply source ensured, as well as those who request the supply in the LR regime.

Retail electricity/gas market – commercial regulations

- **ANRE Order no. 82/2021 and no. 91/2021** amending and supplementing the *Regulation on the supply of electricity to final customers*:
 - the amendments/completions are applicable, as a general rule, from 1 July 2021, and, as an exception (e.g., the new provisions regarding the settlement of customer complaints regarding the invoice, payment of compensations due based on the Performance Standard), from 1 January 2022;
 - the changes concern mainly: the content and publication of the offer and the supply contract (it must include all the price elements and it is published, cumulatively, in the ANRE Price Comparator, on the website and at the single point of contact), the determination method of the consumption for invoicing in the absence of the read/self-read index (estimation of consumption by the supplier based on the most recent readings or consumption from the previous similar period being allowed only until the end of 2021, afterwards will be made exclusively based on the consumption agreement issued by the distributor and concluded with the final customer by the supplier), the supply agreement conclusion – necessary documents (eg. the ownership deed is no longer mandatory, being replaced with a declaration on own responsibility on the ownership right over the consumption place), settlement of invoice-related complaints and the supply contract termination for non-payment of the invoices (without being mandatory the consumption place disconnection), completing the mandatory content of the disconnection notice.
- **ANRE Order no. 83/2021** approving the *Performance Standard for the electricity/gas supply activity*:
 - the Regulation is common for electricity and gas, replaces the standards in force for the two areas, and is applicable from 1 January 2022, except for the provisions regarding the reception of telephone calls through the call center (applicable from 1 July 2023, respectively from 1 January 2024 regarding the payment of the compensations);
 - 11 guaranteed quality indicators are established regarding the response times to requests related to: supply offer communication; supply contract conclusion; amendment/completion of the supply contract; invoices; supply interruption/limitation at the consumption place, as the case may be, requested by the supplier; resumption of supply at the consumption place, whose interruption/limitation was ordered by the supplier, subject related to the field of activity of the network operator; communication of responses received from the network operator; supplier change process; supply activity, other than those expressly provided; the response time of a telephone call made through call center service;
 - for each quality indicator, ANRE has established a guaranteed level that the suppliers have the obligation to respect and for whose non-compliance the suppliers will automatically/legally pay compensations to all categories of final customers;
 - a manner of evaluating by ANRE the activity carried out by the suppliers is introduced, through a scoring system established considering the degree of observance of the quality indicators guaranteed levels, a classification that will be made public through the ANRE Price Comparator;
 - in conclusion, by comparison with the current standards: the scope was extended in terms of automatic payment of compensations to all categories of customers, several guaranteed quality indicators were introduced (11 compared to 8 for electricity, respectively 4 for natural gas, currently), the compensation levels for natural gas have been doubled/tripled, the suppliers' classification manner according to the level of compliance with the guaranteed quality indicators has been introduced.
- **ANRE Order no. 138/2021** amending several ANRE orders:
 - several provisions and enforcement deadlines related to the performance standards for electricity/gas supply have been changed as follows:
 - the deadline for sending the customer the response to complaints concerning electricity bills has been changed to 15 working days (instead of 5 working days before);
 - the deadline for sending the customer the response to complaints concerning gas bills has been changed to 15 working days (instead of 15 calendar days before);
 - enforcement of certain changes brought to the Electricity Supply Regulation, by ANRE Order no. 82/2021, has been postponed until 1 July 2022 (from 1 January 2022 before); most importantly, the

enforcement of automatic compensation of all categories of customers (not only US customers) in case of breach of obligations;

- the enforcement of the new performance standard for the supply of electricity/gas (approved by ANRE Order no. 83/2021) has been postponed until 1 July 2022 (from 1 January 2022 before).
- **ANRE Order no. 139/2021** amending and supplementing the gas distribution framework- contract, and related general conditions (approved by ANRE Order no. 78/2020), as well as the Gas Supply Regulation (as approved by ANRE Order no. 29/2016):
 - the order contains changes concerning mainly the following: documents needed for signing a gas supply contract (e.g. a self-declaration shall replace the deed of ownership or use needed before); management of supplier-distributor gas distribution contracts (removal of the obligation to sign addenda in case of prolongation or change of contract); metering (distributor shall read the meter at the beginning and end of the supply, including in case of supplier switching; a standard template shall be used for the data sent by the distributor for gas measuring; distribution services shall be invoiced based on actual measurements or customers' meter self-reading).

Supply of last resort

- **ANRE Order no. 125/2021** changing the *Gas Supply of last Resort Regulation* (approved by ANRE Order no. 173/2020):
 - the order contains changes concerning mainly the following:
 - designation of suppliers of last resort (SoLR): at least 5 SoLRs, with an aggregated market share in terms of customers and volumes of min. 70% (as opposed to at least 3 SoLRs with no associated conditions);
 - conditions under which a supplier may relinquish its SoLR quality – the new aggregated conditions for the SoLRs appointed based on availability and eligibility (such as Electrica Furnizare) are: after at least 1 year from designation (as before); not to have any customer supplied under SoLR at the date of the relinquish (newly added requirement); with prior notification of ANRE with at least 60 days before (compared to 45 days before);
 - duration of the supply of last resort: min. 12 months from takeover for small customers, eg. customers with an annual consumption below or equal to 28 000 MWh (compared to 3 months before);
 - supply of last resort price: supply and transmission components of the price shall be maintained unchanged for 3 months from takeover (as opposed to monthly setting of all energy price components); exemption from this rule – where these components decrease;
 - criteria for selection of SoLRs for the automatic takeover of customers: the “lowest cost” criterion; the takeover capacity criterion, under which the number of customers taken over may not exceed 30% of SoLR's number of customers; the availability to take over criterion, in case SoLRs do not meet previously mentioned criterion (as compared to a single criterion, eg. “the lowest cost”, before).
- **ANRE Decisions** on termination of several gas SoLRs designation decisions, and on the designation of several new gas SoLRs:
 - termination of SoLR designation decisions, upon request of the suppliers concerned to renounce at this quality, for: CEZ Vanzare (starting with 2 January 2022) – ANRE Decision no. 2233/2021, CIS Gaz (starting with 14 December 2021) – ANRE Decision no. 2234/2021;
 - designation of new SoLRs (according to the new rules introduced by ANRE Order no. 125/2021): E.ON Energie Romania – ANRE Decision no. 2237/2021, OMV Petrom – ANRE Decision no. 2238/2021, both starting with 15 December 2021;
 - Electrica Furnizare still SoLR for gas.

Wholesale electricity/natural gas market

- **ANRE Order no. 7/2021** approving the *Regulation on the organized framework for trading standardized products on the centralized natural gas markets managed by Romanian Commodities Exchange S.A.*:
 - the Regulation includes trading rules for the centralized markets related to short, medium, and long-term products, as well as flexible medium and long-term products.
- **ANRE order no. 26/2021** for the amendment of *ANRE Order No. 65/2020 regarding the amendment and completion of certain ANRE orders*:
 - in the application of the EU Regulation no. 943/2019 provisions on the internal electricity market (relating to the over-the-counter sale of energy), the long-term supply contract was redefined as any contract with a delivery duration greater than or equal to one month (compared to one year, according to previous regulations);

- the above-mentioned contracts are concluded in compliance with the competition rules and are reported according to the provisions of the EU Regulation on the integrity and transparency of the energy wholesale market (REMIT).
- **ANRE Order no. 27/2021** on amending and supplementing of *certain ANRE orders*:
 - in the implementation of the European rules regarding the settlement interval at 15 minutes, nine regulations have been modified that establish trading rules on the centralized term markets for electricity, in which the reference to *the duration of one hour* will be replaced with the reference to *the settlement interval*, and this duration of the settlement interval should be one hour until 1 July 2021, respectively 15 minutes starting with 1 July 2021.
- **ANRE Order no. 33/2021** regarding the amendment and completion of *ANRE Order no. 213/2020 for the approval of the Regulation for the calculation and settlement of the balance responsible parties' imbalances - single imbalance price*:
 - the new rules apply to start with 1 June 2021;
 - the calculation method for determining the imbalance and the payment obligations/collection rights used in the imbalance price formula is replaced, with the values for these exchanges received by TSO from the European platform; the remuneration way for the electricity produced in production capacities/electricity storage installations that are in the trial period is modified.
- **ANRE Order no. 37/2014** for the repealing of the *Regulation on the organization and functioning of the electricity Day-Ahead Market (DAM), respecting the mechanism of markets price coupling and the amendment of some normative acts that regulate the electricity DAM*:
 - the repeal enters into force on 17 June 2021 and occurs in the context of the application of harmonized norms at the European level to unify the day-ahead markets.
- **ANRE Order no. 30/2021** regarding the amendment and completion of the *Methodology for regularizing the differences between the allocations and the quantities of distributed natural gas approved by ANRE Order no. 16/2020*:
 - the new rules apply in the process of gas system balancing and regulate the situation in which a distribution operator does not transmit to a network user the differences between the allocation and the distributed quantities and/or the differences between the final monthly allocation and the sum of the daily allocated quantities, as well as the specification of the weighted average price that applies in case the distribution contract terminates during the respective gas year.
- **ANRE Order No. 96/2021** amending the *Regulation on calculation and settlement of electricity imbalances – the single imbalance price*, approved by ANRE Order No. 213/2020:
 - the following elements have been updated: the way imbalances are determined; the formula for calculating starting short and long prices; the deadline for the submission by Transelectrica of preliminary and final data on the settlement of unintended exchanges; formula for calculating the costs/revenues and actual costs for the imbalance energy.

Renewable energy sources, green certificates, prosumers

- **ANRE Order no. 9/2021** establishing the mandatory green certificate (GC) purchase quota for 2020:
 - the quota has been set at 0.45074 GC/MWh (as compared to 0.45061 GC/MWh estimated quota for 2020 and 0.433548 GC/MWh mandatory quota for 2019).
- **ANRE Order no. 15/2021** for the approval of *the procedure regarding the connection to the public interest electricity networks of the consumption and production places belonging to the prosumers who own installations for the electricity production from renewable sources with the installed power of at most 100 kW/consumption place*:
 - the regulation is relevant for the electricity supplier as it can carry out, on behalf of the prosumer, the connection-related procedures, i.e., the transmission of the connection request, of the notification for connection work execution to the DSO, and the request for the prosumer quality certification.
- **ANRE Order no. 50/2021** for the approval of *the rules for the sale of electricity produced in power plants, from renewable sources, with an installed electrical power of no more than 100 kW belonging to prosumers*:
 - The new rules are applicable from 1 July 2021;
 - it is introduced, compared to the previous division into natural persons prosumers and legal person prosumers, the division into natural person prosumers with max. 27 kW installed power, respectively individual prosumers over 27 kW and max. 100 kW and legal entities max. 100 kW, in the application of the provisions regarding: determining the quantity of electricity that benefits from the special applicable price, transmitting the measurement data by invoice or according to the sale-purchase contract concluded with the supplier, and regularization in the invoice or between invoices.

- **ANRE Order no. 52/2021** for the approval of the *Methodology on monitoring the promoting system of the electricity production from renewable energy sources*:
 - the new Methodology is applicable from 1 July 2021;
 - it is taken over from the Rules for selling electricity produced by prosumers and completed, both in terms of transmission methods and content, the obligation of suppliers to submit monthly to ANRE information on sales-purchase contracts concluded with prosumers.
- **ANRE Order no. 131/2021** setting the estimated mandatory green certificates purchase quota for 2022:
 - the estimated quota set at 0.5014313 green certificates/MWh (as compared to the estimated quota for 2021 of 0.4505 green certificates/MWh)
- **ANRE Order no. 117/2021** approving the rules on mitigating green certificate annual impact in electricity consumers' bills:
 - the order sets a calculation algorithm aiming at maintaining the average impact of green certificates in electricity consumer's bills at the present legal value of EUR 14.5 /MWh for as long as the excess of green certificates in the green certificates market in percentages is higher or equal to the average value of the previous 3 years. In case the excess of green certificates in the green certificates market, in percentages, falls below the average of the 3 previous years, the average impact of green certificates in consumers' bills shall be reduced.
- **ANRE Order no. 137/2021** approving *the Procedure on the determination of available electricity network capacity for connection of new electricity generation facilities*:
 - the procedure has been drafted given the European Green Deal and "Fit for 55" objectives, which Romania shall have to endorse, and that calls for the construction of new electricity generation facilities. It consequently became necessary, especially in the absence of network consolidation works, to determine the available electricity network capacity;
 - the procedure sets: rules for determining the available electricity transmission and distribution (110kV) network capacity; rules on the publication transparently and periodically by the transmission and system operator of data concerning the available capacities in the electricity transmission and distribution (110kV) networks; deadlines for the publication by networks operators of data on available capacities (eg. on a monthly basis as of 1 April 2022; twice a month as of 1 July 2022; weekly as of 1st October 2022).

Regulated tariffs, and other taxes and contributions

- **ANRE Order no. 10/2021** regarding the amendment of the ANRE Order no. 214/2020 on the approval of *the average tariff for the transmission service, of the components of the transmission tariff for the insertion of electricity in the network (TG), and for the extraction of electricity from the network (TL), of the tariff for the system service and of the regulated price for reactive electricity practiced by Transelectrica S.A.*:
 - the new tariffs are applicable from 1 March 2021;
 - transmission tariff – introducing electricity into the network component - TG = RON 1.3/MWh (same level as before);
 - transmission tariff – electricity extraction from the network component - TL = RON 19.22/MWh (same level as before);
 - system service tariff = RON 10.82/MWh (lower by 9.5% compared to the previous level).
- **ANRE Order no. 21/2021** for the abrogation of the ANRE Order No. 14/2019 on the approval of the *Methodology establishing the regulated tariffs for the provision of underground natural gas storage services*:
 - the Order aims the implementation of the amendments brought in 2020 to the Law on electricity and natural gas No. 123/2020, with subsequent amendments and completions, according to which, after 2020-2021 extraction cycle, the natural gas storage will no longer be a regulated activity;
 - therefore, starting with 1 April 2021, the underground natural gas storage service tariffs are no longer regulated by ANRE but established by the storage operators, and the access to the storage depots (eg. the related conditions) will be negotiated between the storage operators and users.
- **ANRE Order No. 111/2021** amending ANRE Order No. 123/2017 approving the high-efficiency cogeneration contribution:
 - The new contribution is applied as of 1 November 2021, is included in the final end-user price for electricity, and is 50% higher than the previous value (eg. 0.02554 lei/kWh from 0.01712 lei/kWh).
- **ANRE Orders no. 118-123/2021** approving electricity distribution tariffs and the price for reactive electricity:
 - the new tariffs are in place as of 1 January 2022;
 - the low voltage tariffs for Distribuție Energie Electrica Romania are 10% to 14% higher compared to 2021.

- **ANRE Order no. 124/2021** approving Transelectrica's average electricity transmission tariff, the injection (T_G) and withdrawal transmission charges (T_L), the system service tariff, and the regulated price for reactive energy:
 - the new tariffs are in place as of 1 January 2022;
 - the average electricity transmission tariff is 16.6% higher than in 2021.
- **ANRE Order no. 143/2021** approving the fees and contributions charged by ANRE in 2022:
 - the annual contribution owed by suppliers amounts to 0.1% of the annual turnover for electricity (as opposed to 0.2% in 2021), and 0.056 lei/MWH for gas;
 - given the implementation of customers' support schemes approved by OUG no. 118/2021, as approved by Law no. 259/2021, the order includes clarification as to the calculation of the turnover, eg. this shall be calculated as a net turnover, excluding green certificates and the cogeneration fee from the calculation.

Investigation on the energy market

- **ANRE Order no. 22/2021** on amending and supplementing *the Regulation for the organization and development of the investigation activity in the field of energy regarding the functioning of the wholesale energy market, approved by the ANRE Order No. 25/2017*:
 - the amendments to the Regulation refer to, among others, the procedure for resolving complaints/notifications, providing the data, information, and documents requested by ANRE, the rights of the investigation team members concerning the market participants.

Licenses and authorizations

- **ANRE Order no. 24/2021** on amending and supplementing *certain ANRE orders*:
 - changes to the Validity Conditions associated with the natural gas supply license have been approved: e.g. obligation to notify ANRE, within 5 working days, for any changes of the name, headquarters, or contact data; elimination of the obligation to notify ANRE on the decisions to change/establish/dissolve the main or secondary headquarter/headquarters, the single points of contact, the regional/local information points; completing the ways of communicating with or transmitting information to ANRE (e.g. including magnetic support - CD/DVD/memory stick transmitted/deposited at the ANRE registry; by uploading on the ANRE website, etc.).
- **ANRE Order no. 42/2021** on the approval of the *Framework conditions for validity associated with the license for the activity of natural gas trader*:
 - the rights and obligations of the natural gas trader license holders are established, with the mention that the trader license is absolutely necessary only in the case of an exclusive development of this activity, otherwise, the natural gas supply license also allows the trading activity.
- **ANRE Orders no. 103 and 112 of 2021** changing *the gas authorization and licensing Regulation* (as approved by ANRE Order no. 199/2020):
 - the order hardens the procedure on withdrawal of license upon request (eg. motivated request for withdrawal, confirmation that obligations towards ANE had been met; additionally, for the gas supply license, suppliers need to actually not perform the activity at the time of the request). As regards the supply license, it practically becomes close to impossible to have the license withdrawn upon request.
- **ANRE Order no. 115/2021** changing *the electricity authorization and licensing Regulation* (as approved by ANRE Order no. 12/2015):
 - the order hardens the procedure on withdrawal of license upon request; from the holder's initiative by making it conditional and confirmation that obligations towards ANRE had been met, request and the requirement that the applicant holding a license for supplying electricity no longer carry out the activity, for which it holds the license, at the time of submitting the application;
 - the order also provides for additional documents to be submitted by the applicant for an aggregation license (e.g. a description of the activity the applicant intends to perform, including the electricity market/markets it intends to participate in).

Smart metering for electricity

- **ANRE Order No. 94/2021** amending and completing *the Framework-conditions for the implementation of smart metering in Romania*, approved by ANRE Order No. 177/2018, and ANRE Order No. 88/2015 approving *the Framework-contracts for the supply of electricity by the suppliers of last resort*:
 - the following aspects, applicable as of 1 January 2022, impact suppliers' activity: processing of personal data, collected and transited via the smart meter (with the prior consent of the customer, which, in case of contracts with network regulated services included, have to be obtained by the supplier); customer information concerning the smart meter installation (which shall be carried out by the SoLRs for their customers, by sending them a related appendix to the supply contract); invoicing of the consumption/consumption and production sites with a smart meter installed (which shall be carried out by the SoLRs for their customers solely based on the data registered by the smart meter, with only one exception to the rule allowed); invoicing of distribution services for the consumption sites with smart meters installed (which shall be done solely based on the measuring data registered by the smart meter).

Unbundling of gas activities

- **ANRE Order ANRE nr. 93/2021** amending *the Regulation on unbundling of accounts of gas activities*, approved by ANRE Order No. 21/2020:
 - The provisions of interest to our activity refer to the gas supply of last resort, an unregulated activity according to ANRE change of rules in 2020; in this respect, the obligation to keep separate accounts and report to ANRE shall only apply in case of the supply of last resort at regulated prices.

Corporate image

In 2021, Electrica climbed two positions, reaching 8th place in the ranking of the most valuable Romanian brands, with an estimated market value of 163 million euros, an increase of 19.2% compared to the previous year, representing the largest growth in the Top 10. It is the best position occupied by Electrica in this top, so far.

In terms of transparency, Electrica remained in the top of the most appreciated companies, launching, for the fifth consecutive year, the Sustainability Report, awarded by the Romanian Investors Relations Association.

In 2021, the companies within Electrica Group granted around RON 1 M in donations and sponsorships in the amount of, for various charity causes.

Certifications

In April 2021, DEER successfully finalized the external recertification audit for its Quality-Environment-SSO Integrated Management System implemented according to ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 requirements after the three distribution operators merger into one legal entity. No major non-conformities were identified during the audit and the new distribution company, DEER, obtained the certification valid until 2024, annual supervisory audits will be performed by the certification body during the validity period.

In the second half of September 2021, EFSA was also audited by the external certification body for the recertification of its Integrated Management System Quality - Environment - SSO implemented according to the reference standards ISO 9001: 2015, ISO 14001: 2015, and ISO 45001: 2018, successfully completing the certification.

The other companies within the group, being inside the validity period of the certification obtained for their Integrated Management Systems Quality - Environment - SSO implemented in accordance with the requirements of the references ISO 9001: 2015, ISO 14001: 2015, and ISO 45001: 2018, have only undergone annual supervisory audits of the external certification body, completed without major non-compliances.

Ethics and Compliance

The Code of Ethics and Professional Conduct was updated and a new policy was adopted, namely, The Policy of preventing, combating, and sanctioning any form of harassment in the workplace.

1.3. Subsequent events

Below are the relevant events that took place at the Group level in the period between the 2020 financial year closing and the date of the present report.

Decisions of ELSA'S Board of Directors

- During the meeting held on **2 February 2022**, the Board of Directors of the Company approved the implementation of a reorganization process of the Company's personnel structure and the initiation of the collective dismissal procedure, and the amendment of the Company's organizational structure effective as of 1 March 2022, the notification to the relevant authorities and of the Trade Union regarding the final decision of the company to implement the reorganization process and to make collective dismissal of employees currently in jobs to be terminated, as well as the transmission of all data and information provided in Article 72 of the Labor Code, including the outcome of the information and consultation process with the Trade Union.

Regarding the necessity and opportunity to carry out the reorganization process of the Company's personnel structure, it is mentioned that this is one of a broader and complex package of measures considered by the executive management and the Board of Directors of the Company, regarding the global transformation process of Electrica Group, designed to support both Electrica and each of its subsidiaries to act in an agile manner in a field marked by volatility, uncertainty, and complexity, to face the challenges of the internal and external environment and to strengthen its financial performance, so that the Company has the resources to transpose the development projects, on which shareholders and investors are informed in accordance with the principles of transparency adopted by the Company.

The organizational measures provided for in the reorganization plan have the objectives of resizing and redefining the company's staff plan and its organization and functioning way, in order to adapt optimally the number of staff and the functions performed by the staff to the current conditions of activity on the energy market. The implementation of the organizational transformation project will achieve a reduction from an existing structure of 120 jobs to a future structure of 85 jobs and a flat structure by reducing the number of hierarchical levels. As a result of this approach, the number of organizational entities within the company will decrease significantly - a decrease of 19%, while the number of management/ coordination positions will decrease even more - a decrease of 25%.

- During the meeting held on **31 January 2022**, the Company's Board of Directors endorsed the draft amendment of Electrica's Articles of Association that is submitted for stakeholders' consultation and the approval by the General Meeting of Shareholders, after completion of the consultation process. The proposed amendments can be found in Appendix 1 of the Communication published on February 1st, 2022 on the company's website in the section: Investors – Results and Reports – Current Reports, as well as on the company's website, together with the Articles of Association in the form proposed by the company's board of directors, accessing the following link:
<https://www.electrica.ro/investitori/guvernanta-corporativa/politici-corporative/>. Documents may also be made available to interested parties in physical form at the company's registry.
- During the meeting dated **28 January 2022**, the Company's Board of Directors decided to convene the Company's Extraordinary General Meeting of Shareholders (EGMS) on 21 March 2022, regarding 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 – IFI), With Electrica warranty.
- During the meeting held on **3 January 2022**, the Board of Directors of the Company decided the nomination of Mr. Stefan-Alexandru Frangulea, a Romanian citizen, as interim CFO, starting with 4 January 2022 until 31 December 2022.

Litigations

Case no. 887/90/2013

On 3 February 2022, the final updated consolidated table of the debts owed by Oltchim S.A. was published in IPB no. 2049/03.02.2022. The table was updated mainly because of the decision of the European Tribunal of Justice in Luxembourg, pronounced on 15 December 2021, in case T565/19, a decision that partially annulled the Decision of the European Commission no. C (2018) 8592 final, dated 17.12.2018, which established a series of measures regarding the recovery by Romania of the state aid granted to Oltchim SA, in violation of art.108 paragraph 3 of the TFEU, through some companies, including Electrica. In its ruling, the European court annulled several measures to recover state aid established by the European Commission, including Measure 3, which also refers to the total amount of RON 554,959,671.97 (RON 45,106,237.96 representing the secured debt and the amount of RON 509,853,434.01 representing the unsecured debt), considered state aid with which Electrica was listed in the table of debts. The decision is enforceable, but not final, and can be contested by the European Commission within two

months since its communication.

In the final updated consolidated table, Electrica is registered with (i) the amount of RON 116,058,538 representing the secured debt, with the right to vote, (ii) the amount of RON 45,106,237.96 representing the secured debt registered under the condition precedent of pronouncing a final decision amending the decision of the EU Tribunal, without the right to vote and (iii) 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.

Case no. ARB-5670 – Borislavschi (RO) vs Electrica (RO)

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

Detailed information on the object of the case can be found in Section 1.2. – Key Events – Litigation of this Report.

Transactions with related parties

Regarding the reporting of transactions with related parties during the period between the end of the financial year 2021 and the date of this report, the following relevant events took place at the level of the Group.

- Between 5 January and 26 January 2022 were reported the transactions, in line with Article 108 from Law no 24/2017, transactions performed between OPCOM - DEER, OPCOM - EFSA, DEER - EFSA, and Transelectrica - EFSA, the value of which exceeds the threshold of 5 % of ELSA net assets, calculated based on Electrica's individual financial statements for 2020, that exceeds the value of RON 202.466.778.
- On 26 January 2022 the financial auditor's limited independent assurance report was published, on the transactions reported by ELSA in the second half of 2021, under Article 108 of Law No 24/2017.

Supply segment

In order to expand 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 Electricity Supply, by Decision no. H879 / 2022.

This license will allow Electrica Furnizare to register and trade electricity in Hungary, on the wholesale market, including the derivatives market, and the operations will take place at EFSA headquarters.

Legislation

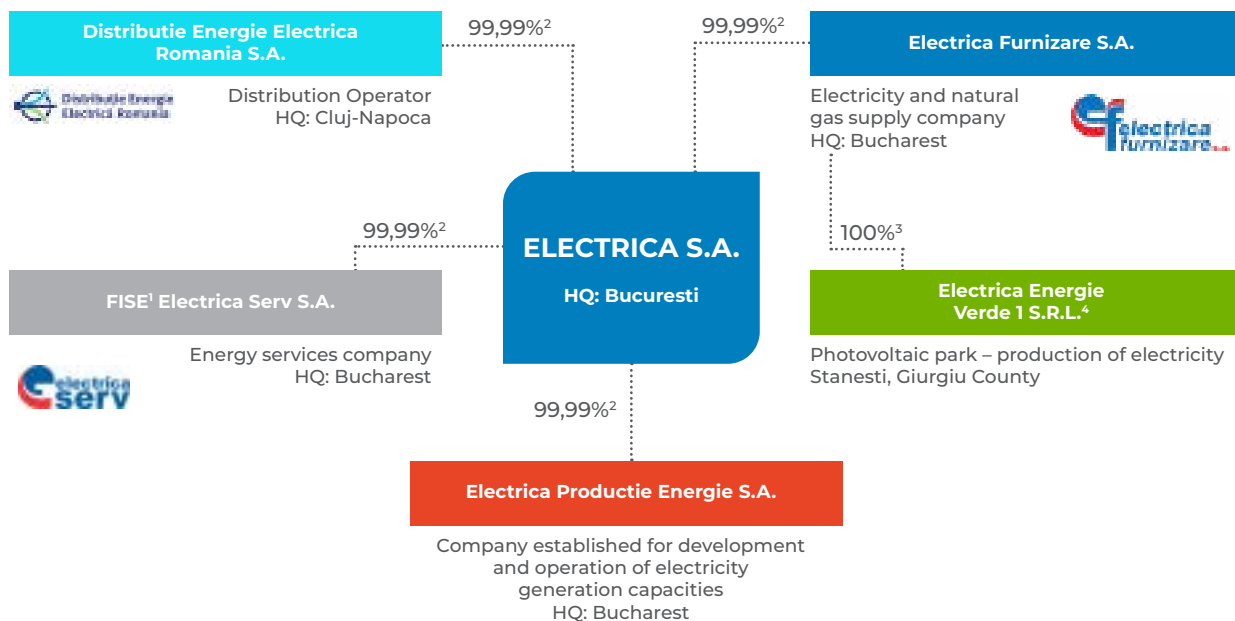
- **GEO no. 2/2022** regarding the establishment of social protection measures for employees and other professional categories in the context of prohibition, suspension, or limitation of economic activities, determined by the epidemiological situation generated by the spread of SARS-CoV-2 coronavirus, 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 the public cultural institutions and cultural establishments subordinated to the central and local public administration authorities;

- ✓ the provision of the interdiction to disconnect or interrupt the supply of electricity to household customers until 30 June 2022;
- ✓ the provision, in case of invoices that do not comply with the legal provisions regarding the application of support schemes (compensation, exemption, capping), of their ex officio redone in max. 15 days from the date of issue. For the invoices already issued, the deadline for their redone is 15 days from the entry into force of this GEO, so until 3 February 2022 (inclusive). Also, the execution of the obligation to pay the invoices being recalculated is suspended, until the issuance of the new invoices.
- **GEO no. 3/2022** for the amendment and completion of GEO no. 118/2021:
 - 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 HOUSEHOLDS (from RON 1/kWh to RON 0.8 /kWh for electricity and from RON 0.37 /kWh to RON 0.31/kWh for natural gas) and introducing the capping for all customers non-household appliances (RON 1/kWh for electricity and RON 0.37/kWh for natural gas);
 - ✓ the capping still targets both the final price and the purchase component of electricity/natural gas: for households – RON 0.8/kWh the final price for electricity, out of which RON 0.336 /kWh is the price component of electricity; RON 0.31/kWh final price for natural gas, out of which RON 0.200/kWh is the natural gas price component; for non-household customers: RON 1 /kWh final price for electricity, out of which RON 0.525/kWh is the price component of electricity; RON 0.37/kWh the final price for natural gas, out of which RON 0.250/kWh is the natural gas price component;
 - ✓ the recovery of the capped amounts will be made according to the thresholds indicated above, corroborated with the application period: from 1 November 2021 to 31 January 2022, by the difference between the average monthly purchase price and the threshold of RON 525/MWh for electricity and RON 250/MWh for natural gas. From 1 February, the recovery is made: for household customers - by the difference between the average monthly purchase price and the threshold of RON 336/MWh for electricity and RON 200/MWh for natural gas; for non-household customers - due to the difference between the average monthly purchase price and the threshold of RON 525 for electricity and RON 250 /MWh for natural gas.
- **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 licensees (including suppliers) to prepare and submit to ANRE the annual report on the activities covered by the license has been eliminated.
- **ANRE Order no. 3/2022** for the approval of the Regulation on the organization and operation of the online platform for changing the electricity and natural gas supplier and for contracting the supply of electricity and natural gas:
 - application deadline - 28 August 2022;
 - an initiative started 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 details 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 to offer natural gas on the centralized markets of natural gas producers whose annual production achieved in the previous year exceeds 3,000,000 MWh:
 - the quantitative weight distributed for the offer on each of the standardized products was modified, provided for the period January - 31 December 2022. In the context of the COVID-19 pandemic, the government decided to successively extend the state of alert initially established in 2022 starting with 8 January 2022, by GD no. 34/2022; starting with 7 February 2022, by GD no. 171/2022.

The image features a blue-tinted background showing silhouettes of several people in a modern office environment. They are gathered around a table, looking at documents and interacting. The office is situated in a high-rise building, with a city skyline and water visible through the large glass windows. The overall atmosphere is professional and collaborative.

2. Electrica Group

2.1. Organizational structure



As of 31 December 2021, the Company's associates are the following:

Associate	Activity	Registration Code	Head-quarters	% shareholdings as of 31 December 2021
Crucea Power Park S.R.L.	Production of electricity	25242042	Constanta	30%
Sunwind Energy S.R.L.	Production of electricity	42910478	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%

Source: Electrica

The main activities of the Group are the operation and development of electricity distribution networks and the supply of electricity and natural gas supply to end consumers. The Group is the electricity distribution operator and the main electricity supplier in North Transylvania (Cluj, Maramures, Satu Mare, Salaj, Bihor, and Bistrita-Nasaud counties), South Transylvania (Brasov, Alba, Sibiu, Mures, Harghita, and Covasna counties), and North Muntenia (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), ensuring the service of the network users by operating installations that function at voltages ranging from 0.4 kV to 110 kV (power lines, substations and electrical transformer stations).

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 the national level.

The SoLR ensures the supply of electricity to final customers who benefit from, according to the legal framework, universal service, non-household customers who have not exercised their eligibility right and non-household customers taken over since they have not secured the electricity supply from any other source.

However, EFSA is designated as a supplier of last resort also in the natural gas sector, only with the possibility to take over the consumers left without a supplier.

Regarding the electricity production segment, this is represented by the Electrica Group subsidiary, EEV1, which owns a photovoltaic park in Stanesti, Giurgiu County, with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW). During 2021, four renewable energy projects acquired by ELSA have been added to this solar power project (three photovoltaic parks with an installed capacity of 163.5 Mw and a wind power park with an installed capacity of 121 Mw, having attached an electricity storage capacity of 60 Mw)

2.2. Mission, vision, values

Electrica Group substantiates its future business development by adapting to the market context and highlighting the specific elements of its companies.



2.3. Key elements of the 2019 – 2023 Strategic Plan

The Strategic Plan for the period 2019-2023, which reflects the Board of Directors' vision of the management of activities in the stakeholders' best interest, both on a medium and a long-term horizon, has been formulated after an analysis of the following areas:

- the external environment, to determine the main environmental factors affecting the electricity market and the key drivers that can significantly influence the evolution of the electricity market in the future;
- industry analysis, in order to identify trends in the electricity market, assess the market attractiveness, and determine the critical success factors necessary for competing and surviving in this market;
- internal analysis of the Group, to assess its past and current performance (relative to other market players).

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

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

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

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

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

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

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

Considering that the limitations generated by the pandemic context in 2021 were extended, the calendars of some projects have been adapted to the current situation.

At the Group level, a priority is to ensure the necessary human resources for key business areas, employees' training, and capitalize on their potential, expertise, and aptitudes, in order to increase labor productivity and individual performance.

Also, an important role will be played by the optimization of the classic IT&C support functions, but also by the implementation of the integrated IT&C organization as a strategic partner for the business lines; IT&C takes over the responsibility of capitalizing on the synergies, but also of supporting the specific competencies that offer strategic advantages to the business segments. In this context, beyond the processes' digitization and their integration in IT platforms, the development of smart grids, the smart meters' integration in the rhythm of their implementation plan, support for the operationalization of prosumers, etc. are provided in the distribution area. In the supply

area, the development of a customer-friendly interface, the automation of contracting, reporting, and invoicing processes, and data exchange with all Romanian distributors are critical elements supported by IT&C as a strategic partner.

The improvement of the corporate governance framework is continued, closely following the Corporate Governance Action Plan established with EBRD starting with 2014.

In the distribution segment, the organizational transformation process started in 2017, has been developed and implemented, through the operationalized initiatives, measures aiming at the efficiency and continuous improvement of the activity.

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

The year 2021 represented the year in which the foundations of the new approach were laid in terms of reorganizing the business and organizational model, which were established - in a broad conceptual and operationalization effort - the target objectives, as well as the method and tools to be used for the current year and the next 2 years, the implementation being started in several areas: (i) the unified target organizational chart; (ii) reviewing and optimizing the processes - as a whole, but also within specific Centers of Excellence, prioritized for implementation depending on the impact in the operational area and the interaction with the client; (iii) the identification and application of those initiatives and optimization measures that would lead to the strict compliance with the targets approved by ANRE regarding the operational and personnel expenses for the distribution service; improving the model of analysis and monitoring of the results obtained compared to the established targets, with the application of a more agile approach (iv) IT&C technology area - with a decisive role in transforming the company, as a whole and in implementing all defined projects, as part of the program.

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

Supply segment

The company has focused in 2021 on increasing the profitability of the customer portfolio by developing specific measures to increase customer satisfaction, by restructuring the portfolio, and by competitive and dynamic purchase strategies, in the context of a volatile and unpredictable electricity market. Additionally, the traditional offer electricity supply was complemented with combined packages of electricity, gas, and value-added services.

The measures taken during 2021 constitute a stable foundation for the Group's ambitions to be a market leader and to ensure, in a sustainable way, profitability and satisfaction for customers and partners. As a result, the transformation project was started for the supply area in order to transform EFSA into an organization capable of successfully responding to current and future challenges in the electricity market, including the improvement of the financial results, improving NPS, defining a competitive commercial programme, improving the position and transforming the organization into a supple and agile company.

Thus, during the first half of 2021, the progress of the implementation of the Transformation Plan was evaluated through two audit exercises, and in parallel, the implementation of the initiatives identified for the efficiency of the supply segment activity continued, as follows:

- consolidating the position outside the traditional area for the non-household customer segment;
- continuing the process of developing and optimizing the portfolio of products/services adapted to the clients' needs;
- implementation of an IT application for the management of the electricity acquisition activity;
- development and optimization of the invoicing and customer management application;
- continued implementation of the Customer Relationship Management (CRM) system - the first two phases of the project were implemented;
- modernization of the integrated risk management system;
- implementation of a system for continuous monitoring of customer satisfaction and identification of measures to improve the quality of services;

At the same time, as part of the priority measures for modernization and adaptation of internal information systems, in 2021 the preparation for the transition to the SAP HANA-ERP system and the migration of all necessary data were made, so that the system became operational starting with January 2022.

In the energy services segment, after the completion of the merger between the SERV and SEM subsidiaries on 30 November 2020, it was necessary to develop a new plan of measures for operational optimization, organizational and strategic repositioning of the integrated company, Electrica Serv SA. The proposed measures are a complex and detailed response based on the current crisis situation of the company, in terms of losses suffered in 2020 and the estimation of the final financial results for 2021. The plan contains an in-depth multicriteria analysis of the company's activities and highlights the underlying causes of the deteriorating financial situation. The measures included in the recovery plan aim at aligning costs with revenues, returning the company to positive financial results, and staff restructuring, with the ultimate goal of increasing labor productivity by eliminating production flow dysfunctions and redundancies in the decision-making process. The recovery plan also overviews the strategic repositioning of the company by developing and consolidating new activities that will serve both the companies within the Group and companies outside it.

Ethics remains a priority for the organization, as a preliminary requirement for the sustainable development of the Electrica Group. The Policy on zero tolerance for corruption, fraud, and money laundering has been revised and updated accordingly with ISO 37001 standard. In the medium term, it is desired the development of an ethical culture within Electrica Group, by moving from the reactive stage to the integrity stage, by internalizing the ethical standards and the values of the organization, understanding the role of ethics as a value-enhancing factor, and providing a permanent internal control system which involves the entire company's personnel.

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

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

2.4. Outlook

The year 2021 continued under the public health events (on 11 March 2020, the OMS declared the COVID-19 pandemic) and the impact of these events on the business and social environment.

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 to address the challenges in 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 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:

- The 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;
- Increased competition between the players in the electricity supply market at the 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;
- 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;
- 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;
- In the long term, fully 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 the decision-making process, as active participants. The smart metering implementation pace depends on the implementation calendar adopted at the national level;

- The significant reduction in the cost of photovoltaic technologies is an opportunity for the development of small-scale generation projects, especially in the domestic area;
- The development of the transmission and distribution infrastructure and long-distance interconnection will become a necessity. The electricity market target model, which implies the development of Europe's internal electricity market, will continue to evolve and be in line with future trends and challenges in the energy industry.

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

Key drivers	Description	Impact on
GDP evolution and industry structure	<p>The economic growth is a determinant factor of electricity demand. Although there is not a one-to-one relationship between GDP growth rate and electricity demand growth rate, there is a positive correlation, mainly between the industrial demand for electricity and economic growth. In the future, household and industrial electricity demand will also be influenced by energy efficiency policies.</p> <p>The increase in electricity consumption was a constant trend in Romania in the last years.</p> <p>The COVID-19 pandemic has temporarily reduced electricity consumption, but the general upward trend will be maintained.</p>	GDP evolution and industry structure
Demographic evolution and technology development	<p>In contrast with the demographic decline recorded at the EU and Romanian levels, electricity consumption is positively impacted by the changes in consumer behavior and the increase in urbanization. For example, the massive increase in the number of connected devices and implicitly, in a less accelerated manner, in electricity consumption, maintain the increasing trend of consumption. However, due to rising prices, the percentage of the population affected by energy poverty is expected to increase.</p>	Electricity consumption
Changes in the regulatory framework	<p>As regards the supply of electricity, 2021 has brought several changes in the legal framework with a significant impact on this activity.</p> <p>The schemes that have been approved in order to support customers paying their electricity/gas bills, and that shall be implemented from 1 November 2021 to 31 March 2022, involve the ex-post compensation of suppliers for the implementation of the schemes, thus risking to affect the activity in case of delays in the recovery of the costs borne by suppliers or in case these costs are not fully recovered.</p> <p>As of 2022, only household customers shall have the right to universal service. Therefore, new competitive contracts must be signed with non-household customers which previously benefitted from universal service, if not, these customers may be switched to a supplier of last resort.</p> <p>The new Performance Standard for electricity/gas supply 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>	Electricity prices

Key drivers	Description	Impact on
	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, the base of regulated assets, own consumption technological, operating, and maintenance costs, dynamic distribution tariffs starting with 2020). 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.	
The evolution of the electricity price in the market	The transactions concluded on the centralized platforms exceeded the threshold of 700 lei / MWh for the Year 2022 product and 1000 lei / MWh for the short-term products related to the winter period, and on DAM the weighted average price doubled compared to the beginning of the year 2021. Distribution operators purchase energy for NL at a price double that the ex-ante price approved in the distribution tariffs.	Electricity prices
Technological development	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.	Electricity prices and consumption
Increase in environmental awareness	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.	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 OUG 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 electricity market 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 OUG no. 118/2021, as approved with amendments by Law no. 259/2021 and amended by OUG no. 130/2021. 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, implies 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, with a positive impact on the level of invoiced consumption and the value of the distribution services priced according to the distribution tariff;
- Amendment of the Gas Supply of Last Resort Regulation by ANRE Order no. 125/2021, making it 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 the selection of SoLRs for the 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 in *chapter 1.2. Key Events*. Based on these changes, the expected effects refer to:

- the changes brought by the new methodology for establishing the distribution tariffs and the RRR level will generate a negative impact on the operational and financial performances of the DSO, as a result of the ANRE approval of the operating and maintenance costs at a lower level than the necessary costs requested by the DSO, as well as of ANRE annually carrying out the costs and forecast investments corrections.
- the changes brought to the methodology in 2020 regarding the regulation of some aspects in case of mergers, which were materialized through the obligation of the gross benefits annual reporting, as well as of the merger associated expenses;
- investments in electrical distribution network - ANRE approved Order no. 3/20 January 2021 which grants a 2% additional incentive to RRR for investments in electrical distribution network made from own funds in projects in which European non-reimbursable funds were attracted, if the investments were made and commissioned by the operators after 1 February 2021;
- for the year 2021 it has been introduced the DSO obligation to perform, in addition to the investment plan, the connection workings of the household and non-household customers; and starting with 2022, the Energy Law was amended by GEO no. 143/2021, the connection of non-household customers will no longer be free of charge, and for domestic customers, the Distributor will pay only the average value of a connection, established by ANRE;
- ANRE has approved the Performance Standard for the electricity distribution service, which brings additional obligations for the DSO which will lead to operating costs and investments higher than the values approved by ANRE.

The regulatory changes with significant impact in the supply segment are the following: until 31 December 2020, for household customers the supply of electricity is done in conditions regulated by ANRE; starting with 1 January 2021, the electricity market is liberalized for all categories of final customers.

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 shortly.

Electrica Group operates in a competitive market, where 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 retain 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 the Group level, the provision of the necessary human resources and the staff training in key business areas were treated as priority topics, in order to increase labor productivity and individual performance.

The human resources strategy took into account these aspects and, through the proposed projects, aimed 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.

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.

2.5. Key factors, directions, and significant market trends affecting the operational results of Electrica Group

Considering the strategic elements defined for 2019-2023, the company analyzes the strategic options and aims to implement streamlining measures, including through restructuring programs and transformation of Group's divisions, training, and staff development programs, redesigning business models, or entering new business segments, in order to improve both the quality of the services offered, as well as the financial performance.

The most important **assumptions** considered for the strategy review are the following:

- The Romanian energy mix is changing significantly, being heavily disrupted by the advent of renewables, together with the emergence of the prosumers in the following years;
- Romanian GDP will have a stable long-term evolution;
- Different trends in electricity consumption (an increasing trend in the medium-term, but stagnation/reduction in the long term);
- Romania will maintain its commitment towards the accomplishment of the 20-20-20 strategy regarding the climate changes and the implementation of the new Framework for the period 2020-2030; Moreover, the adoption by the European Commission of the European Ecological Pact (the "Green Deal") has the potential to significantly modify the entire macroeconomic system, leading to a revision of the strategy in the following period, depending on the local implementation;
- For the current regulatory period, the remuneration mechanism, the type of tariff and the method of applying corrections are subject to modifications, these key factors being considered in the strategic planning;
- The supply segment will experience a short and medium-term repositioning following the elimination of regulated tariffs and liberalization of the electricity market starting with 1 January 2021;
- The impact that the legislative framework changes may have, as well as the lack of predictability in the medium and short term, particularly regarding the prices and supply conditions applicable to household customers who currently benefit from universal service;
- No major geopolitical turbulences have been taken into account, which might significantly affect the Romanian electricity market;
- Financial markets will allow access to profitable financing sources to support companies' investment programs.

As a result of the adoption of the new business strategy of the Electrica Group and in line with the main objectives and directions established by it, in 2019 a process of analysis, evaluation, formulation, and approval of a specific strategy for reorganizing Group **IT&C activities** took place. This strategy has clear and measurable objectives for the period 2020-2023 in order to support business projects, including among others measures to extend the digital transformation, increase the cyber security level at the Group level, develop virtual centers of excellence based on the use of best practices and benefiting from economies of scale, maximizing the economic benefits. During the year 2020, the implementation of the IT&C strategy achieved the proposed objectives in the area of the personnel reorganization, evaluation of technology and processes, and setting the alignment plans that are already launched for 2021 and 2022.

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

One of the main factors influencing the strategic decisions for the Distribution area is represented by the trend of energy market prices which negatively impacts in a significant way the cost of energy acquisition for network losses and for which there are no premises for a comeback, with a significant negative impact over profitability.

The supply segment will focus on diversifying the activity through offers and services adapted to customers' needs, on operational efficiency through optimized processes for the sale and purchase of electricity, and on customer orientation and maximizing satisfaction. The aim is to increase the natural gas supply segment, offer value-added solutions (products and services), and digitize specific operations and processes.

Please note that other factors that are not available at the report date (eg. legislation and regulatory provisions under discussion etc.) or not presented above, or not considered by the Group may occur and may have a significant impact on the implementation and evolution of the Group's strategy.

Supply segment

The legal framework has been suffering significant changes in the last decade, including the market liberalisation, separation of activities, the implementation of the support scheme for renewable energy, supporting electricity prosumers. Starting with the 1 January 2021, together with the elimination of regulated final prices for electricity, the electricity market is fully liberalized for all categories of customers. As a result, both for universal service offers and for competitive market offers, the price is set up by suppliers in free-market conditions.

At the same time, the amendments and completions brought to the Law on electricity and natural gas no. 123/2012 by GEO no. 143/2021, created new rights and obligations for electricity suppliers, among which: the obligation to provide universal service only to households; elimination of the obligation regarding the establishment of single physical contact points at max. 50 km for customers receiving universal service; the obligation regarding the issuance of the regularization invoice for the households once at max. 3 months; the right to carry out, on the wholesale market, directly negotiated bilateral transactions for any time interval; the obligation regarding the purchase of electricity in order to ensure the coverage of the clients' consumption, the non-observance of which constitutes a contravention sanctioned with a fine applied to the turnover.

Moreover, between 1 November 2021 and 31 March 2022, in the context of the increase in prices on the electricity and natural gas markets at an international and national level, as well as the effects caused by

these increases for the Romanian population, will be applied, through the effect GEO no. 118/2021, with subsequent amendments and completions, a series of support schemes for electricity / natural gas customers. In particular, given how these schemes are implemented and the mechanism for settling the amounts granted as support for customers, ex-post, from the state budget to electricity suppliers, they are likely to generate constraints in terms of cash flows, as well as uncertainties regarding the full recovery of the respective amounts by the suppliers. In this context, EFSA is reviewing its medium and long-term strategy such as to manage responsibly and sustainably the impact of these measures on the company's activities, in this legal framework that has successive and high impact changes lately.

Evolution of purchase prices

2021 was a year characterized by an abrupt increase of prices both for energy and natural gas, reaching historical maximum levels for trades.

There has been a recorded increase of over 400%, from RON200-300/Mwh energy trading price in 2020 to over RON 1,000 /Mwh trading prices in 2021. As a result of coupling to the regional markets, the trading prices from the wholesale energy market have been aligned to those from the region.

The main causes that favored the increase of prices:

- ✓ Increase of trading prices for carbon emission certificates, from EUR 20-0/ton to EUR 80-90/ton
- ✓ Increase of natural gas price from RON 60-70/Mwh in 2020 to RON 500-600/Mwh in 2021 with direct impact on the increase of the production costs of electrical power plants that use natural gas as fuel;
- ✓ Lack of investments in new production capacities.

In the context of the high volatility of trading prices and the unpredictability created by the legal framework, it is difficult to assess what would be the evolution of the wholesale energy market in 2022. Due to the lack of major investments in new production capacities, it is estimated that the ascending trend will be maintained in the energy and natural gas market.

The impact on customers

- Continue expansion of the activity through opening new offices in the non-traditional business activity of Electrica Furnizare, with providing consulting to clients regarding the products on the competitive market and facilitating the conclusion of advantageous contracts;
- Developing partnerships with the scope of the open approach of the market in the dynamic context created by liberalization;
- Modernization of many centres for managing clients relationships, out of which are those from Cluj-Napoca, Brasov;
- Acceleration of digitization and streamline of processes to optimize customer relations;
- the dynamic of the energy market and international context has influenced the evolution of the energy market in Romania, by simplifying the processes for bidding, contracting, supplier change;
- Context influenced by supporting measures given to companies that operate in the sectors impacted by the pandemic crisis (ex. HoReCa);
- Insolvency of the energy suppliers in the context generated by pandemic, that triggered the transfer of customers to last resort supply, generating imbalances of the competitive market.





3. Electrica on the capital markets

3.1. Ownership structure

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



London
Stock Exchange



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 December 2021 is the following:

Shareholder	Number of shares	Stake held (% of the share capital)	Percent of voting rights (%)
The Romanian State, through the Ministry of Energy, Bucharest, Romania	169.046.299	48,7948%	49,7850%
The European Bank for Reconstruction and Development	17.355.272	5,0096%	5,1112%
Electrica SA	6.890.593	1,9890%	0
BNY MELLON DRS, New York, USA	2.716.716	0,7842%	0,8001%
Other legal entities*	132.970.836	38,3817%	39,1606%
Individuals	17.463.881	5,0409%	5,1432%
TOTAL	346.443.597	100,0000%	100,0000%

Source: Central Depository, Electrica

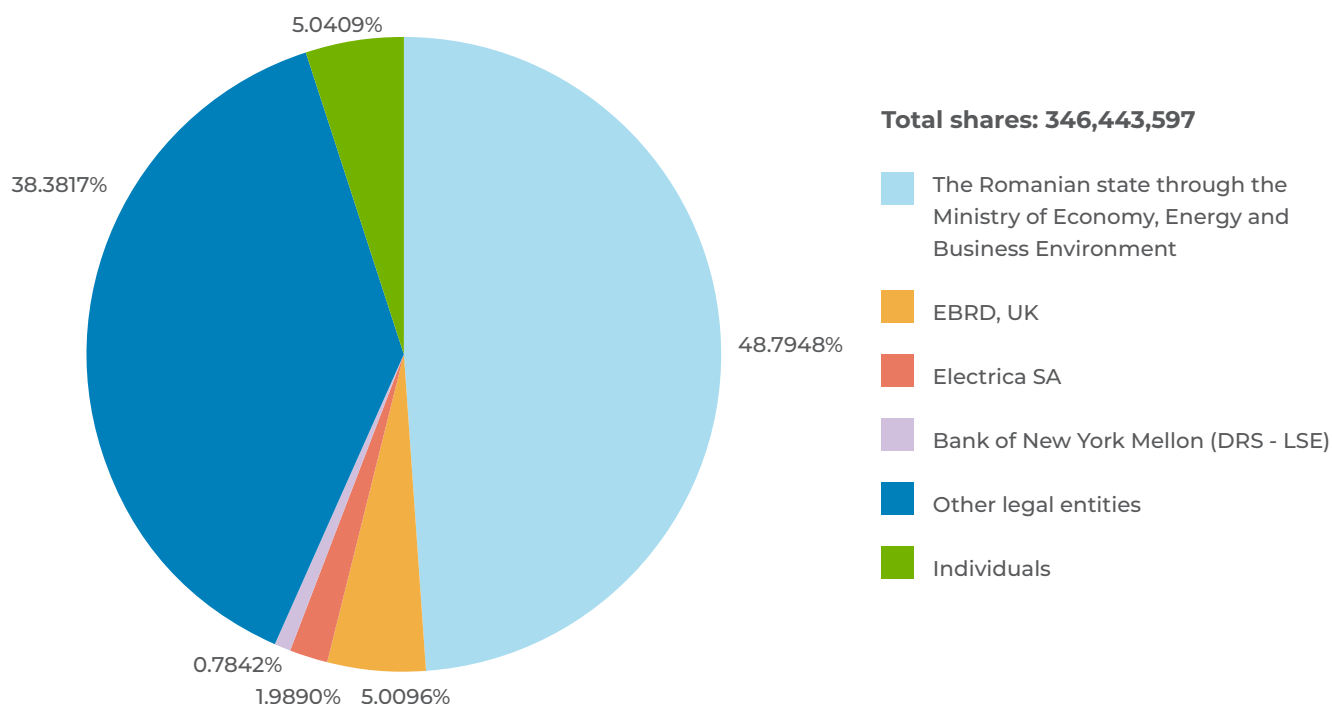
Note 1: Shares with voting rights - 339,553,004, representing the total number of shares (346,443,597) without the number of own shares held by Electrica (6,890,593), for which the voting right is suspended

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

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

Following the stabilization process after the June 2014 IPO, ELSA owns 6,890,593 of its shares, representing 1.989% of the total share capital at 31 December 2021, with suspended voting rights, which does not entitle ELSA the right to receive dividends.

Figure 16: Ownership structure as of 31 December 2021



Source: Central Depository, Electrifica

At the end of 2021, ELSA's shares were owned by a total of 10,090 shareholders, of which 264 legal entities and 9,826 individuals from over 30 countries. 89.43% of the total number of shares (309,808,734 shares) were held by Romanian investors. Thus, foreign shareholders held 10.57% of the share capital (36,634,863 shares), the largest weight being represented by European citizens. Shareholders in the United Kingdom and Ireland held 5.36% of share capital, while those in the USA held 1.27%, in this category is included also in the GDR holders.

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



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

Between **4 July 2014 - 31 December 2021**, ELSA's shares recorded a minimum price of RON 8.06 (16 March 2020) and a maximum price of RON 14.96 (12 May 2017), therefore the weighted average price was RON 11.85.

The gross dividends per share granted by ELSA in this period reached a cumulative value of RON 5.2317. Thus, the aggregate yield generated by ELSA's shares (along with dividends) from the IPO and until the end of 2021 was 38.83%.

From the IPO dated 4 July 2014 until the end of 2021, ELSA shares attracted a RON 3.92 bn liquidity on BSE, with a daily average of RON 2.04 mn. During this period of about 8 years, 332.03 mn ELSA shares have been traded (including DEAL transactions), representing 95.84% of the share capital and 97.79% of the voting rights (total shares without ELSA shares). Thus, the average daily turnover during this period on BSE was 172.935 shares.

The gross dividend per share granted by ELSA in 2021 (for 2020) was RON 0.73, in line with those granted in the previous years, with a yield of 5.72% (computed at the ex-date closing price from 3 June 2021).

In 2021, ELSA shares attracted liquidity of RON 217.15 mn on BSE, with a daily average of RON 858.29 thousand, dropping by 61.18% compared to 2020, the tenth in the top by trading data on BVB. The volume of shares traded was 17.65 mn, dropping by 65.37% compared to 2020, so the daily average volume was 69.743 shares. The total volume of shares traded in 2021 accounted for 5.09% of the share capital.

In order to support the liquidity of its listed shares, ELSA concluded a Market-Making services contract with Wood&Co, starting 30 September 2020, its validity being extended by one year, starting 30 September 2021.

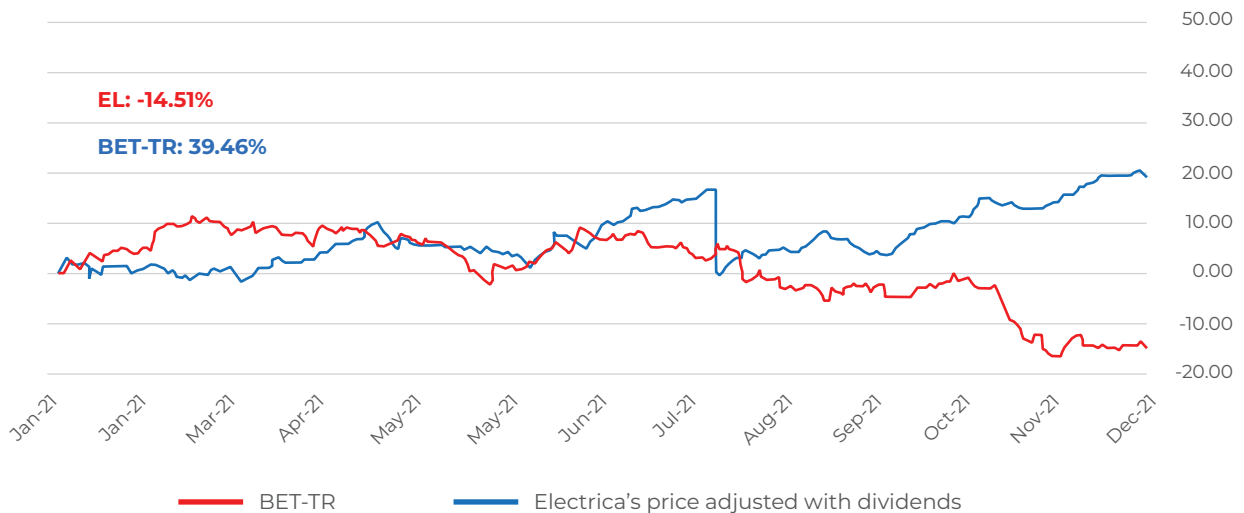


The GDRs' weight in ELSA's total share capital diminished during the period following the Initial Public Offering, reaching a level of 0.78% at the end of 2021, compared to 10.17% at 4 July 2014.

The maximum price reached by the GDRs was USD 15.3, in September 2014 and the minimum price was USD 7.9 on 6 April 2020. Subsequently, the GDRs' prices followed a fluctuating trend. During 2021 the trend was a downward one, ending 2021 at USD 9, dropping by 28% compared to the end of 2020.

In the period since IPO and until the end of 2021, 12.6 mn GDRs have been traded, out of which 35,304 GDRs in 2021.

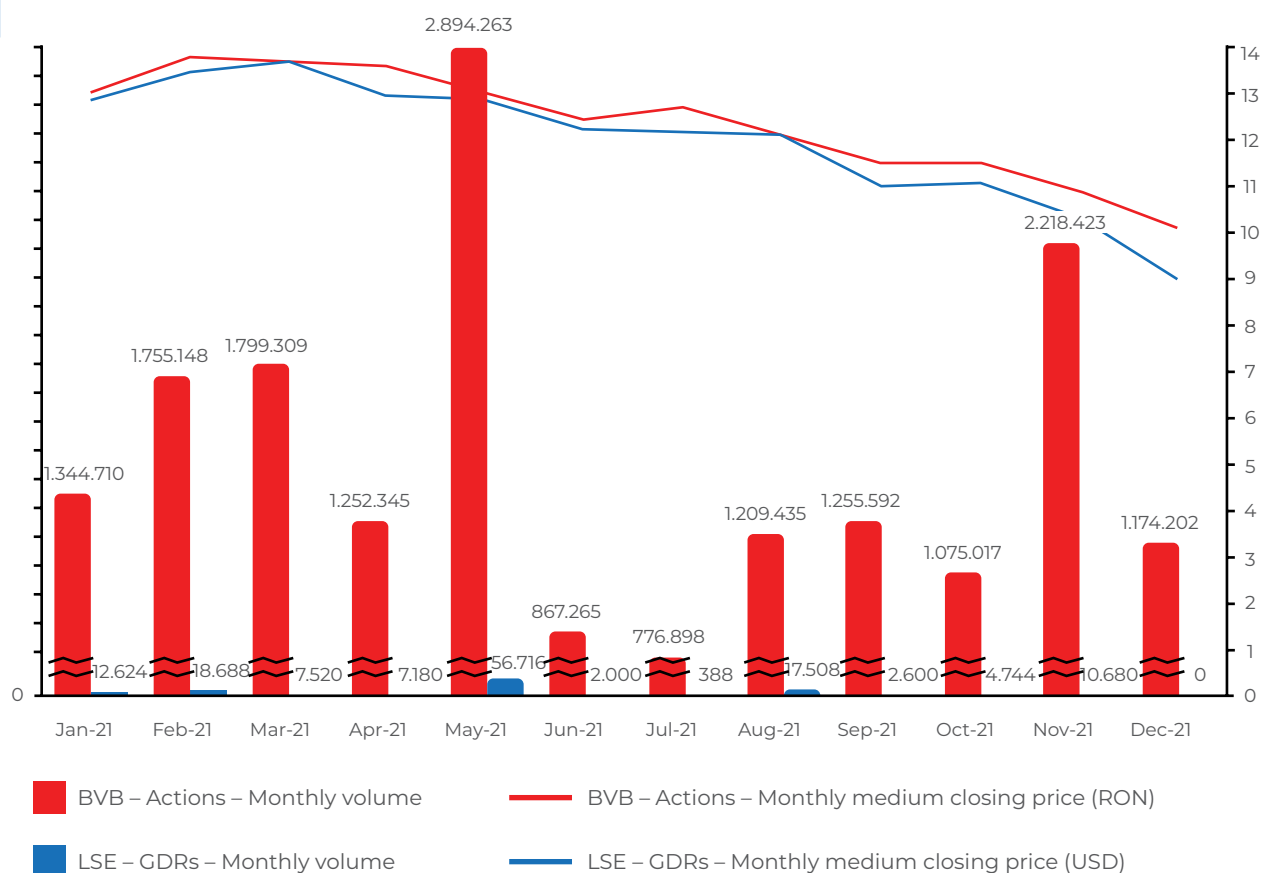
Figure 17: Evolution of the adjusted³ closing price of ELSA's shares vs BET-TR index during 2021



Source: BSE, Electrica

³ Adjusted to ex-data with the annual dividend/share value

Figure 18: Monthly traded volume and the evolution of the monthly weighted average price of shares on BSE (in RON) and GDRs on LSE (in USD) during 2021



Source: BSE, LSE, Electrica

3.3. Investor relations (IR)

As in every year, in 2021 ELSA's management team continued to be involved in numerous activities for investors and analysts. Although the crisis generated by the COVID-19 pandemic led to the impossibility of organizing physical meetings, ELSA's representatives continued to be present at national and international conferences as well as at online individual meetings and attended conference calls with Romanian or foreign investors and analysts.

During the year, four teleconferences were organized to present the annual, quarterly, and half-yearly financial results of the Group. The events have been streamed live through webcasts, both the supporting documents and the web-conference recordings can be accessed on the company's website, under the section Investors > Results and Reports.

Among the conferences that took place during 2021 and were attended by ELSA's representatives, we mention:

- Institutional Investor Conference in Zürich, online event (12 April 2021);
- WOOD's EM Energy & Commodities Conference, online event (13 April 2021);
- Invest Talk - Investeste la Bursa, online event (2 June 2021)
- Frontier Investor Days 2021 – Wood's virtual conference, online event (2-3 September 2021);
- Wood's Winter Wonderland EME Conference, online event (9-10 December 2021).

In 2021 ELSA continued to be an associate member of the Romanian Investors Relations Association (ARIR), being involved in numerous ongoing projects of the association.

To inform stakeholders correctly, continuously, and transparently, the Investor Relations Department has disseminated a large number of current reports and announcements on the platforms of the Bucharest Stock Exchange (BSE), the London Stock Exchange (LSE), the Financial Supervisory Authority (ASF and FCA), as well as on ELSA's website. All these documents can be accessed on the company's website, under the Investors section > Results and Reports.

All the actions taken during 2021, as well as the plans for the following years, have as main objective the achievement of the best-in-class investor program, increasing the transparency and quality of communication with investors and analysts, constantly driving shareholders' retention and satisfaction. Evidence of the recognition of these efforts was ELSA's positioning in the top listed companies in terms of transparency and communication in investor relations, by obtaining a score of 10 on Vektor – a measure of the communication of listed companies with investors (in 2021 only 10 companies have obtained a grade above 9), as well as the award granted by ARIR for the activity carried out by ELSA, at the category Best Sustainability Report.

3.4. Related parties transactions

ELSA has the obligation to report the significant transactions concluded by ELSA or its subsidiaries with related parties, by drawing up and publishing reports on this aspect, as per art. 108 of law no. 24/2017. „Significant transaction” means any transfer of resources, services, or obligations, whether or not it involves the payment of a price, the individual or cumulative value of which represents more than 5% of ELSA's net assets, according to the latest individual financial statements published by ELSA (in this case on 31 December 2020, RON 202,466,778).

The current reports on this type of transaction published by ELSA in 2021 may be retrieved on the company's website, at <https://www.electrica.ro/en/investors/results-and-reports/current-reports-art-108/>.

3.5. Dividends policy

ELSA's dividend policy, updated in February 2018, can be accessed on the company's website under the Investors section > Corporate Governance > Corporate policies and other documents.

ELSA's dividends are distributed from the annual net distributable profit based on the annual individual audited financial statements after their approval by ELSA's Ordinary General Shareholders' Meeting (OGMS) and the approval of the dividend proposal by the OGMS. The shareholders receive dividends proportionally to their share in the company's paid-up capital.

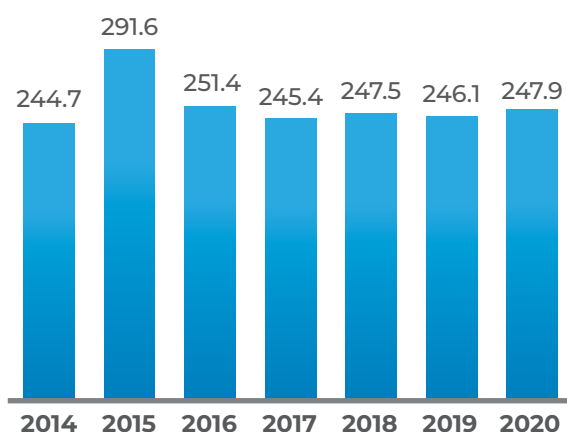
Regarding the global deposit receipts that are traded on the London Stock Exchange, ELSA pays dividends to the GDRs issuer proportionally to its holdings. Holders of GDRs will then receive dividends from the GDR issuer, proportionally to their holdings.

According to the policy in force, the dividend distribution that the Board of Directors will consider in formulating the proposal to ELSA's OGMS will be between 65% and 100% of its distributable net profit. In case there are deviations outside this range, they will be documented and explained to shareholders in the periods in which they occur. The company will pay all dividends in RON.

The dividend payout ratio from the distributable profit of the Group subsidiaries shall be consistent with ELSA's present dividend policy. The dividends paid by the Group's subsidiaries to ELSA in year N (related to year N-1 results) are recorded as finance income in ELSA's financial statements in year N and thus constitute the source of the net result from which ELSA declares and subsequently pays dividends to its shareholders in year N+1 (related to the result of year N).

3.6. Dividend distribution

Figure 19: Gross dividends distributed (2014-2020) - RON M

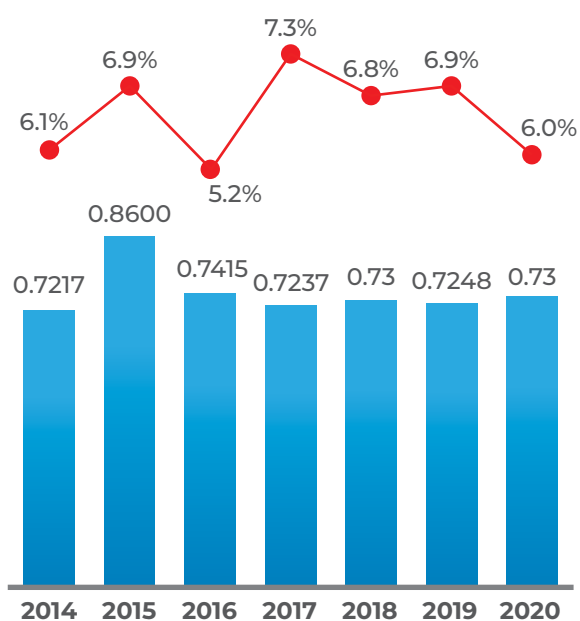


Source: Electrica

The dividends distributed by ELSA fluctuated in the period 2014 - 2020, between RON 244.7 M and RON 291.6M, and the dividend payout ratio was 96% in 2014, 100% each year between 2015-2017, 87% in 2018 (RON 35.57 M was distributed to "Others reserves"), and 100% in 2019.

The dividend payout ratio for 2020 was 87.5% (RON 35.57 M was distributed to "Others reserves").

Figure 20: Gross dividend per share (RON) and dividend yield (%)



Source: Electrica

The yield of the dividend paid in 2021, for the 2020 results, recorded a level of 6.0%, the gross dividend per share paid in 2021 being RON 0.73. The dividend yield (%) is calculated as the Gross dividend per share/Closing share price on BSE at ex-date.

Thus, Electrica continues to offer investors a stable return, which is at a level between 5.2% and 7.3% for each year in the period 2014-2020.

3.7. Own shares

In July 2014, ELSA bought back for price stabilization purposes, 5,206,593 ordinary shares and 421,000 Global Depository Receipts, equivalent to 1,684,000 shares. The total amount paid for acquiring the shares and Global Depository Receipts was RON 75,372 thousand. There were no changes in the number of treasury shares until the date of the report.

⁴ Dividends refer to each financial year indicated and are paid during the following year.

⁵ Dividend payout ratio is calculated as Gross Dividends/Net profit distributable to dividend, whereas Net profit distributable to dividend is Net profit according to individual financial statements of ELSA less the required distributions to legal reserves.



4. Corporate Governance in ELSA

4. Corporate Governance in ELSA

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

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

Corporate governance represents the set of principles standing at the basis of the governance framework used for the company's management and control. Transposed in the internal rules and regulations, these principles determine the efficiency and effectiveness of the control mechanisms aiming to protect and harmonize the interests of all the stakeholders – shareholders, directors, executive managers, managers of different structures of the company, employees, and the organizations that represent their interests, customers and business partners, suppliers, central and local authorities, regulators and capital markets operators, etc.

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

ELSA undertook, from the moment of the IPO and admission to trading from July 2014, the implementation of a corporate governance action plan, as part of the framework agreement concluded with the European Bank for Reconstruction and Development. The standards and measures provisioned in this plan have been implemented and continuously monitored. For more details about this Action plan, please see *chapter 4.10*.

4.1. Corporate Governance Code

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

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

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

In 2020, chapter six of the CGC ELSA regarding the risk management system was revised; in July 2020 the amended ELSA CGC was published on the company's website and is available in the section *Investors > Corporate Governance*.

ELSA's compliance with BSE's Corporate Governance Code is being thoroughly assessed, and as updates and developments appear, ELSA promptly reports them to the capital market. The "Comply or Explain" Corporate Governance Statement from chapter 4.9 presents annually the company's compliance level with the provisions of BSE's CGC code. This is also available on the company's website in the section *Investors > Corporate Governance > Comply or Explain*.

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

ELSA CGC contains the terms of reference and the main responsibilities of the company's administrative and executive management, as they are detailed in ELSA's Articles of Association, the organization and functioning regulations of the Board of Directors, and those of its committees.

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

During 2021 the following corporate documents have been revised and published on Electrica's website: *Remuneration Policy for Directors and Executive Managers* – on 7 May 2021, *the Code of Ethics and Professional Conduct* – on 31 December 2021 and *the Articles of Association* – on 16 September 2021.

Based on the principles set out in the Code of Ethics and Professional Conduct, corroborated with the need to comply with legal provisions in force, ELSA has adopted, starting with 15 December 2021 and entering into force on 1 January 2022, *the Policy for preventing, combatting and sanctioning of any type of workplace harassment*. This corporate policy can be found on the company's website in the section *Investors > Corporate Governance > Policies and other corporate documents*.

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

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

Since ELSA's shares are allowed for trading both on the regulated market managed by Bucharest Stock Exchange (BSE), as well as on the market managed by the London Stock Exchange (LSE), ELSA is subject to the rules imposed by the national and European laws regarding market abuse prevention and the regime applicable to inside information. Thus, ELSA has implemented a Policy on preventing the misuse of inside information, unauthorized disclosure of inside information, and market manipulation (Policy regarding Market Abuse). The purpose of this policy is to prevent violations of the legal provisions regarding the misuse of inside information, by increasing the awareness of all persons who possess inside information regarding the obligations, restrictions, and sanctions applicable in case of possession and abusive use of inside information or in case of market manipulation regarding ELSA's securities.

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

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

4.2. General Meeting of ELSA's Shareholders

The General Meeting of Shareholders ("GMS") is the main corporate governance body of ELSA, deciding on the items as outlined in the Articles of Association. The convening, functioning, voting method, as well as other provisions regarding the GMS are detailed in ELSA's Articles of Association, which is available in electronic format on ELSA's website, in the section *Group > About*.

Starting with 1st February 2020, ELSA has in place a policy on organizing and conducting the general meetings of shareholders of the company, which presents in detail aspects of interest for investors regarding the way of organizing and carrying out the GMS. Its update was carried out in August 2020. The policy is available on the company's website, under the section *Investors > Corporate Governance*.

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

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

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

- a. withdrawal of the preference right of shareholders upon subscription of new shares issued by the Company;
- b. contracting any type of loans, debts or obligations representing a loan, as well as creating real or personal security related to these loans, in each case in accordance with the competence limits provided in Appendix 1 to these Articles of Association;
- c. operations regarding the acquisition, alienation, exchange, or creation of encumbrances over fixed assets of the Company whose value exceeds, individually or cumulated, during any financial year, 20% of the total fixed assets, fewer receivables, and leases of tangible assets for periods longer than one year, whose individual or cumulated value towards the same co-contractor or involved persons or with whom it acts in concert exceeds 20% of the fixed assets value, fewer receivables at the time of entering in the relevant operation, as well as joint ventures above the same value and with a duration of over one year;
- d. approving investment projects in which the Company will be involved in accordance with the competence limits provided in Appendix 1 to these Articles of Association, other than the ones provided in the annual investment plan of the Company;
- e. approving the issuance and admission to trading on a regulated market or an alternative trading system of shares, deposit certificates, allotment rights, or other similar financial instruments; approving the competencies delegated to the Board;
- f. changing the legal form;
- g. relocation of the registered office;
- h. changing the main or secondary business objects;
- i. increasing the share capital, as well as

- decreasing or the replenishment of the share capital by issuing new shares, according to the law;
- j. the merger and the spin-off;
 - k. the dissolution of the Company;
 - l. carrying out any bond issue, as per the provisions of art. 10 of the Articles of Association, or conversion of a category of bonds in a different category or in shares;
 - m. approving the conversion of preferential and nominative shares from one category to another, according to the law;
 - n. any other amendment to the Articles of Association;
 - o. the establishment or dissolution of secondary offices: branches, agencies, representative offices, working points or other similar units without legal status, according to the legal provisions;
 - p. participation in the establishment of new legal persons;
 - q. approval of the eligibility and independence criteria concerning the Board members;
 - r. approval of the corporate governance

- strategy of the Company, including the corporate governance action plan;
- s. donations within the limits of the competence provided in Appendix 1 to these Articles of Association; and
 - t. approves granting of intragroup loans with a value of more than EUR 50 mil. per operation;
 - u. any other decision that requires the approval of the extraordinary general meeting of the shareholders.

The OGMS is convened at least once a year, within a maximum of four months from the end of the financial year. Except for this situation, OGMS and EGMS are convened as many times as needed, being convened by ELSA's Board of Directors whenever necessary for the activity of Electrica Group. The GMS may be convened also, upon the request of shareholders representing, individually or cumulatively, at least 5% of the share capital. In this case, the general meeting of the shareholders shall be convened by the Board of Directors within no more than 30 days and shall meet within no more than 60 days from the date of receiving the request.

4.3. Shareholders' rights

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

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

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

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

- Each share subscribed and fully paid in by the shareholders, in accordance with the law, grants the shareholders (i) the right to one vote in the general meeting of the shareholders, (ii) the right to elect the management bodies, (iii) the right to participate to the profit distribution, as well as (iv) other rights provided by these Articles of Association and by the legal provisions;
- The acquisition of the property right over a share by a person, directly or indirectly, has as effect the obtainment of the capacity of a shareholder of the company together with all rights and obligations deriving from this capacity, in accordance with the law and the Articles of Association;
- The rights and obligations deriving from the shares are transferred to the new acquirers together with the shares;
- When a nominative share becomes the property of several persons, the transfer shall be registered only if they appoint a sole representative for exercising the rights derived from the shares;

- The obligations of the company are secured by its social patrimony, and the liability of the shareholders is limited to the subscribed share capital;
- The shareholder that has, in a certain operation, either personally or as representative of another person, an interest contrary to the interest of the company, must refrain from deliberations regarding the respective operation.

The exercise of the rights by the holders of the depositary certificates⁶ is realized as follows:

- The rights and obligations related to the underlying shares based on which the depositary certificates were issued are exercised by the holders of the deposit certificates, proportionally to their holdings of deposit certificates and taking into account the conversion rate between underlying shares and the deposit certificates;
- The holder of the deposit certificates issued based on the underlying shares is the shareholder within the meaning and for the application of Law 24/2017 on the issuers of financial instruments and market operations. The issuer of the deposit certificates is fully responsible for informing the holders of the deposit certificates in a correct, complete, and timely manner, observing the provisions of the documents of the issue of the deposit certificates, regarding the documents and the informative materials related to a general meeting of shareholders, as made available by the company to the shareholders;
- In order to exercise its rights and obligations related to a general meeting of shareholders, a holder of deposit certificates will send to the entity where it has opened its account for deposit certificates the voting instructions for the topics on the agenda of the general meeting of the shareholders so that the respective information is sent to the issuer of the depositary certificates;
- The issuer of the deposit certificates votes in the general meeting of the shareholders of the company in accordance with and within the limits of the instructions of the holders of the deposit certificate which have this quality at the reference date;
- The issuer of the deposit certificates may cast different votes for certain underlying shares in the general meeting of the shareholders than those expressed for other underlying shares;
- The issuer of the deposit certificates is fully responsible for taking all necessary measures, so that the entity which keeps the records of the holders of the deposit certificates, the intermediaries involved in the custody services for holders of the deposit certificates on the market where the deposit certificates are traded and/or any other entities involved in recording the holders of the deposit certificates, to send the voting instructions of the holders of the depositary certificates related to the topics on the agenda of the general meeting of the shareholders;
- Any reference date for the identification of the shareholders who have the right to take part and to vote in the general meeting of the shareholders of the Company and any registration date for the identification of the shareholders which have rights deriving from their shares, as well as any other similar date set by the Company related to any corporate events of the Company will be established in accordance with the applicable legal provisions and with a prior notice sent with at least 15 free calendar days (in Romanian, zile calendaristice libere) to the issuer of the deposit certificates, in the name of which the underlying shares are registered based on which the deposit certificates mentioned above are issued. The reference date will be prior to at least 15 working days to the deadline for submitting the power of attorney related to the vote.

Transfer of shares

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

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

⁶ According to ELSA's Articles of Association reflecting the dispositions of Law no. 24/2017 on issuers of financial instruments and market operations.



Electrica Management

4.4. ELSA's Board of Directors

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



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






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

In 2021, the Board of Directors' structure has undergone several changes, as follows:

- At the beginning of the year, the BoD consisted of the following members: Mr. Iulian Cristian Bosoanca – Chairman, Mrs. Ramona Ungur, Mr. Dragos Andrei, Mr. Radu Mircea Florescu, Mr. Bogdan George Iliescu, Mr. Gicu Iorga, and Mr. Valentin Radu;
- On 22 April 2021, the Company's Board of Directors took note of the resignation of Ms. Ramona Ungur as a member of the Board of Directors;
- On 28 April 2021, ELSA OGMS took place, when ELSA shareholders were elected by the method of cumulative voting, with the following members of the Board of Directors: Mr. Iulian Cristian Bosoanca, Mr. George Cristodorescu, Mr. Radu Mircea Florescu, Mr. Gicu Iorga, Mr. Adrian-Florin Lotrean, Mr. Dragos-Valentin Neacsu, and Mr. Ion-Cosmin Petrescu;
- As a result of the changes that occurred at the level of the Board of Directors, on 6 May 2021, the members of the Board re-elected Mr. Iulian Cristian Bosoanca as Chairman of the BoD starting with 6 May 2021 and until 31 December 2021.

At the beginning of 2021, the members of the BoD were the following:






No	Name	Term of office (until 27 April 2022)	Status	Starting date of the first mandate
1.	Mr. Iulian Cristian Bosoanca* 	~ 2 years	Chairman, non-executive director	29 April 2020
2.	Mrs. Ramona Ungur 	4 years	non-executive director, independent	27 April 2018



No	Name	Term of office (until 27 April 2022)	Status	Starting date of the first mandate
3.	Mr. Dragos Andrei 	~3 years and 5 months	non-executive director	1 December 2018
4.	Mr. Radu Mircea Florescu 	~3 years and 3 months	non-executive director, independent	7 February 2019
5.	Mr. Bogdan George Iliescu 	4 years	non-executive director, independent	14 December 2015
6.	Mr. Gicu Iorga 	4 years	non-executive director	1 May 2017
7.	Mr. Valentin Radu 	4 years	non-executive director, independent	27 April 2018

Source: Electrica

*Mr. Iulian Cristian Bosoanca was nominated to fill the vacancy, following the resignation of the non-independent director Nicolae Havrilet, the term of office being equal to the period remaining until the expiration of the term related to the vacancy, respectively until 27 April 2022.

At the end of 2021, as well as at the date of issuing of this report, the members of the Board of Directors were the following:

No	Name	Term of office (until 27 April 2025)	Status	Starting date of the first mandate
1.	Mr. Iulian Cristian Bosoanca* 	4 years	Chairman, non-executive director	29 April 2020
2.	Mr. George Cristodorescu 	4 years	non-executive director, independent	28 April 2021
3.	Mr. Radu Mircea Florescu 	4 years	non-executive director, independent	7 February 2019
4.	Mr. Gicu Iorga 	4 years	non-executive director	1 May 2017
5.	Mr. Adrian-Florin Lotrean 	4 years	non-executive director, independent	28 April 2021

No	Name	Term of office (until 27 April 2025)	Status	Starting date of the first mandate
6.	Mr. Dragos-Valentin Neacsu 	4 years	non-executive director, independent	28 April 2021
7.	Mr. Ion-Cosmin Petrescu 	4 years	non-executive director	28 April 2021

Source: *Electrica*

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

Below are presented the most relevant **aspects regarding the professional experience of the BoD members**.

Iulian Cristian Bosoanca is a non-executive director appointed on 29 April 2020, Chairman of the Board of Directors since 18 July 2020, and member of the Risk and Audit Committee.

He holds relevant professional experience in the economic field, especially in the areas of finance, accounting, economic-financial analysis, and taxation, having over 20 years of practical activity. He holds competencies in management, compliance, legal, payroll, and human resources, developed in practicing his activity and following as a result of specialized training.

The basic profession, accounting, and taxation, he carries out as a freelancer ever since 2008, within the company Expert Contabilitate & Servicii S.R.L. (company member CECCAR) but also within the Individual Cabinet of Accounting Expert / Fiscal Consultant, through which he carries out activities of accounting, fiscal and judicial expert.

Starting 1998, Mr. Bosoanca held several positions, executive or management positions, being also a member of the Boards of Directors in various companies such as CAZANELE S.A. in the period August 2005 – September 2006, Mehedinti County Health Insurance House in the period May 2012 – October 2014 and SECOM S.A. in the period September 2017 – May 2018 (where he was also elected Chairman of the Board of Directors).

Since 2016, Iulian Cristian Bosoanca holds the function of President of the Body of Expert Accountants and Licensed of Romania (C.E.C.C.A.R), Mehedinti Branch.

He also acted as a lecturer within C.E.C.C.A.R. and starting with December 2020 he holds the position of Director of the Ministry Cabinet within the Ministry of Energy.

George Cristodorescu is a non-executive, independent director since 28 April 2021 and a Member of the Strategy and Corporate Governance Committee.

He holds extensive professional experience in the energy field, currently holding the position of Head of Cluster for Energy and Climate within the Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ GmbH, a company where he has a cumulative experience of 12 years.

Previously, Mr. Cristodorescu acted as Partner in Stein & Partner, Executive Search & Management Performance and freelancer, being manager and consultant in various projects of energy efficiency, renewable, district heating, and electrical networks.

Between October 2013 – May 2014, Mr. Cristodorescu held the position of Chairman of the Supervisory Board of Hidroelectrica SA, where he coordinated the implementation of corporate governance, preparation of the strategic development plan of the company, and preparation of the company for the initial public offering.

Between September 2005-2013, he was Deputy CEO of E.ON Romania, Head of Division, Head of Administrative Boards of 3 Companies within the E.ON Romania Group, and CEO of the E.ON Romania Renewables S.R.L, a period in which he coordinated, among others, the restructuring of the E.ON Romania group after privatization, the strategic development of the gas and electricity distribution and supply activities business and, as director, the activity of corporate governance and communications. In parallel, he was appointed as a member of the core group strategy group for E.ON AG, Düsseldorf, a member of the policy group for E.ON AG, Brussels, and President of the Association of Utility Companies in Romania.

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

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

For more than 38 years, Radu Florescu worked in top multinational companies from Fortune 500, activating in emerging countries, including programs financed from EU funds. Mr. Florescu began his career in trading at NYMEX where he coordinated all trading activities for petroleum products and precious metals. A graduate of Marketing and Finance from Boston College with a Bachelor of Science degree, Radu Mircea Florescu began his career in commodity trading with Merrill Lynch/EF Hutton at NYMEX (New York Mercantile Exchange), with a specific focus on WTI (West Texas Crude), fuel oil and gasoline. In 1989, he co-founded Centrade USA and became one of the leading pioneers for marketing and communication services on the Romanian market with the launch of Saatchi & Saatchi, SSX, Chainsaw Studios, Cable Direct, and Zenith Media.

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

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

Gicu Iorga is a non-executive director since 1 May 2017 and President of the Strategy and Corporate Governance Committee.

Gicu Iorga has experience of over 35 years in the field of economics and public administration and currently holds the position of Head of Customs Office within A.N.A.F. – D.G.V Bucharest.

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

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

Adrian-Florin Lotrean is a non-executive, independent director since 28 April 2021, the Chairman of the Nomination and Remuneration Committee, and a member of the Strategy and Corporate Governance Committee.

Presently Mr. Lotrean holds the position of President/interim member of the Board within the Compania Municipală Termoenergetică S.A and an extensive professional experience in the field of insolvency, coordinating, as insolvency practitioner and Associated Lawyer in the civil professional company CITR SPRL, in the period February 2010 – December 2020, complex restructuring projects on production of thermal energy and electricity in cogeneration (for clients such as CET ARAD SA, Electrocentrale Constanta SA), being a consultant to the judicial administrator of Electrocentrale Bucuresti SA and coordinating the restructuring procedure of Hidroserv S.A.

Previously, between September 2019 – December 2020, Mr. Lotrean held the position of Member of the Board of Directors of Electroplast SA Bistrita, between November 2007 and February 2010 he was insolvency practitioner in the professional civil company Casa de Insolvență Transilvania S.P.R.L where he participated in the management of projects for more than 50 commercial companies.

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

Dragos-Valentin Neacsu is a non-executive, independent director since 28 April 2021, and a member of the Audit and Risk Committee.

Mr. Neacsu has extensive professional experience in the field of investment management and financial markets, currently holding the position of an independent member of the Board, member of the Audit Committee, and Chairman of the Appeals Commission of the Bucharest Stock Exchange S.A.

Mr. Neacsu is also the CEO of the GSI Romania Association, part of a global network of 115 not-for-profit organizations, with an activity focused on elaborating and promotion of coding systems, serialization, and traceability in business communication.

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

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

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

Ion-Cosmin Petrescu is a non-executive director since 28 April 2021, a member of the Nomination and Remuneration Committee.

Mr. Cosmin Petrescu holds extensive professional experience in business development, sales, and management, Mr. Cosmin Petrescu presently activates in FNGCIMM, where he leads the activity of IT, State Aid, and Reporting Divisions. Cosmin Petrescu is also the President of the working groups dedicated to the program IMMINEST ROMANIA and for the relation with the European Bank of Reconstruction and Development.

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

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

Three consultative committees support the activity of the BoD, respectively the Nomination and Remuneration Committee, the Audit and Risk Committee, and the Strategy and Corporate Governance Committee, each of them composed of three directors and chaired by one of them. The majority members of the Nomination and Remuneration Committee and the Audit and Risk Committee, as well as their Chairs, are independent directors. The consultative committees' members are elected for a period of one year. Changes in the composition of the committees during this period may intervene with the vacancy of a Board position. The organization, duties, and responsibilities of each committee are set under ELSA's Articles of Association, respectively in the committee Charters and the Company's Corporate Governance Code.

According to the changes registered in the BoD composition, the composition of the committees changed during 2021, as it follows:

► **1 January – 28 April 2021**

Nomination and Remuneration Committee:

- Mr. Bogdan Iliescu – Chairman;
- Mr. Valentin Radu – Member;
- Mr. Gicu Iorga – Member

Audit and Risk Committee:

- Mrs. Ramona Ungur – Chairman;
- Mr. Bogdan Iliescu – Member;
- Mr. Cristian Bosoanca – Member.

Strategy and Corporate Governance Committee:

- Mr. Dragos Andrei – Chairman;
- Mr. Radu Florescu – Member;
- Mr. Valentin Radu – Member.

► **6 May – 31 December 2021**

Nomination and Remuneration Committee:

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

Audit and Risk Committee:

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

Strategy and Corporate Governance Committee:

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

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

Nomination and Remuneration Committee:	Audit and Risk Committee:	Strategy and Corporate Governance Committee:
Chairman Mr. Adrian-Florin Lotrean	Chairman Mr. Radu Mircea Florescu	Chairman Mr. Gicu Iorga
Member Mr. Radu Mircea Florescu	Member Mr. Dragos-Valentin Neacsu	Member Mr. George Cristodorescu
Member Mr. Ion Cosmin Petrescu	Member Mr. Iulian Cristian Bosoanca	Member Mr. Adrian-Florin Lotrean

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

As of 31 December 2021, among the BoD members, Mr. Dragos-Valentin Neacsu holds a number of 20 ELSA shares. According to the available information, the BoD members were not involved in litigations or administrative proceedings regarding their activity within the company or regarding their capacity to fulfil their duties within the company in the past five years.

4.5. The activity of ELSA's Board of Directors and its consultative committees in 2021

In 2021, the Board of Directors met 28 times; of these, 21 meetings were organized with the physical presence of the members, and seven were held by conference call, in accordance with Art. 18 paragraph 20 of the company's Articles of Association.

The Board members' attendance (in person or by conference call) in the meetings of the Board of Directors and its committees in 2021 is presented below:

Name	The Board of Directors (no. of meetings 28)	The Audit and Risk Committee (no. of meetings - 17)	The Nomination and Remuneration Committee (no. of meetings - 23)	The Strategy and Corporate Governance Committee (no. of meetings - 21)
Iulian Cristian Bosoanca	28	17	-	-
Dragos Andrei*	9	-	-	6
George Cristodorescu	19	-	-	15
Radu Mircea Florescu	28	12	14	6
Bogdan Iliescu*	9	5	9	-
Gicu Iorga	28	-	9	15
Adrian-Florin Lotrean	19	-	14	15
Dragos Neacsu	19	12	-	-
Ion-Cosmin Petrescu	19	-	14	-
Valentin Radu*	9	-	9	6
Ramona Ungur**	9	5	-	-

Source: Electrica

* The mandates ended according to the OGMS Decision no. 1/28 April 2021;

** Mrs. Ramona Ungur resigned from the position of member of the Board of Directors on 22 April 2021.

The key decisions taken by the BoD during 2021 refer to:

- Election of the chairman of the BoD and establishing the composition of the consultative committees and election of their chairs (after the GMS has established the new structure);
- Revision and endorsement of ELSA's revenue and expenses budget at standalone and consolidated levels, as well as of the revenue and expenses budgets of the company's subsidiaries for the financial year of 2021;
- Analysis and endorsement of ELSA's financial statements at the individual and consolidated level, as well as of the financial statements of the company's subsidiaries, for the financial year ended at 31 December 2020;
- Quarterly analysis of the registered financial results and analysis of the budgetary execution;
- Approval of the financing lines at Group level;
- Endorsement of the establishment of Electrica Foundation;
- Endorsement of the updated Remuneration Policy for Directors and Executive Managers, to respond to changes in the legislative framework
- Participation in the competitive processes of acquisition of electricity production projects from renewable sources, acquisition of 100% of the shares of Crucea Power Park (Crucea Est project - projected capacity of 121 MW and a storage capacity of 60Mwh), Sunwind

Energy SRL (Satu Mare 2 project - projected capacity 27 MW), New Trend Energy (project Satu Mare 3 - projected capacity 59 MW) Foton Power Energy SRL (Bihor 1 project - projected capacity 77.5 MW);

- Establishment of the ELSA branch for the development and operation of electricity production capacities;
- Endorsement of the amended ELSA's Articles of Association and approval of the amendments of the subsidiaries Articles of Association;
- Revision of the Internal Standard Delegation of the Authority and the Regulation of organization and functioning at the company level;
- Updating the Code of Ethics and Professional Conduct and adopting the Policy for preventing, combating, and sanctioning any form of harassment at work;
- Initiation of the reorganization project of the Company;
- Initiation of the project to revise the Group Strategy;

Regarding **the structuring and development of the Group's business** portfolio, the BoD analyzed the existing opportunities and decided the following:

- Continuous analysis of investment opportunities, taking into account the energy market development, the impact on the activity of the group's subsidiaries and competitive advantages of the competition and participation in various competitive processes for this purpose;
- Establishment of the ELSA branch for the development and operation of electricity production capacities;
- Adoption of policies in the field of risk management;
- Approval of the consolidated annual investment plan at group level for 2021;
- Increasing the share capital of distribution and supply subsidiaries.

Regarding the human resources and the managerial competencies, the BoD took the following measures:

- Awarding a new mandate in the position of CDO for a period of 4 years to Mrs. Livioara Sujdea and nominating Mr. Stefan-Ionut Pascu as Interim Executive Director of the Corporate Development Division starting with October 1st, 2021, initially for 3 months; subsequently, the term of the mandate was extended until 31 December 2022;
- Nomination of members in the Boards of Directors in the Subsidiaries;
- Adoption of the Succession Policy for ELSA;
- Endorsement of the Remuneration Policy for the Company's Directors and Executive Managers;

- Evaluating the performances registered by ELSA executive directors in 2020 and establishing new KPIs for 2021;
- Continuing the implementation of the Human Resources strategy at the Electrica Group level.

The main aspects of **audit and financials areas** referred to:

- Ensuring the necessary financing for the activity performed by the companies within the Group;
- Monitoring the internal audit plan implementation for 2021 and approving the revised audit plan for 2022;

Evaluation of the Board of Directors activity during 2021:

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

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

At the beginning of 2022, The Board of Directors has self-evaluated its activity for the year 2021, using a questionnaire, internally developed, discussed, and agreed by the Board members.

The members of the Board who contributed to the evaluation are: Mr. Iulian Cristian Bosoanca – Chair of the BoD, Mr. George Cristodorescu, Mr. Radu Mircea Florescu, Mr. Gicu Iorga, Mr. Adrian-Florin Lotrean, Mr. Dragos Neacsu and Mr. Ion-Cosmin Petrescu.

The questionnaire used aimed at evaluating the Board activity in the following areas:

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

After analyzing the questionnaire's results, the general conclusion was that the functioning of the BoD activity during 2021 took place in good conditions, among the positive aspects the following were listed:

1. Most of the respondents rated the overall activity of the Board conducted during 2021 as good, the average score being 4, on a scale from 1-5;
2. Regarding the performance indicators of the Board members, it was appreciated that, to a large extent, the goal of implementing corporate governance at the group level was achieved. Furthermore, the Board undertook to implement a project of revising the corporate governance framework, expectations being that will lead to further improvements in the relationship with the companies within the Group.
3. Regarding the level of investments during 2021, the established/expected level was reached, creating the premises for future development and improvement of the results registered by the distribution subsidiary.
4. In line with previous years, the ability of the Board to identify developments in the business environment in which the Company operates and certain potential opportunities were exploited, the general appreciation being that the competence of analysis and strategic planning is at a higher level, a fact to which contributed the resources made available to the members of the Board.
5. Regarding the efficiency and the operating of the Board, members appreciated that their contribution to the development of the company is substantial, further considering that it is necessary to focus on the strategic aspects of the company. Moreover, the current composition of the Board was appreciated as optimum, benefiting from diversified expertise.
6. Regarding the identification and mitigation of risks, in line with the results of the previous evaluation, Board members appreciated that the main risks and mitigation mechanisms have been identified. Furthermore, the occurrence of some risks specific to the sector determined the need to further optimize the business processes, so that it would result in an increase of the reaction speed and adaptation to market dynamics.
7. Board members appreciated their personal contribution in the activity they conducted, the involvement, and the impact of the decisions adopted.
8. Regarding the observance of the corporate governance principles, members of the Board

appreciated that this is done at high standards.

9. Communication within the Board in terms of the frequency and intensity, issues addressed as well as transparency and sincerity of the dialogue, is considered positive and, according to the opinion of most members, the atmosphere at the Board level encourages the expression of all perspectives and open debates, which constitutes a base for substantiating the decisions adopted.
10. Also, in the context of the atypical events that took place during 2021, the Board considers that it performed well as a team, each of the members bringing added value and contributing to the activity carried out. Moreover, the work done by the Chair received positive feedback from all respondents, especially regarding the facilitation of an open and constructive dialogue during the Board meetings. Regarding the collaboration with the General Manager, members appreciated that the Chair maintains a close and constructive professional relationship with him.

The following areas for improvement were suggested:

1. It is still necessary to improve communication with the public and strategic communication with shareholders, concrete measures are needed in this regard. Moreover, deriving from the need to improve communication regarding the mission, vision, and strategic directions of medium-term development of the company, the Board started an extensive process of revising the adopted Strategy, subsequently to that, to elaborate a plan for their communication.
2. Board members believe that the functionality of the company's management system can be improved while appreciating the changes that occurred during the year at the level of the executive management can be constituted as an incentive for other employees.
3. At the same time, the Board considers as critical improvement of the interaction with the company's subsidiaries, major changes being required from this perspective to ensure the achievement of the assumed strategic objectives.
4. Paying more attention to succession planning at the Senior Management level as well as stimulating its implementation remains a priority for the Board and its future activity.
5. At the same time, the BoD considers it necessary to take measures to improve the process of preparing Board meetings, improving frequency and time allocated to debates.

In continuation of the effort made previously, the Board allocates particular importance to occupational health and safety issues within the Group, aiming to devote time and effort in 2022 to support management in improving the company's occupational safety culture.

The Nomination and Remuneration Committee

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

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

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

- recommends to the Board a nomination policy, including a target Board profile, the process, and principles to be considered by the shareholders when proposing candidates for company's directors, and advises the Board regarding the nomination of interim directors in accordance with the policy;
- reviews the implementation of the nomination policy, submits a report to the Board on its implementation, and presents a summary of this report in the Directors' Report;
- advises the Board on the appointment and dismissal of the Chief Executive Officer, makes recommendations on the appointment and dismissal of the company's executive management team after consulting with the Chief Executive Officer and makes proposals on the appointment and dismissal of subsidiaries' board of directors members in accordance with the Group Governance Policy;
- recommends to the Board policies in the human resources field, including those covering recruitment and dismissal, talent management and development and succession planning across the company and its subsidiaries (the Group);
- recommends to the Board a succession policy, both for the members of the board and the executive team oversees the process for the annual evaluation of the effectiveness of the Board and its consultative committees;

- supervises the process of the annual evaluation of the effectiveness of the Council and its advisory committees;
- periodically assesses the size, composition, and Committee's structure and makes recommendations to the Board with regard to any changes;
- advises the Board on continuous skill development programmes for Board members and executive management;
- oversees the nomination process of the appointment of subsidiaries' CEOs and executive managers according to the nomination and remuneration policy.

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

- advises the Board in relation to the remuneration, incentive, and compensation policies of the company;
- advises the Board regarding the periodic review of the remuneration policy for Board members and executive managers;
- advises the Board in relation to the remuneration of the CEO and other executive managers, including the main remuneration components, annual and long term performance objectives, and regarding evaluation methodology;
- makes recommendations to the Board on the remuneration of subsidiaries' board members and the general limits of remuneration for subsidiaries' executive management;
- monitors compensation trends within areas relevant to the Group;
- oversees the remuneration process of the subsidiaries' chief executive officer and executive managers according to the nomination and remuneration policy at the Group level;
- verifies at least once a year the number of mandates held in other companies by the members of the Board and by the executive managers, in order to evaluate their independence;
- Oversees the annual evaluation process of the Board of Directors' activity.

The Nomination and Remuneration Committee met 23 times during 2021, among the main aspects on which the activity of the Committee focused, were the following:

- ✓ Analysis of ELSA executive managers' KPIs achievement for 2020 and establishing of the KPIs for 2021, along with the performance evaluation methodology;
- ✓ Supervising the evaluation process of the Board of Directors' activity during 2020;

- ✓ Endorsing the proposals regarding the nomination of the subsidiaries' Board members;
- ✓ Endorsement of the Board Profile and the eligibility criteria for the Board members of the companies within the Group;
- ✓ Revision of the Methodology to evaluate the achievement level of short-term Key Performance Indicators (KPI) and endorsement of the Methodology to evaluate the achievement level of long-term KPIs applicable to the Executive Managers at Electrica Group Level;
- ✓ Revision of the Remuneration Policy for the Company's Directors and Executive managers;
- ✓ Endorsement of the Succession Policy for ELSA.

The Audit and Risk Committee

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

The main role of the Committee is to support the Board in fulfilling its duties of verifying the efficiency of the company's financial reporting, internal control, and risk management. While fulfilling this role, the Committee advises the Board regarding the assessment of the annual report and annual financial statements, whether the documents are accurate, balanced, and comprehensive, and provide all the necessary information for the shareholders' evaluation of the financial performance.

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

- examines and monitors the financial reporting process, the integrity of annual and interim financial statements, at standalone and consolidated levels, or of disclosures made by ELSA and its subsidiaries;
- reviews press releases announcing financial or operational results related to or derived from such financial statements, as well as any financial information or earnings guidance, to be provided to financial analysts or rating agencies, by analyzing the fairness and adequacy of the content and presentation of such statements or information;
- regularly reviews the adequacy of the Group's accounting policies;
- reviews the financial forecast policy of the Company and recommends, to approval, towards Board of Directors.

- reviews and advises the Board on whether the content of the annual report, taken as a whole, represents a fair, balanced, and understandable account for shareholders and provides them with the information necessary to assess the Company's performance.

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

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

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

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

The Audit and Risk Committee met 17 times during 2021, among the main aspects on which the activity of the Committee focused, being the following:

- ✓ Analysis of the financial statements of ELSA at the standalone and consolidated level for the financial year of 2020, as well as the financial statements of the company's subsidiaries for the financial year of 2020, together with the financial auditor report and recommendations, issued during the auditing process;
- ✓ ELSA's budget execution, the consolidated budget execution, and the quarterly financial results;
- ✓ Revision of the internal audit plan for 2021 and analysis of its achievement, as well as the reports submitted by the Internal Audit Department, proposing recommendations;
- ✓ Monitoring the implementation of the recommendations made by the internal audit department;
- ✓ Updating the Code of Ethics and Professional Conduct;
- ✓ Endorsement of the Know Your Customers Policy (clients and suppliers) and of the Security Policy;

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

The Strategy and Corporate Governance Committee

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

The Committee has the following duties in **terms of strategy:**

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

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

- reviews and makes recommendations to the Board with respect to the development and implementation of the Group's overall restructuring plans and objectives, including any decision regarding the conduct or efficiency of core businesses;
- regularly reviews the organizational structure and chart of the company, and makes recommendations to the Board in this regard;

- performs any other activities or responsibilities on restructuring matters as may be periodically delegated to the Committee by the Board.

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

- oversees and monitors the company's compliance with legal and contractual obligations on corporate governance, as well as other applicable corporate governance principles and makes recommendations to the Board;
- regularly reviews the company's Corporate Governance Code, the Charter of the Board of Directors, and the company's Articles of Association and makes recommendations to the Board on relevant amendments to the company's corporate governance policy and documentation;
- submits the Group Governance Policy to the Board for approval and regularly reviews it thereafter;
- reviews the company's Delegation of Authorities policy and the company's Delegation of Authority standard in order to ensure that the delegation of authorities to management allows for the effective and efficient decision-making process, and makes recommendations to the Board in this respect;

- reviews the company's policy for corporate social responsibility and stakeholder engagement, and makes recommendations to the Board in this regard;
- makes recommendations to the Board on improving the quality of information flows to the Board, including the improvement of reports sent, key performance indicators presented to them, and guidelines for preparing Board documents and presentations;
- drafts reports or materials related to corporate governance, upon the Board's request.

During the year 2021, the Committee met 21 times, among the main aspects on which the activity of the Committee focused, being the following:

- ✓ Analysis of the opportunities and the efficiency of investments in different renewable production capacities and participation in various competitive processes in this regard;
- ✓ Endorsement of the ELSA branch for the development and operation of electricity production capacities;
- ✓ Endorsement of the amendments to the ELSA's Articles of Association and those of the Articles of Association of the subsidiaries;
- ✓ Revision of the Internal Standard Delegation of the Authority and the Regulation of Organization and Functioning of SE Electrica SA;
- ✓ Endorsement of the reorganization process of the Company's personnel structure.

4.6. ELSA's Executive management

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

The attributions of the Company's executive managers (including those of the General Manager) are established by the mandate agreements based on which the directors carry out their activity within ELSA, the internal organization and functioning regulations of ELSA, and the applicable legal provisions.

The Board of Directors approved the continuation of the collaboration with Mrs. Livioara Şujdea and her appointment as Chief Distribution Officer (CDO), starting with 1 February 2021, for a 4 years mandate.

On 1 May 2021, the mandate agreement of the Chief Corporate Development Officer, Mrs. Anamaria Dana Acristini Georgescu, has terminated, upon the lapse of the mandate duration.

During the meeting held on 22 September 2021, ELSA's Board of Directors decided on the appointment of Mr. Stefan Ionut Pascu as Chief Corporate Development Officer, until 31 December 2021. During the meeting held on 22 December 2021, the mandate agreement of Mr. Stefan Ionut Pascu has been extended until 31 December 2022.

On 11 December 2021, the mandate agreement of the Chief Marketing Officer, Mrs. Catalina Popa, has terminated, upon the lapse of the mandate duration.

During the meeting held on 15 December 2021, ELSA's Board of Directors revoked, without cause, Mrs. Bibiana Constantin from the position of Chief Human Resources Officer, starting with 1 January 2022, 31 December 2021, being the last day of exercising the mandate agreement.

During the meeting held on 15 December 2021, ELSA's Board of Directors took note of the expiration on 3 January 2022, of the mandate agreement between the Company and the Chief Financial Officer, Mr. Mihai Darie.

Following these changes, during 2021, the ELSA's executive managers, each appointed by mandate agreements, were:

Name	Function	The Executive Manager's mandate
Georgeta Corina Popescu	Chief Executive Officer	1 February 2019 - 31 January 2023
Mihai Darie	Chief Financial Officer	3 January 2018 – 3 January 2022
Livioara Şujdea	Chief Distribution Officer	1 February 2017 – 31 January 2021, the mandate being renewed for a period of 4 years, respectively 1 February 2021 - 31 January 2025
Anamaria Dana Acristini-Georgescu	Chief Corporate Development Officer	1 May 2017 – 1 May 2021
Stefan Ionut Pascu	Chief Corporate Development Officer	1 October 2021 – 31 December 2021, the mandate was renewed for a period of 12 months, respectively 1 January 2022 – 31 December 2022



Name	Function	The Executive Manager's mandate
Catalina Popa	Chief Market Officer	12 December 2017 – 11 December 2021
Bibiana Constantin	Chief Human Resources Officer	1 February 2019 - 31 Decembre 2021*
Mircea Toma Modran	Chief IT & C Officer	1 June 2019 - 1 June 2023




Source: Electrica




*Termination without cause of the mandate agreement.

More details on the in-place executive managers' biographies can be found on ELSA's website (www.electrica.ro) in the section Investors > Corporate Governance > Executive Management.

We present below the most relevant aspects regarding the professional experience of ELSA's executive managers:

Name	Professional experience
<p>Georgeta Corina Popescu - Chief Executive Officer</p> 	<p>Ms. Georgeta Corina Popescu is a top executive with impressive experience in the field of electricity and natural gas. Appointed CEO of SDMN, part of Electrica Group, on 1 June 2018, Corina Popescu took over from 1 November 2018 the position of interim CEO of ELSA. Starting with 1 February 2019, Corina Popescu holds the CEO position of ELSA, for 4 years.</p> <p>Graduate of the Faculty of Power Engineering at the University Politehnica of Bucharest specializing in Power Engineering Systems, Georgeta Corina Popescu started her professional career in Sucursala de Distributie si Furnizare a Energiei Electrice Bucuresti.</p> <p>Since 2007, Georgeta Corina Popescu has worked in the private sector, holding important positions in E.ON Romania Group and OMV Group. Between December 2015 and February 2017, Corina Popescu held the position of State Secretary within the Ministry of Energy, a period during which she was also a member of the BoD of ELSA. Starting with 1 May 2017, she was appointed in Transelectrica's Directorate, and during the June 2017 – April 2018 period she was Transelectrica's Directorate President.</p>
<p>Mihai Darie - Chief Financial Officer</p> 	<p>Mr. Mihai Darie has 22 years of professional experience in finance, acquired in various fields such as energy, infrastructure, financial advisory, banking, investment funds in executive as well as management positions, gained in companies such as Nuclearelectrica SA, Fondul Proprietatea SA, Raiffeisen Bank, and BDO Romania.</p> <p>Mihai Darie is a graduate of the Finance and Banking Faculty within the Academy of Economic Studies Bucharest, he is an expert accountant member of CECCAR, he is a graduate of Asebuss Bucharest EMBA program and he is an ACCA UK member as well as a CFA (Chartered Financial Analyst) certification holder.</p>

Nume	Experienta profesionala
<p>Livioara Şujdea - Chief Distribution Officer</p> 	<p>With over 22 years of experience in the energy field, Livioara Sujdea started her activity as a Design Engineer at ELSA, subsequently occupying various top management positions, including Deputy CEO and member in the BoD of E.ON Moldova Distributie, E.ON Gas Distributie, E.ON Distributie Romania, Operation and Maintenance Director at Delgaz Grid and Deputy CEO and member in the BoD of E.ON Energie.</p> <p>Livioara Sujdea graduated from the Technical University "Gheorghe Asachi" of Iasi – Faculty of Electrical Engineering and Energy, where she also obtained a master's degree in Business Management and Commercial Engineering, and she also has an Executive MBA with specialization in General Management at the University of Sheffield UK and a Strategic Management and Leadership Degree from the Chartered Management Institute London, UK.</p>
<p>Anamaria Dana Acristini Georgescu - Chief Corporate Development Officer</p> 	<p>Mrs. Anamaria Acristini has experience of over 14 years in the energy field, in particular from the strategic and financial perspectives; the last position held was as Strategy Director within E.ON Romania. Previously, she held important positions in leading companies, such as Ernst&Young, Mazars, and KPMG.</p> <p>Anamaria Acristini is a graduate of the Bucharest Academy of Economic Studies, has a master's degree in International Project Management, and holds an Executive MBA from Sheffield University (U.K.). Moreover, she is also an affiliated member of the ACCA UK.</p> <p>The collaboration with Mrs. Anamaria Dana Acristini Georgescu ended on 1 May 2021, upon the lapse of the mandate duration.</p>
<p>Ionut Stefan Pascu - Chief Corporate Development Officer</p> 	<p>Mr. Pascu has an experience over 16 years of leadership and entrepreneurship in the energy & utility field of Central and Eastern Europe, telecommunications, management consulting, and non-profit sectors and has functional expertise in several areas as strategy, marketing & sales, digital transformation, innovation, M&A, post-acquisition integrations, restructuring and cost reduction programs, customer service and organizational excellence.</p> <p>Graduate of the Faculty of International Economic Relations at ASE Bucharest, Mr. Pascu attended the courses of the program equivalent to the Executive MBA (Program for Leadership Development), at Harvard Business School.</p> <p>Prior to joining Electrica Group, Mr. Pascu worked for Deutsche Telekom Group Romania as Digital Director and previously, as a member of the management team for Roland Berger in Romania, Central and Eastern Europe, and the United Kingdom.</p> <p>Interested and directly involved in initiatives with social impact, Ştefan-Ionuţ Pascu is a founding member of The Social Incubator Association and Global Dignity Association, two non-governmental organizations in Romania with social and youth activities.</p>

Nume	Experienta profesionala
<p>Catalina Popa - Chief Market Officer</p> 	<p>With an experience of more than 29 years in the field of electrical power and natural gases, Catalina Popa started her activity as an engineer within Electrica. Subsequently, she occupied several top management positions within E.ON, among which Sales Management Executive Director, Director of Operations, Financial Director, and Director of Energy Network Performance Management.</p> <p>Catalina Popa is a graduate of the Power Engineering Faculty within the University Politehnica of Bucharest, holding a diploma as well in Management & Business Administration from Codecs-Open University, Great Britain.</p> <p>The collaboration with Mrs. Catalina Popa ended on 11 December 2021, upon the lapse of the mandate duration.</p>
<p>Bibiana Constantin – Chief Human Resources Officer</p> 	<p>Graduate of the Faculty of Psychology and Sociology – the West University of Timisoara and a master's degree in Human Resources Management and Communication, as well as of a master's degree in Psychology, Bibiana Constantin has experience in consultancy and HR management for various industries, including the energy field.</p> <p>With more than 10 years of experience in managing company restructuring and executive search projects, at the national and international level, but also with a solid knowledge of the human resources market, Bibiana Constantin has provided, in recent years, specialized consultancy and occupied positions in the top management of large companies in the industry.</p> <p>The collaboration with Mrs. Bibiana Constantin ended on December 31, 2021, by termination without cause of the mandate agreement.</p>
<p>Mircea Toma Modran - Chief IT&C Officer</p> 	<p>Starting with 1 June 2019, Mr. Mircea-Toma Modran has taken over the position of Chief Information Officer within Electrica SA, for 4 years.</p> <p>With more than 30 years of professional experience, he occupied for 20 years top management positions for Romanian and foreign, private and state-owned, listed companies, operating in energy and utilities, oil and gas, chemical, aeronautics, and information technology, fulfilling a wide range of responsibilities, from the classic IT and industrial automation to direct coordination of operational divisions with strategic impact on financial results.</p> <p>Mr. Mircea-Toma Modran graduated from the Faculty of Electrical Engineering, Department of Automation and Computers (currently the Faculty of Automation) of the University of Craiova, with an Electrical Engineer degree, and the York University Schulich School of Business Toronto, with a master's degree in Business Administration. He also attended postgraduate programs at Humber College and the Niagara Institute in Canada and the Ashridge-Hult and Edinburgh Universities in the UK.</p>

Source: Electrica

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

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

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

The Directive 828/2017 of the Council and the European Parliament, amending Directive 2007/36 / EC as regards the encouragement of long-term involvement of shareholders, was transposed into national legislation by Law no. 24/2017, regarding the exercise of certain rights within the listed companies and aims to ensure the long-term sustainability of the listed companies.

On the ELSA's Ordinary General Meeting of Shareholders (OGMS) held on April 28, 2021, was approved the Remuneration Policy for Directors and Executive Managers, without any changes being made to the previously established remuneration limits. The amendments concern the additions as a result of the new legislative provisions, in order to present transparently the elements of fixed and variable remuneration, including financial and non-financial benefits, in any form, which are granted to Directors and Executive Managers.

As well, the elaboration of the Remuneration Policy considered the good practices used at an international and national level for similar companies as ELSA, as they were identified after the ELSA's listing process.

According to ELSA's Corporate Governance Code, the **Nomination and Remuneration Committee** (NRC) established within the BoD has the following responsibilities related to remuneration:

- makes recommendations to the Board on the remuneration, incentive, and severance compensation policies of the Company;
- makes recommendations to the Board on the regular review of the remuneration policy for Directors and Executive Managers;
- makes recommendations to the Board on the remuneration of the CEO and other executive managers, including the main remuneration components, annual and long term performance objectives, and the evaluation methodology;
- makes recommendations to the Board on the remuneration of subsidiaries' board members and the remuneration policy for the subsidiaries' executive managers in order to express ELSA's vote at the subsidiaries' general meetings of the shareholders;
- monitors compensation trends within industries relevant to the Group;
- verifies at least once a year, the number of mandates held by the members of the Board of Directors and by the members of the Executive Management in other companies, in order to evaluate their independence;
- supervises the annual evaluation process of the activity of the Board of Directors.

The Remuneration Policy for Directors and Executive Managers is subject to annual review by the NRC and describes the main pillars of remuneration, as well as the terms, conditions, and non-financial benefits approved by the corporate bodies of ELSA.

The Remuneration Policy has the following objectives:

- to establish clear guidelines and thresholds on remuneration matters;
- to establish the remuneration structure;
- to ensure the correlation between the remuneration levels within ELSA.

The principles governing this policy are:

According to best practice, the remuneration structure is defined separately for Directors and Executive Managers.

The principles of the Directors' remuneration structure are the following:

1. Ensuring a level of remuneration adapted both to the labour market level and to the level of dedication, qualification, and responsibility required by these positions;
2. The level of remuneration should be sufficiently motivating, in a manner that would ensure the commitment of directors towards the interests of the company, while not representing an impediment in ensuring their independence.

The remuneration principles of the remuneration structure of Executive Managers are the following:

1. Ensuring correlation of remuneration to the achievement of strategic objectives and delivering value to shareholders, a significant part of the remuneration package being related to the achievement of performance objectives (on the short and long term);
2. Ensuring a competitive, fair, and non-discriminatory level of remuneration (irrespective of gender, race, ethnicity, religion, or sexual orientation), in order to attract and retain valuable management staff.

In determining the level of remuneration, the following factors are considered:

1. *External factors:*

- the remuneration system includes a fixed component and a variable performance-based component, in line with market practices; in addition, it includes also other non-financial benefits;
- the reference values were established considering both data regarding the remuneration practiced in international companies of comparable size active within the Romanian energy sector, but also based on data from other industries (e.g. petroleum industry) and other EEA countries;
- the practice of most companies to choose the interval between the middle and upper quartile, from the consideration of being attractive on the competitive market, a range which, however, does not position itself towards the upper limit;
- the design and customization of the remuneration packages, at the company level, are realized in order to align and reflect the company's corporate governance philosophy, ownership structure, level of autonomy, role, and impact of the Board of Directors and Executive Managers.

2. *Internal factors*

- the remuneration policy follows principles similar to those of the employee remuneration and describes the various elements of fixed and variable remuneration, including other financial and non-financial benefits. In establishing these principles, internal equity is maintained, by applying the principle of proportionality regarding the various categories of staff, the level of remuneration is set at the market median for all hierarchical levels;
- while carrying out a considerable part of the business in a regulated environment, the remuneration policy induces certain particularities in determining the level of the monthly gross fixed remuneration and of the structure of the remuneration package, as a whole;
- the remuneration policy establishes clear, complete, and varied criteria of granting variable remuneration, these being established according to the Company's strategy and business objectives.

A. Board of Directors

The BoD members' remuneration has as main pillars a monthly fixed remuneration and an attendance fee for participating at meetings (Board of Directors and its Committees) as follows:

- the fixed monthly remuneration is differentiated between the Chair and the Board members, respectively EUR 4,985 gross for the Chair and EUR 3,630 gross for the BoD members;
- the attendance fee to the Board and its committees' meetings is differentiated as well between the members and the committees' Chairs, respectively EUR 1,200 gross for the Board/committees' members and EUR 1,445 gross for the committees' chairs. The annual number of meetings to be remunerated is limited to 12 for BoD and 6 for each committee.

However, if the BoD composition changes, either as a result of the vacancy of one or more Director positions, or as a result of the cumulative voting method, the Director thus appointed will have the right to collect the remuneration for participation in the Board/Committees meetings

- Additional committee meetings can be organized only in exceptional situations, upon the Chairs' decision, who are responsible to efficiently organizing the agenda and activity. However, only one such additional meeting shall be remunerated, for each committee. The meeting attendance fee has the specific role to recognize the additional effort required for the contribution made and the support provided during the meetings.

Also, the Remuneration Policy provides for a series of financial and non-financial benefits granted to the Directors, as follows:

- reimbursement of the reasonable expenses related to the execution of the mandate;
- "Directors & officers liability" (D&O) insurance policy, with an insured value of EUR 10 million / person/ event, according to the market terms, up to a limit of EUR 40 million / company. The policy will also cover a period of a maximum of 5 (five) years from the date of termination of the Mandate Agreement, for events that occurred as a result of the activity carried out by the Directors, during their term of office. The company will bear and pay the cost of the premiums of this insurance;
- the same package of medical services and/or medical insurance contracted by the Company for the employees;
- other legal expenses incurred by the Director in defending against a third-party claim made against the Director in relation to the performance of the duties according to the mandate agreement, the Articles of Association, the BoD Charter, or the Legal Framework, shall be borne by the Company, to the extent these are not already covered by the "Directors & Officers liability" (D&O) insurance policy in force at the time;
- compensation in case of unjustified revocation, detailed at point 5.4;
- any other equipment/resources, in connection with and necessary for the proper execution of the attributions and obligations provided by the Mandate Agreement (equipment/resources of long-distance communication, travel expenses, etc.)

B. The Executive Management

B.1. General remuneration limits for ELSA's CEO

The remuneration of ELSA CEO is comprised of: (a) a fixed monthly remuneration, (b) a variable yearly remuneration depending on the achievement of the performance indicators, and (c) a package of options of virtual shares (hereinafter referred to as "OAVT"), as follows:

- the fixed monthly remuneration is between EUR 9,000 and EUR 13,050 gross. This remuneration is established by the BoD within limits approved by the GMS;
- The variable yearly compensation is between 30% and 50% of the fixed annual remuneration. The percentage is established by the BoD, within the limits approved by the GMS. The value of the annual variable remuneration shall be determined depending on the degree of achievement of the KPIs, established for the respective year;
- the OAVT package, granted at the beginning of the mandate, will have a value between 150% and 200% of the annual fixed remuneration (calculated as monthly gross fixed remuneration at the time of signing the mandate agreement x 12), in compliance with the provisions of the Remuneration Policy for Directors and Executive Managers.

B.2. General remuneration limits for ELSA's Executive Managers (mandated by the BoD)

The remuneration of the executive managers consists of (a) a fixed monthly remuneration, (b) a variable yearly compensation depending on the achievement of KPIs and (c) a package of options of virtual shares (hereinafter referred to as "OAVT"), as follows:

- the fixed monthly remuneration approved by the GMS will be between EUR 6,980 and EUR 11,700 gross. The remuneration is established by the BoD within the limits approved by the GMS;
- the annual variable remuneration is between 15% and 40% of the annual fixed remuneration. The final percentage is decided by the Board of Directors within the limits approved by the GMS. The value of the annual variable remuneration shall be determined depending on the degree of achievement of the KPIs, established for the respective year;
- to each executive manager (unless mandated on interim or a short-term basis) it is granted at the beginning of the term an OAVT package. The value of the OAVT package will be between 60% and 160% of the annual fixed remuneration (calculated as monthly gross fixed remuneration at the time of signing the mandate agreement x 12), within the limits approved by the GMS

- d. The executive manager is entitled to cash the value of the OAVT package upon the expiration of the Duration of the Mandate Agreement or in the last 6 months remaining until its expiration, in case the mandate agreement terminates during this period, excepting for the resignation or revocation of mandate agreement with just cause.

At the beginning of the Executive Manager's mandate (including the CEO), the BoD will set up the long-term KPIs (for the duration of the mandate). At the end of the term, the Board will review the achievement of the long-term KPIs and will adjust the final value of the OAVT package paid out to the executive manager, including the CEO.

The Executive Managers cannot receive more than one remuneration from the Group companies and for those who occupy/exercise other roles/positions within the Group companies, the remuneration can be increased temporarily, only during the exercise of those roles/functions. The total of the monthly fixed and additional remuneration cannot exceed the limit of the monthly fixed remuneration established by the GMS for the position of an executive manager.

The limits of the benefits granted to the Executive Managers

- the Executive Managers benefit from a D&O professional insurance policy, having an insured value amounting to EUR 10 million / person/event, according to market terms, within the limit of EUR 40 million / Company.
- The policy will cover a period of a maximum of 5 (five) years from the date of termination of the Mandate Agreement, for events that occurred as a result of the activity carried out by the executive managers, during their term of office. The company will bear and pay the cost of premiums of this insurance;
- the Company provides the specific equipment, as well as other types of necessary support, in order for the executive manager to fulfil the responsibilities, in an adequate and safe manner, including a company car or a car in company's use, mobile phone, laptop, equipment that will be returned by the executive managers at the termination of the mandate agreement;
- reimbursement of the reasonable expenses related to the execution of the mandate, based on the supporting documents;
- same medical services and/or medical insurance package contracted by the Company for the employees;
- mobility package up to the value of EUR 1,000 gross / month, an amount that will be within the limits of monthly fixed remuneration and which is granted for a maximum period of 12 months from the signing date of the addendum to the mandate agreement, only if the executive manager resides at a distance of more than 100 km from the Company's headquarters and does not have or did not have resided in the city of the workplace in the last 12 months from the signing date of the addendum to the mandate agreement. For successive mandates, relocation to the same city will be paid only once;
- maternity leave paid for a maximum period of 6 months during the mandate agreement;
- maximum 30 working days of holidays per year;

B.3. General remuneration limits for the Executive Managers within the Company's subsidiaries (mandated by the BoD)

The remuneration of the executive managers is comprised of: (a) a fixed monthly remuneration, (b) a variable yearly compensation depending on the achievement of KPIs and (c) a long-term gross variable compensation, granted at the conclusion of a full term of four years, as follows:

- a. The fixed monthly remuneration for the DEER's CEO is between EUR 6.593 and EUR 11.000 gross; the remuneration for the DEER's Deputy CEO is between EUR 5,300 and EUR 10.300 gross.
The fixed monthly remuneration for EFSA's CEO is between EUR 6.593 and EUR 10.257 gross. The remuneration for EFSA's Deputy CEO is between EUR 5.300 and EUR 9.231;
The fixed monthly remuneration for SERV's CEO is between EUR 5.558 EUR and 8.718 EUR gross. The remuneration for SERV's Deputy CEO is between EUR 5.300 EUR and 7.846 EUR gross.
 The final remuneration will be established by the BoD within the limits presented above, approved by the GMS of each subsidiary.
- b. The fixed monthly remuneration for a DEERs Executive Manager is between EUR 5,128 EUR and EUR 9,231 gross.
 The fixed monthly remuneration for an EFSA and SERVs Executive Manager is between EUR 5,128 and 6,837 gross. The final remuneration will be established by the BoD within the limits presented above, approved by the GMS of each subsidiary.
- c. The variable yearly remuneration of an executive manager is between 15% and 40% of the fixed yearly remuneration. The final percentage is established by BoD within the limits presented above, approved by

the GMS of each subsidiary. Granting the variable yearly compensation (partially or in full) depends on the achievement of the KPIs set for the respective year.

- d. The long-term gross variable remuneration, granted at the conclusion of a full term of four years is between 60% and 120% of the fixed yearly remuneration (limits approved by the GMS of each subsidiary).

At the beginning of the executive managers' mandate (including the CEO), the BoD will set up the long-term KPIs (for the duration of the mandate). At the end of the term, the Board will review the long-term KPIs' achievement and will grant accordingly the final value of the the long-term gross variable compensation.

In order to perform more efficiently their duties and obligations, in a proper and safe manner, the mandate agreements of the executive managers (including the CEO and deputy CEO), approved by the BoD stipulate the specific equipment that the company makes available (e.g.: company car, mobile phone, laptop), the rules to use it, as well as other kinds of related benefits (e.g.: reimbursement of reasonable expenses related to the execution of the mandate, a "directors & officers' liability" insurance policy, mobility package).

4.8. Corporate Governance in ELSA's subsidiaries

The Board of Directors of ELSA's subsidiaries

During 2021 and until the date of this report, all the Boards of Directors of ELSA's subsidiaries were composed of non-executive directors, which are executive managers or employees of ELSA, and, according to ELSA's policy, do not receive any remuneration from the subsidiaries for the quality of member of their Board of Directors.

During 2021 and until the date of this report, the composition of the Boards of Directors of ELSA's subsidiaries was as follows:

The distribution subsidiary DEER – 1 January 2021 – date of the report

1 January – 31 January 2021	1 February – 22 August 2021	23 August - 16 September 2021	17 September - 17 October 2021	18 October – 29 December 2021	30 December 2021 – date of the report
Georgeta Corina Popescu – Chair	Livioara Sujdea – Chair starting with 8 February 2021	Livioara Sujdea – Chair	Livioara Sujdea – Chair	Stefan Alexandru Frangulea	Stefan Alexandru Frangulea
Livioara Sujdea	Stefan Alexandru Frangulea	Stefan Alexandru Frangulea	Stefan Alexandru Frangulea	Mirela Dimbean Creta	Mirela Dimbean Creta
Stefan Alexandru Frangulea	Mircea Toma Modran	Mirela Dimbean Creta	Mirela Dimbean Creta	Maria Cristina Manda	Maria Cristina Manda
Mircea Toma Modran	Mirela Dimbean Creta	-	Maria Cristina Manda	-	Ligia Costin
Mirela Dimbean Creta	Geanina Dumitru	-	-	-	Stefan Valeriu Ivan - Chair starting with 31.01.2022

Source: Electrica

The end date of the mandates of DEER's directors at the date of this report is 31 January 2025 in the case of Mrs. Maria Cristina Manda, Mrs. Mirela Dimbean Creta, and Mr. Stefan Alexandru Frangulea, and respectively 30 June 2022 in the case of the other two directors, Mrs. Ligia Costin and Mr. Stefan Valeriu Ivan.

The supply subsidiary EFSA – 1 January 2021 – date of the report

1 January – 1 February 2021	2 February – 26 April 2021	27 April – 7 September 2021	8 September – 11 December 2021	12 December – 29 December 2021	30 December – 31 December 2021
Mihai Darie – Chair	Georgeta Corina Popescu – Chair starting with 9 February 2021	Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair
Bibiana Constantin	Mihai Darie	Mihai Darie	Mihai Darie	Mihai Darie	Mihai Darie
Maria Cristina Manda	Bibiana Constantin	Bibiana Constantin	Bibiana Constantin	Bibiana Constantin	Bibiana Constantin
Laura Mihaela Nastasescu	Maria Cristina Manda	Maria Cristina Manda	Catalina Popa	-	Stefan Ionut Pascu
-	Laura Mihaela Nas- tasescu	Catalina Popa	-	-	Razvan Tudor

Source: Electrica

1 January 2022 – 3 January 2022	4 January 2022 – 3 February 2022	3 February 2022 – date of the report
Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Stefan Ionut Pascu – President starting from 8 February 2022
Mihai Darie	Stefan Ionut Pascu	Razvan Tudor
Stefan Ionut Pascu	Razvan Tudor	Mihai Ioanitescu
Razvan Tudor	Mircea Toma Modran	-
Mircea Toma Modran	Mihai Ioanitescu	-

Source: Electrica

The end date of the mandates of EFSA's directors at the date of this report is 30 June 2022

The energy services subsidiary SERV – January 2021 – date of the report

Through the Decision of SERV GMS from 30 December 2021, the articles of association of SERV was amended in the sense of reducing to 3 the number of members of the Board of Directors of SERV.

1 January – 17 January 2021	18 January – 14 February 2021	15 February – 29 April 2021	30 April – 24 June 2021
Stefan Valeriu Ivan- Chair	Mihai Darie	Georgeta Corina Popescu – Chair starting with 16 February 2021	Georgeta Corina Popescu - Chair
Mihai Darie	Bibiana Constantin	Mihai Darie	Mihai Darie
Bibiana Constantin	Anamaria-Dana Acrisini-Georgescu	Bibiana Constantin	Bibiana Constantin
Anamaria-Dana Acrisini-Georgescu	Irina Clima	Anamaria-Dana Acrisini-Georgescu	Irina Clima
Irina Clima	-	Irina Clima	-

Source: Electrica

25 June – 7 September 2021	8 September – 31 December 2021	1 January 2022 – 3 January 2022	4 January 2022 – date of the report
Georgeta Corina Popescu - Chair	Georgeta Corina Popescu - Chair	Georgeta Corina Popescu - Chair	Georgeta Corina Popescu - Chair
Mihai Darie	Mihai Darie	Mihai Darie	Irina Clima
Bibiana Constantin	Bibiana Constantin – in- terim between 12 Decem- ber – 31 December 2021	Irina Clima	Stefan Ionut Pascu
Irina Clima	Irina Clima – interim between 12 December 2021 – 3 January 2022	Stefan Ionut Pascu	
Maria Cristina Manda			

Source: Electrica

The electricity production subsidiary EPE – 3 September 2021 (date of the establishment of the subsidiary) – date of the report

Through the Decision of EPE GMS from 3 January 2022, the articles of association of EPE were amended in the sense of reducing to 3 the number of members of the Board of Directors of EPE.

3 September – 8 September 2021	9 September – 11 December 2021	12 December – 31 December 2021	1 January 2022 – 2 January 2022	3 January 2022	4 January 2022 – date of the report
Georgeta Corina Popescu – Chair starting with 8 September 2021	Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair
Mihai Darie	Mihai Darie	Mihai Darie	Mihai Darie	Mihai Darie	Mihai Ioanitescu
Bibiana Constantin	Bibiana Constantin	Bibiana Constantin	Mircea Toma Modran	Mihai Ioanitescu	Razvan Tudor
Maria Cristina Manda	Catalina Popa	Mircea Toma Modran – interim between 12 December 2021 – 3 January 2022	-	-	-
Catalina Popa	-	-	-	-	-

Source: Electrica

The end date of the mandates of EPE's directors at the date of this report is 3 September 2023 in the case of Mrs. Georgeta Corina Popescu, and respectively 30 June 2022 in the case of the other two directors, Mr. Mihai Ioanitescu and Mr. Razvan Tudor.

Executive management of ELSA's subsidiaries

The tables below show the subsidiaries' executive managers with delegated management duties by the Board of Directors of ELSA subsidiaries in 2021, as well as until the date of this report, as follows:

The distribution subsidiary DEER– 1 January 2021 – date of the report

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Emil Merdan	1 January 2021 – 30 June 2021	General Manager	-

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Valentin Branescu	2 July 2021 – 26 September 2021 Interim	General Manager With attribution of Deputy General Manager coordinating Network Development Division and Network Operations Division	-
Niculae Havrilet	27 September 2021 - present	General Manager	26 March 2022
Sinan Mustafa	1 January 2021 - present	Deputy General Mana- ger coordinating Energy Management Division and Asset Management Division	26 August 2022
Valentin Branescu	1 January 2021 - present	Deputy General Manager coordinating Network Development Division and Network Operations Division	1 May 2023
Dragos Eduard Staicu	1 January 2021 - present	Integration Division Manager	30 June 2022
Diana Moldovan	1 January 2021 - present	Business Support Division Manager	31 March 2023
Dora Fataceanu	1 January 2021 – 8 July 2021	Financial Division Manager	-
Raluca Florentina Dumitriu	9 July 2021 – 31 January 2022	Financial Division Manager	-
Dragos Eduard Staicu	1 February 2022 – present	Interim Financial Division Manager Executes and takes over the functions of Integrati- on Division Manager	30 April 2022 or until the appointment of Financial Division Manager if the appointment is before 30 April 2022
Monica Mariana Radulescu	1 January 2021 - present	Procurement Operations Manager	31 July 2022
Raul Toma	1 January 2021 - present	Energy Management Division Manager	14 October 2022
Gabriela Dobrescu	1 January 2021 - present	Asset Management Division Manager	24 September 2022
Nicolae Catalin Mihai	1 January 2021 – 31 December 2021	Innovation Engineering Manager	-
Mihaela Rodica Suci	1 January 2021 – present	Network Development Division Manager	31 December 2024

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Vasile Claudiu Tudose	1 January 2021 - present	TN Power Construction Unit Manager	1 September 2022
Alexandru Nine	1 January 2021 - present	TS Power Construction Unit Manager	30 June 2023
Ilie Marin	1 January 2021 - present	MN Power Construction Unit Manager	1 September 2022
Vasile Farcas	1 January 2021 - present	Network Operations Division Manager	31 January 2023
Sorin Viorel Muresan	1 January 2021 – 31 December 2021	TN Network Operations Unit Manager	-
Simon Lajos Attila	1 January 2021 – 15 June 2021	TS Network Operations Unit Manager	-
Marius Raduta Petrescu	1 January 2021 - present	MN Network Operations Unit Manager	1 September 2022

Source: Electrica

The supply subsidiary EFSA – until the date of the report

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Darius Dumitru Mesca	1 October 2019 - present	General Manager	30 September 2023
Claudiu Daniel Radulescu	10 March 2020 – present Interim	Deputy General Manager	31 March 2022
Silvia Cristina Macedon	13 April 2020 - present	Sales Division Manager	12 April 2024
Corina Cristina Drumeanu	16 October 2019 - present	Portfoliu Management Manager	15 October 2023
Bogdan Ionut Vlad	15 December 2020 – present	Financial Division Manager	23 februarie 2022
Cristian Eugen Radu	1 March 2020 – present Interim	Marketing Division Manager	31 March 2022
Viorel Pintea	6 October 2021 – present (vacancy position until 5 October 2021)	Operations Division Manager	31 December 2022

Source: Electrica

The energy services subsidiary SERV – until the date of the report

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Beatrice Ambro	15 December 2020 - 15 January 2021	General Manager	-
Vasile Ionel Bujorel Oprean	16 January 2021 – 16 July 2021	General Manager * with delegated attributions	-
Florian Velicu	17 July 2021 - 15 December 2022	General Manager	15 December 2022
Marius Guran	6 May 2020 – 31 December 2021	Deputy General Manager	-
Vasile Ionel Bujorel Oprean	1 December 2017 - 16 December 2023	Property Management and Product Development Manager	16 December 2023
Gheorghe Batir	1 June 2018 - 31 March 2021 Starting with 1 April 2021 based on an individual labor agreement	Technical Manager	-
Ioana Lavinia Panu	15 December 2020 – 15 January 2021	Financial Manager	-
Alexandrina Rusu	20 January 2021- 31 August 2021	Financial Manager *with delegated attributi- on based on an individual labor agreement	-
Ioana Lavinia Panu	1 September 2021- 30 June 2022	Financial Manager	30 June 2022

Source: *Electrica*

The electricity production subsidiary EPE – 3 September 2021 (date of the establishment of the subsidiary) – date of the report

The Board of Directors did not appoint executive managers within the subsidiary during the period from the establishment until the date of the report.

Number of shares owned by the managers of Electrica Group

The table below shows the situation of ELSA shares held by the executive managers of the companies in the Group which were mentioned in this chapter, a situation valid both on 31 December 2021, as well as on 16 February 2022 (last update):

Item no.	Name	Number of shares	Weight in the share capital (%)
1	Niculae Havrilet	199	0,000057%

Source: *Depozitarul Central, Electrica*

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

According to available information, the members of the BoD and the executive managers of the Group companies mentioned in this chapter have not been involved, in the last five years, in any litigations or administrative procedures related to their activity within the Group and to their capacity to fulfil their work-related duties within the Group.

General Meetings of Shareholders of ELSA subsidiaries

Corporate approvals at the GMS/BoD level in the case of ELSA's subsidiaries are regulated through their articles of association, as well as through the implemented corporate policies.

ELSA, as majority shareholder of its subsidiaries, voted in their GMS in 2021 on various topics, amongst which the most important are related to:

- revenue and expenses budgets, financial statements, the financial part of the individual annual investment plan, profit appropriation;
- contracting a term loan from the EIB and a term loan from the EBRD to finance the investment plan for the period 2021-2023 by DEER, guaranteed by ELSA; contracting a multi-product credit line (cash/overdraft and non-cash / letters of bank guarantee) and a line of credit for issuing letters of guarantee (non-cash) from commercial banks to finance the current activity by EFSA, with a guarantee by ELSA;
- general debt limit in case of EFSA;
- amendments/improvements of the articles of association of the subsidiaries;
- increases in the share capital with land plots in the case of DEER and EFSA (initiations of the increases in the share capital in case of DEER and EFSA and completion of the increase in the share capital initiated in 2020 in case of EFSA);
- introduction of the second shareholder within DEER and SERV;
- SERV participation, together with ELSA, in the establishment of a new legal entity, ELSA subsidiary for electricity production, Electrica Productie Energie S.A., in the case of SERV;
- SERV participation, together with ELSA, in the establishment of the Electrica Foundation;
- changing the name of DEER subsidiaries;
- extension of the mandate of the financial auditor Deloitte Audit SRL for a period of two years, in case of DEER, EFSA, SERV;
- the acquisition of printing services, the services for folding up the electricity / natural gas bills and other documents, as well as the opportunity to purchase postal services for the distribution of correspondence, parcels, and computer archiving services of documents resulting from the distribution of disconnection notices, in case of EFSA;
- appointment of the directors in the Board of Directors of the subsidiaries;
- amending the articles of association of SERV and EPE in the sense of reducing to 3 the number of members of the Boards of Directors of SERV and EPE.

Starting with the end of 2019/beginning of 2020, a unitary policy was implemented within the Group's subsidiaries, regarding the organization and conduct of the General Meetings of Shareholders of the Electrica Group companies, whose objectives are for each company to obtain the corporate approvals in the competence of the GMS in a timely manner, in order to carry out in good conditions the operational activity, in compliance with all legal and statutory provisions, implementation of a unitary system of convening, organizing, carrying out the GMS meetings in Electrica Group, as well as better tracking of the implementation of GMS resolutions.

4.9. Statement regarding the corporate governance “Comply or Explain”

The present Statement reflects ELSA's status of compliance with the new BSE Corporate Governance Code as of 28 February 2022.

Note: considering the fact that there are no mentions for “Reason for non-compliance”, the corresponding column has been removed from the table below.

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section A			
	<p>A.1. All companies must have an internal Board regulation which includes the terms of reference/responsibilities of the Board and the key management functions of the company, and which applies, among other things, the General Principles of this Section.</p>	YES	<p>The company had elaborated ever since February 2015 ELSA's Corporate Governance Code (ELSA's CGC) that included the Articles of Association of the Company, the rules of the organization, and the functioning of the BoD and its committees. All these documents mentioned above contain the terms of reference/the responsibility of BoD, as well as those of the key management functions of the company.</p> <p>In 2016, the Board carried out an extensive project to review the Articles of Association and the above-mentioned regulations in order to detail the responsibilities of the Board, of its committees, and the management team, taking into account the recommendations made in the Evaluation Report of the Board's activity in the previous year.</p> <p>In recent years, these documents have undergone successive revisions to align with domestic and international best practices.</p> <p>The most recent versions of the Articles of Associations, ELSA's CGC, and the Charter of the BoD and its Committees are available on the company's website in the section “Investors -> Corporate Governance”.</p>
	<p>A.2. Provisions for the management of conflict of interest should be included in the Board regulation.</p>	YES	<p>Such provisions are mentioned in ELSA's CGC, in the Articles of Association, in the Code of Ethics and Professional Conduct, and the BoD organization and functioning regulation.</p>

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section A			
	A.3. The Board of Directors must consist of at least five members.	YES	ELSA's BoD consists of seven members since 14 December 2015.
	A.4. The majority of the members of the Board of Directors must have no executive function. In the case of Premium Companies no less than two non-executive members of the Board of Directors should be independent. Each independent member of the Board of Directors should submit a declaration at the time of its nomination for election or re-election as well as when any change in its status occurs, indicating the elements on the basis of which it is considered independent in terms of its character and judgement and according to the following criteria: A.4.1. is not the General Manager/Executive Director of the company or a company controlled by it and has not held such a position for the past five (5) years; A.4.2. is not an employee of the company or a company controlled by it and has not held such a position for the past five (5) years; A.4.3. does not and did not receive additional remuneration or other advantages from the company or a company controlled by it, other than those corresponding to the quality of a non-executive director; A.4.4. is not or has not been an employee or has not had a contractual relationship, during the previous year, with a significant shareholder of the company, shareholder who controls more than 10% of voting rights or with a company controlled by him; A.4.5. does not have and did not have in the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/Administrator, General Manager/ Executive Director or employee of a company if, by its substantial nature, this report may affect its objectivity; A.4.6. is not and has not been for the last three years the external or internal auditor or partner or associate employee of the current external financial or internal auditor of the company or a company controlled by it; A.4.7. is not the general manager/executive director of another company where another general manager/executive director of the company is a non-executive director; A.4.8. has not been a non-executive director of the company for more than twelve years; A.4.9. has no family ties to a person in the situations mentioned in points A.4.1. and A.4.4.	YES	All the members of ELSA's BoD are non-executives. According to the Articles of Association, at least four out of seven members must be independent. The independence criteria stipulated in the Articles of Association are similar and even more restrictive than those in the BSE's Corporate Governance Code. Currently, four out of seven members are independent. All independent members submitted a declaration of independence, at the time of their appointment by the OGMS.

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section A			
	A.5. Other relatively permanent professional commitments and obligations of a Board member, including executive and non-executive Board positions in companies and not-for-profit institutions, must be disclosed to shareholders and potential investors before the appointment and during his/her term of office.	YES	The professional background of the proposed candidates, as well as of the current Board members are available on ELSA's website in the <i>Investors > General Meeting of Shareholders</i> section. Their biographies contain all the relevant information requested by this provision of the Code. The updated biographies of each member of the Board are presented annually in the Directors' Report and on the company's website in the section <i>Investors > Corporate Governance > Board of Directors</i> .
	A.6. Any member of the Board should submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights.	YES	When a Board member has entered into a relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights, he/she promptly informed the entire Board.
	A.7. The company should appoint a Board secretary responsible for supporting the Board's work.	YES	The company has established the General Secretary Department, which is directly subordinated to the Board of Directors.
	A.8. The corporate governance statement will inform whether an evaluation of the Board has taken place under the leadership of the chair or the nomination committee and if so, will summarize the key measures and changes resulting from it. The company should have a policy/guide regarding the evaluation of the Board including the purpose, criteria, and frequency of the evaluation process.	YES	This provision was applied starting with 2015, the BoD carrying out an annual assessment process of its activity with the support of an external consultant (in 2015, 2017, and 2020), or using a self-assessment questionnaire (in 2016, 2018, 2019, and 2021) More details are provided in the 2015-2017 Annual Reports in <i>chapters 6.1 and 6.2</i> , for 2018 and 2019, 2020 and 2021 in <i>chapter 4.5</i> .
	A.9. The corporate governance statement must contain information on the number of meetings of the Board and committees during the last year, directors' attendance (in person or absent), and a report of the Board and committees on their activities.	YES	Details regarding the compliance with this provision are presented in the Annual Report, in the Corporate governance chapter. For 2021, please see <i>chapter 4.5</i> .

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section A			
	A.10. The corporate governance statement must contain information on the exact number of independent members of the Board of Directors.	YES	<p>Four out of seven members of the BoD are independent and this is specified in the Annual Report. More details are provided in the Annual Reports for 2021 in <i>chapter 4.4</i>.</p> <p>On ELSA's website, in the section <i>Investors > Corporate Governance > Board of Directors</i>, it is specified exactly which members are independent.</p>
	A.11. The Board of Premium Companies must set up a nomination committee of non-executive members that will lead the procedure of nomination of new members to the Board and will make recommendations to the Board on the appointment and the revocation of the Chief Executive Officer and the management team. The majority of the members of the nomination committee must be independent.	YES	<p>The Articles of Association and ELSA's CGC highlight the existence of this committee (Nomination and Remuneration Committee - NRC), its members, and its responsibilities. The NRC composition is reviewed annually, in accordance with the NRC organization and functioning regulation (Charter) and at the beginning of each new mandate of the BoD. In May 2021, its structure was revised according to the changes that occurred in the board structure. According to the NRC's Charter, in December 2021 the current structure of the NRC was established, two of the members being independent. Details regarding the NRC structure are presented in <i>chapter 4.4</i>.</p>
Section B Risk management and internal control system			
	B.1. The Board must set up an audit committee in which at least one member must be an independent non-executive director. A majority of members, including the chairman, must have proven that they are adequately qualified relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience. In the case of Premium Companies, the audit committee must consist of at least three members, and the majority of the audit committee must be independent.	YES	<p>The Articles of Association and ELSA's CGC highlight the existence of this committee (Audit and Risk Committee - ARC), its structure, and responsibilities. The ARC structure is reviewed annually, according to ARC Charter and at the beginning of each new mandate of the BoD.</p> <p>In May 2021, its structure was revised according to changes in the BoD structure. In accordance with the ARC Charter, the current composition of the ARC was voted in December 2021, in which two of the members are independent. Details of this are presented in <i>chapter 4.4</i>.</p>

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section B Risk management and internal control system			
	B.2. The chairman of the audit committee must be an independent non-executive member.	YES	On 6 May 2021 and subsequently, on 15 December 2021, Mr. Radu Mircea Florescu, an independent non-executive board member was elected and respectively re-elected as Chairman of the Audit and Risk Committee.
	B.3. Among its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	YES	According to the organization and functioning regulation, the Audit and Risk Committee (ARC) has the following responsibilities on internal control issues: (i) regularly review the adequacy and implementation of key internal control policies, including fraud detection and bribery prevention policies; (ii) reviewing related parties transactions in accordance with a policy developed by the Committee and approved by the Board; (iii) analysis of the annual report prepared by the Internal Audit Department and/or Risk Management Department assessing the effectiveness of the internal control system within the Group.
	B.4. The assessment must consider the effectiveness and purpose of the internal audit function, the adequacy of risk management and internal control reports submitted to the audit committee of the Board, the promptness and effectiveness with which the executive management solves the deficiencies or weaknesses identified as a result of the internal control and the submission of relevant reports to the Board's attention.	YES	Such reports are annually presented. The assessment report for 2021 specified in the CGC was presented and discussed by the Audit and Risk Committee in the meeting on 24 February 2022.
	B.5. The audit committee must assess conflicts of interest in connection with the transactions of the company and its subsidiaries with related parties.	YES	The assessment is carried out annually. The assessment report for 2021 specified in the CGC was presented and discussed by the Audit and Risk Committee during its meeting on 24 February 2022.

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section B Risk management and internal control system			
	B.6. The audit committee must assess the effectiveness of the internal control system and risk management system.	YES	<p>The ARC has at least the following responsibilities on risk management issues:</p> <ul style="list-style-type: none"> (i) regularly review of the main risks to which the company and the Group are exposed, recommending to the Board appropriate policies for identifying, mapping, management, and risk reduction; (ii) annual analysis of a management report that assesses the effectiveness of the risk management system within the Group. <p>Based on the ARC Charter's provisions, the evaluation report for the year 2021 was presented and discussed by the Audit and Risk Committee at its meeting on 24 February 2022.</p> <p>Details regarding the ARC activity for the year 2021 are presented in <i>chapter 4.5</i> of the Annual Report.</p>
	B.7. The audit committee must monitor the application of legal standards and generally accepted internal audit standards. The audit committee must receive and assess the reports of the internal audit team.	YES	<p>The ARC has the following responsibilities on internal audit issues:</p> <ul style="list-style-type: none"> (i) approval of an annual audit plan at Group level, based on an annual risk assessment, as well as any significant changes to the plan and receipt of periodic reports on activities, key findings and follow up of internal audit reports; (ii) advising the Board on the appointment, revocation, and remuneration of the Head of Internal Audit Department; (iii) monitoring the adequacy, effectiveness, and independence of the internal audit function. <p>Details regarding the ARC activity are presented in <i>chapter 4.5</i> of the Annual Report.</p>
	B.8. Whenever the Code mentions reports or analysis initiated by the Audit Committee, these must be followed by regular (at least annual) or ad-hoc reports to be submitted to the Board afterward.	YES	

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section B Risk management and internal control system			
	B.9. No shareholder may be granted preferential treatment over other shareholders with regards to transactions and agreements concluded by the company with shareholders and their related parties.	YES	Provisions on this matter are included in ELSA's CGC and the Policy on Transactions with Related Parties.
	B.10. The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations whose value is equal to or more than 5% of the net assets of the company (according to the latest financial report), is approved by the Board following a mandatory opinion of the Board's audit committee and fairly disclosed to shareholders and potential investors, to the extent that these transactions fall under the category of events subject to reporting requirements.	YES	The Policy regarding the transactions with Related Parties, has been updated in July 2020 and covers all the required aspects.
	B.11. Internal audits must be carried out by a separate structural division (internal audit department) within the company or by hiring an independent third-party entity.	YES	The internal audit is carried out by the Internal Audit Department, a structurally separate entity.
	B.12. In order to ensure the performance of the main functions of the internal audit department, it must report functionally to the Board through the audit committee. For administrative purposes and within the framework of management's obligations to monitor and reduce risks it must report directly to the chief executive officer.	YES	Departamentul de audit intern raporteaza din punct de vedere functional catre CA prin intermediul CAR si administrativ directorului general.
Section C Fair rewards and motivation			
	C.1. The company must publish on its website the remuneration policy and include in its annual report a statement of the remuneration policy during the annual period under review. The remuneration policy must be formulated in such a way as to allow shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and the CEO, as well as the members of the Management Board in two-tier board systems. It should describe how the process is managed and decision-making on remuneration, detail the components of executive management remuneration (such as salaries, annual bonus, long term incentives related to the value of	YES	In accordance with Law 24/2017, as amended and subsequently supplemented by Law no. 158/2020 (Art.92 ^ 1), on 28 April 2021, ELSA GMS approved the updated Remuneration Policy for Directors and Executive Managers, in which all the aspects stipulated by this statement are detailed. The Remuneration Policy for Directors and Executive Managers is available on the ELSA website, under <i>Investors > Corporate Governance > Corporate Policies and other documents.</i>

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section C Fair rewards and motivation			
	<p>shares, benefits in kind, pensions, and others), and describe the purpose, principles, and assumptions underlying each component (including general performance criteria for any form of variable remuneration). In addition, the remuneration policy must specify the duration of the executive manager's contract and the notice period provided for in the contract as well as any compensation for revocation without just cause. The remuneration report must present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any essential change in the remuneration policy must be published in a timely manner on the company's website.</p>		<p>In previous years, issues related to the implementation of the Remuneration Policy were presented in the annual report. For the year 2021, ELSA has prepared an independent report on the remuneration of the administrators and executive directors to be submitted to the consultative vote of the ELSA GMS, according to the applicable legislative provisions.</p>
Section D Building value through investors' relations			
	<p>D.1. The company must have an Investor Relations function – indicating to the public the person(s) responsible or the organizational unit. In addition to the information required by legal provisions, the company must include on its website a section dedicated to Investor Relations, both in Romanian and English, with all relevant information of interest to investors, including:</p> <p>D.1.1. Main corporate regulations: the articles of association, the procedures regarding the general meetings of shareholders.</p> <p>D.1.2. Professional CVs of members of the company's management bodies, other professional commitments of the board members, including executive and non-executive positions on board of directors of companies or non-profit institutions</p> <p>D.1.3. Current and periodic reports (quarterly, semi-annual and annual reports);</p> <p>D.1.4. Information related to general meetings of shareholders; D.1.5. Information on corporate events;</p> <p>D.1.6. The name and contact details of a person who should be able to provide relevant information upon request;</p> <p>D.1.7. Corporate presentations (e.g. investors presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), audit reports, and annual reports.</p>	YES	<p>The company has both an Investor Relations department and a section dedicated to Investor Relations on its website (in both Romanian and English). All relevant information for investors is published under the Investors section on ELSA's website.</p>

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section D Building value through investors' relations			
	D.2. The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the CEO or the Management Board and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.	YES	The BoD last revised the Dividends Policy at its meeting on 14 February 2018. It is published on ELSA's website, in the <i>Investors > Corporate Governance > Corporate Policies and other documents</i> section.
	D.3. The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the overall impact of a number of factors for a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly from the forecasts initially presented. The forecast policy will determine the frequency, period envisaged, and content of the forecasts. Forecasts, if published, may only be part of annual, semi-annual, or quarterly reports. The forecast policy should be published on the company's website.	YES	The BoD last revised the Forecasts Policy in its meeting on 14 February 2018. It is published on the ELSA website, in the <i>Investors > Corporate Governance > Corporate Policies and other documents</i> section.
	D.4. The rules of general meetings of shareholders should not limit the participation of shareholders in general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next general meeting of shareholders	YES	ELSA rules and procedures that establish the framework for the organization and conduct of general meetings of shareholders are part of ELSA's Policy on organizing and running the General Meetings of Shareholders, available from the beginning of 2020 and in updated form from August 2020, in electronic form on ELSA website in the section <i>Investors > Corporate Governance > Corporate Policies and other documents</i> . Also, the rules of general meetings of shareholders are mentioned in each convening notice, published in accordance with the legal and statutory requirements approximately 45 days before each meeting.
	D.5. The external auditors should attend the general meetings of shareholders when their reports are presented.	YES	External auditors attend each OGMS in which the financial situations and annual reports are approved.

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/PARTIALLY	Other remarks
Section D Building value through investors' relations			
	D.6. The Board will present to the annual general meeting of shareholders a brief assessment of the systems of internal control and significant risks management, as well as opinions on issues subject to the decision of the general meeting.	YES	The directors' annual report, presented to the annual general meeting of shareholders together with the financial statements, contains the BoD's assessments on the systems of internal controls and significant risk management. As a practice, all the documents subject to the GSM approval are endorsed by the BoD; this is clearly stated in the documents presented to the shareholders.
	D.7. Any professional, consultant, expert, or financial analyst may attend the shareholders' meeting on the basis of a prior invitation from the Board. Accredited journalists may also attend the general meeting of shareholders unless the Chair of the Board decides otherwise.	YES	In this respect, the agreement of the shareholders present at the General Meetings was requested each time it was the case.
	D.8. The quarterly and semi-annual financial reports will include information in both Romanian and English on key factors influencing changes in sales levels, operating profit, net profit, and other relevant financial indicators, both from quarter to quarter as well as from one year to another.	YES	The quarterly and half-yearly financial reports can be consulted on the company's website in the section <i>Investors > Results and Reports > Financial results</i>
	D.9. A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings/teleconferences.	YES	ELSA organizes quarterly teleconferences with analysts and investors and publishes presentations and audio recordings of the teleconference on the ELSA website, in the section <i>Investors > Results and Reports > Presentations and other information.</i>
	D.10. If a company supports different forms of artistic and cultural expression, sports activities, educational or scientific activities, and considers their impact on the innovative character and competitiveness of the company part of its mission and development strategy, it will publish the policy regarding its activity in this area.	YES	Information regarding the CSR activities can be found online on the company's website, in the CSR section. The Grants Program is annually reviewed and approved by the BoD. The projects and activities supported each year are presented in ELSA's annual Sustainability Reports, available on the ELSA website, in the <i>CSR section > Non-financial Reporting.</i>

4.10. Implementing action plans undertaken by signing the framework agreement with EBRD

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

As for the development of a culture of integrity and compliance at the Electrica Group level, in line with the EBRD standards, the year 2021 meant maintaining the compliance framework from an ethical perspective and updating it in accordance with the evolutions of the social and legal context in which the organization operates, through concerted actions on four main directions:

- maintaining the organizational structures dedicated to ethics and compliance and increasing their awareness of their role within the organization;
- updating the compliance framework - The Code of Ethics and Professional Conduct, as well as, adopting The Policy of preventing, combating, and sanctioning any form of harassment in the workplace;
- informing, through the information channel available to all employees, about updating the compliance framework – The Code of Ethics and Professional Conduct, as well as, about implementing, promoting, and disseminating these documents at the level of all employees from the organization;
- monitoring the compliance in relation to the framework defined by the Code of Ethics and Professional Conduct and subsequent policies and procedures.

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

The information and awareness activities regarding the provisions of the compliance framework from the ethical perspective of the organization's staff were carried out exclusively through the online environment, due to the restrictions generated by the existing health situation.

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

Regarding the donations, in 2021 Electrica Group focused on donations in the health field in order to support the situation created by the COVID-19 pandemic.

The action plan regarding corporate governance

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

Selection of independent directors

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

For details about ELSA's Board of Directors, its members, and the election of its members, please see *chapter 4.4*.

Nomination and Remuneration Policies

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

The Nomination and Remuneration Committee periodically reviews The Remuneration Policy for ELSA's Directors and Executive Management which describes the main pillars of remuneration, as well as the terms, conditions, and non-financial benefits approved by ELSA's corporate governance bodies.

As a result of the change of the European and national legal framework, according to the European Directive no. 828/2017, transposed into national legislation by Law no. 24/2017, as it was subsequently amended and supplemented by Law no. 158/2020 (Art.92 ^ 1), in 2021 the Remuneration Policy for the Administrators and Executive Directors of ELSA was submitted for the approval of the GMS.

Remuneration Policy approved by HAGOA no. 1 of 28 April 2021, does not change the limits of remuneration established by HAGOA no. 2 of 9 July 2015, HAGOA no. 1 of 31 March 2016, and HAGOA 1 / 9 February 2018, but, based on the new legislative provisions, transparently presents the elements of fixed and variable remuneration, including financial and non-financial benefits, in any form, that may be granted to Directors and ELSA Executive Directors.

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

Advisory Committees of the Board of Directors

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

Internal Control and Audit Framework

In 2021, the documentation governing the internal audit activity at the Electrica Group level approved in November 2019 was maintained and applied. This documentation was approved in its first version by the BoD at the beginning of 2015 and includes the Internal Audit Charter, the Audit Manual, and the Auditor's Code of Ethics, its last update dating from 2019. The documents are available on ELSA's website in the section *The group > Internal Audit*. For details about the internal audit please see *chapter 4.11*, and for more details on the internal control, please see *chapter 6.8*.

ELSA's Articles of Association

EBRD guidelines were included in the Articles of Association of ELSA adopted on 4 July 2014. In 2021, ELSA's Articles of Association were updated according to ELSA Board of Directors' decisions from 11 August 2021, following the increase of the company's share capital. All versions of the ELSA

Articles of Association adopted since the listing of the company is available on its website in the section *The group > About > Articles of Association*.

Clear lines of competence and responsibility

To define the reporting system and to set responsibilities and competencies at the level of the group and its' companies, ELSA, and its subsidiaries carried out projects for processes' mapping both in distribution and in supply areas, benefiting from external consultancy in this regard. In the context of the 2018 – 2020 organizational transformation, the applicable procedural framework, and the documentation of the Quality – Environment - OHS Integrated Management Systems implemented at each Group company level have been fully revised, maintaining their certifications in accordance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 following the audit performed during 2020 by the SRAC CERT certification body, IQNet affiliate.

Code of Conduct

EBRD requirements are covered by the Code of Ethics and Professional Conduct, which has been updated in accordance with the new Strategy adopted by the Electrica Group. Regarding the Whistleblowing Policy, it has been updated and is available on the company's website.

In 2021, follow-up actions were carried out in relation to the provisions of the Code at the group level, after it was disseminated and implemented in its new version within the Group.

Compliance with BSE Corporate Governance Code

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

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

For details, please consider *chapters 4.9 and 4.1*.

Electrica Group continues to have a Market Abuse Policy adopted by all companies within the Group.

The Environmental and Social Action Plan (ESAP)

In 2021 the Environmental and Social Action Plan was updated by SAP as part of the Loan Agreement signed by DEER with EBRD and guaranteed by Electrica S.A. for financing DEER's CAPEX Plan 2021 – 2023. The revised ESAP includes the following actions, their status of implementation being also mentioned in the following section

Organogram of EHS management structure and update certification

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

Organogram presenting the EHS management structure in course of elaboration due to delays in DEER transformation project; responsible persons were appointed at the level of ELSA/DEER

DEER to gain ISO14001 certifications. Integrate the management systems of the previous DSOs and gain certification as a single Company.

ISO 14001 Certificate for DEER was obtained in April 2021.

Project-Specific Risk Assessments

Develop and implement a standardized new H&S, environment, and social risk assessments instrument (methodology) and apply the methodology for works categories/works included in the 2021-2023 CAPEX Plan, prior to construction commencement, if not launched.

E&S and H&S risks and mitigation measures are included in all DEER projects (technical execution documentation) for investment works; the methodology is being developed for ensuring a unified approach for all projects

EIA Screening

Continue environmental screening of projects under the CAPEX Plan. If DEER must develop and implement national EIAs for certain unforeseen

installations (including cutting of protected tree species), these must be developed to EU standards. Inform EBRD if any EIAs are carried out by sharing the link on the DEER website. Include a summary of the EIAs undertaken in the annual Electrica Sustainability Report, also referring to the NTS' published on their website. Inform EBRD if CAPEX-related work would be carried out in Natura 2000 sites and protected areas.

No environmental Impact studies were required for developing electrical distribution networks included in CAPEX Plan, yet, according to law no. 292/2018 Annex 5E.

Permits

DEER to ensure needed permits are acquired from the Ministry of Culture, according to Building Planning Permit, if works affect protected buildings, and obtain the environmental authorisations according to the Building Planning Permit (including cutting of protected trees, if needed) from Local Authorities.

All necessary permits were acquired for investment projects included in CAPEX Plan according to Building Planning Permit

Cascading of E&S requirement

Construction Environmental Management Plans (CEMPs) should be developed by contractors before they begin works, in line with Electrica risk assessments and instructions. These CEMPs shall then be cascaded to any sub-contractors engaged. The CEMP shall include a measure to control noise and dust emissions and wastewater during the construction period.

The projects (technical execution documentation) with E&S and H&S risks and mitigation measures included are part of the contract signed with the contractors mandatory to be respected.

Worker accommodation

Review accommodation provided for workers not able to return home daily (where relevant), ensuring it is of suitable quality and in line with EBRD/IFC Guidance Note⁷.

Accommodation for own personnel is reviewed and controlled; DEER is reviewing its H&S Control Procedure in order to include reviewing accommodation during its controls for contracted work.

⁷ https://www.ebrd.com/downloads/about/sustainability/Workers_accommodation.pdf

Gender-Based Violence and Harassment (GBVH) Policy

Update Code of Ethics and Professional Conduct to include a GBVH Policy in line with international best practice.

The Policy for preventing combating and sanctioning any form of harassment at work was adopted by ELSA and DEER and it is in process of approval for the other companies within Electrica Group. Code of Ethics and Professional Conduct was reviewed in order to include references to this policy.

Retrenchment

The Company will develop and maintain corporate retrenchment provisions within Collective Bargaining Agreement and plan retrenchment initiatives in line with EBRD retrenchment guidelines to minimise the social and economic impact of staff reductions if such is required. This will be developed in line with best practices and will comply with relevant national requirements. The Company will inform the Bank of any major retrenchment (over 500 staff) and submit a specific mitigation plan at least one month before employees are actually terminated. Retrenchment programmes affecting over 100 staff but less than 500 will be reported in the annual report.

The provisions regarding the reorganization/restructuring activities inside the Group are part of the Collective Bargaining Agreement signed with the trade unions which is renegotiated every 2 years. There is no major retrenchment programme implemented yet, and the retrenchment programmes affecting staff during 2022 will be reported in the 2022 Annual Report.

Greenhouse gas emissions analysis

Prepare a study on the greenhouse gas (GHG) emissions of Electrica Group operations and identify areas to cut emissions, with the results to be published in the 2021 Sustainability Report. Yearly update on implementation and continuous improvement in the Sustainability Report.

The project for calculating greenhouse gas (GHG) emissions of Electrica Group operations and identifying areas to cut emissions was elaborated by Electrica and its implementation will start early in 2022. The results will be published in the Group's Sustainability Report.

Energy management

Electrica Group and DEER to implement an integrated approach to energy management in line

with ISO 50001 and gain certification by the end of 2024.

The energy management system implementation is planned for DEER after the post-merger organizational transformation project in order to gain certification during 2024.

PCBs

Electrica DSO is currently in the process of eliminating PCBs from electrical installations in operation. DEER to continue the process to meet the 2028 deadline and report annually to EBRD.

The process of PCB - polychlorinated biphenyls - elimination from operating electrical installations continued in 2021. However, the number of operating electrical equipment containing PCBs is relatively low for two of the DEER regions, and the rate of decrease for the third region is accelerated, which ensures the comfort of the company in implementing the national program of elimination within the term 2028, according to the GD 1497/2008. The process is monitored based on annual reports and the information is published in the Group's Sustainability Report.

Health and Safety System and Policy

DEER to maintain ISO 45001:2018 certification. Revise the integrated HSE Policy to capture the DSOs merger

DEER obtained ISO 45001:2018 certification in April 2021 and revised its Declaration of policy in order to capture the DSOs merger during the first quarter of 2021.

Asbestos

Conduct an Asbestos-containing Materials (ACM) survey at the proposed substations and develop an Asbestos Management Plan (AMP) for the sites included in the CAPEX Plan. In order to facilitate a comprehensive investigation, DEER should also ensure that all electrical equipment is isolated and made safe for the surveys. The construction waste management procedures within the CEMP for this Project should incorporate preventive measures/approaches if asbestos is identified during the works and should follow the AMP. Maintain a corporate asbestos risk assessment and elimination plan.

The majority of sites included in the CAPEX Plan are Asbestos-free, but DEER is analysing all the sites in order to develop an Asbestos Management Plan (AMP), where necessary.

Community Health & Safety

Following the CAPEX implementation, inspect local distribution infrastructure and ensure that equipment is suitably installed and protects the community from harm (e.g. trips and electrocution), as part of the infrastructure maintenance plan. Any unprotected equipment that could cause harm to the local community should be reported and repaired.

During maintenance plan implementation DEER teams are constantly inspecting local distribution infrastructure and ensure that equipment is suitably installed and protects the community from harm. Any identified unprotected equipment that could cause harm to the local community is instantly repaired.

Working at Height and Lockout/ Grounding Instruction

Ensure H&S instruction for deactivating and properly grounding live power distribution lines complies with national regulations. Finalise the new Working at Height /Grounding instruction.

HSW instruction for deactivating and properly grounding live power distribution lines and for working at height is in place and complies with national regulations.

Visual Impacts

Assess the potential visual impacts of the new lines and develop mitigation measures e.g. moving the lines underground, altering the proposed line alignment, taking into account local communities' sensitivities to their construction (through the SEP) according to national legislation provisions.

During the designing phase, DEER adopts technical solutions considering the visual impact of its future installations (replacing overhead power lines with subterranean power lines) according to national legislation provisions.

Emergency Preparedness and Response

Survey all offices and substations for their fire extinguishers and emergency plans, ensuring that all are up to date, according to the legislation in force.

For all premises owned by DEER, there are Fire Safety Plans defined. Prevention measures were implemented, consisting in control of compliance with legal requirements by own authorized personnel; periodic training for all categories of staff, according to the approved training programs; performing intervention and evacuation exercises

in emergencies; maintenance of fire protection facilities and fire-fighting equipment and devices for each location, with authorized companies; maintain free access to evacuation routes; supplementary measures for fire prevention during the hot and the cold seasons.

Noise monitoring

Monitor noise levels at highly sensitive receptor areas that complain of ongoing noise from their equipment (such as densely populated areas, hospitals, and schools) and develop and implement noise-canceling solutions if the monitoring shows some exceedances (or other noise control measures such as the restriction of drilling during certain hours if the exceedance is related to construction works).

The new instruction for environment controls that includes monitoring noise levels activities was elaborated and approved by DEER.

Electromagnetic Fields

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

There are studies regarding DEER's distribution infrastructure (grids and power plants) electromagnetic fields indicating complies with the National legislation concerning EMF. DEER is analysing options for including new project EMF measurements in the commissioning procedure and for independent future studies.

Land Acquisition Framework

If there is a need to acquire some land within the CAPEX Plan, develop a Land Acquisition Framework (LAF), presenting Electrica's policy of fair compensation and the acquisition process in line with national legislation and PR5. Ensure the CAPEX Plan installations follow this Framework.

No new land acquisition was required for electrical distribution infrastructures included in CAPEX Plan, yet.

Bird death monitoring

Develop and implement a bird mortality monitoring system according to the relevant EU legislation that provides yearly estimations of bird deaths.

DEER developed a bird mortality monitoring instruction that is in the process of approval, based on SCADA systems alerts and local ground search surveys with carcass detection.

Avoiding and mitigating against bird deaths

Continue to install new lines with electrical insulating sheaths in areas of significant bird activity defined by relevant NGOs and environmental authorities. DEER to continue to install special brackets (nests) on the pillars of the low and medium-voltage overhead lines. Conduct biodiversity sensitivity mapping. Where necessary, implement bird markers and reduce the risk of electrification of birds with the appropriate design of electric insulators. Ensure any new lines or modernized lines include bird-friendly designs.

During the designing phase DEER adopts technical solutions for biodiversity protection and considers replacing overhead power lines with subterranean power lines, replacing uninsulated conductors with insulated conductors, mounting electrically insulated sheaths for its new/modernise power lines. A document regarding technical guidelines that will insure a unitary approach for designing power lines is to be elaborated at the DEER level including standard protection measures for birds.

Chance Find Procedure

Set up a Chance Find Protocol to effectively identify and manage any culturally significant findings encountered unexpectedly during project implementation. Such provisions shall include an internal communication chain, notification of relevant competent bodies of found objects or sites, alerting project personnel to the possibility of chance finds being discovered, and fencing off the area of finds to avoid any further disturbance and destruction, where needed. This Protocol will be in line with the methodological norm for application of Law #50 dated 1991 regarding the authorisation of construction works.

Chance Finds Protocol has included all contracts/agreements provisions as a distinct chapter/clause. The contract/agreement section will be published on the DEER website by the end of the first quarter of 2022.

Update Stakeholder Engagement Policy (SEP)

Update the engagement methods used in the SEP to align with what is currently being carried out and update the whistleblowing and grievance section.

Considering the unbundling context, DEER is working to finalise its own Stakeholder Engagement Policy with all its relevant departments. The policy will be published on the DEER website after obtaining all corporate approvals needed.

Stakeholder Engagement for the 2021-2023 CAPEX Plan

Develop a CAPEX Plan-specific stakeholder engagement plan (for the overall CAPEX program) to ensure that all the necessary engagement activities will be undertaken during the implementation of the upcoming works being financed by EBRD.

DEER has a Stakeholders Engagement Plan and the section regarding the CAPEX program will be published on the DEER website.

Integrate the public grievance processes into one mechanism

Develop and implement an IT system for logging, tracking, and solving grievances and revise the response time according to regulations in force (ANRE). Complaints lodged with DEER directly to be acknowledged and solved according to regulations in force (ANRE) (15 days to 30 days to respond depending on the nature of the complaint).

The grievance mechanism is published on the DEER website and is in line with regulation in force. Records of complaints are maintained and presented to the regulator (ANRE) by request or during inspections.

Community H&S Guide

Develop a community guide for H&S around power lines and distribution. This guide should include other information for communities served by DEER, including details of DEER emergency procedure for safe re-erection of fallen telegraph poles; details of stakeholder engagement activities and the grievance mechanism; information on H&S concerning substations and transformers, and underground cables; information on electromagnetic fields and health impacts; and information on risk related to electricity theft. In addition, consider other options to implement community awareness programs regarding energy use and electricity safety (through the European Commission "Energy Saving" ("Economie la energie") programme for instance).

The community guide is included in DEER Communication Strategy and Plan and is intended to be launched by the end of the first quarter of 2022.

Ensure disclosure and reporting in line with the EU Non-Financial Disclosure Directive with relevant information on climate impacts in line with the EU guidance line July 2019⁸. From 2022 include information on EU Green and Social Taxonomy in annual ESG/Sustainability reporting.

Electrica Group yearly publishes its Sustainability Report in line with the EU Non-Financial Disclosure Directive and will include information on EU Green and Social Taxonomy starting with 2022.

⁸ https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf

4.11. Internal audit activity report for 2021

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

The Internal Audit Department performs its activity based on an audit plan, which is endorsed by the Audit and Risk Committee, and subsequently approved by the Board of Directors. The 2021 Audit Plan included assurance missions, operational, as well as ad-hoc audit missions, started after their validation by the Audit and Risk Committee. The audit plan is aligned with the risk register at the Group level and prioritizes the main risks identified for the major business areas.

During 2021, assurance audit missions were carried out, as well as various ad-hoc missions on the most important business activities. The audit missions were performed on major projects or events within the Group, but also human resources activity, fixed assets, occupational safety, and health & integrated system management, and other areas. The Audit and Risk Committee together with the Board of Directors analyzed the audit reports regarding the findings identified, as well as the action plans established to remedy them.

Throughout 2021, the internal audit department team consisted of four internal auditors, out of which one has a management role and another 2 people with part-time work.

Among the most important audit missions carried out in 2021 are:

1. Evaluation and audit of the activity of the human resource at ELSA and SERV. Two audit reports were prepared, containing 18 findings regarding the activity of the human resource, of which 4 with high impact;
2. Evaluation and audit of fixed assets management areas carried out at ELSA and SERV. Two audit reports were prepared to contain 10 findings, of which 2 with high impact;
3. Evaluation and audit of the activity regarding the physical security and integrated system management at ELSA. An audit report was prepared to contain 3 findings, of which 0 with high impact;
4. Three "follow-up" missions were carried out at the Group level, which aimed to identify and monitor the implementation degree of the audit recommendations related to the issued reports;
5. Based on the procedure for analysing integrity warnings, 51 warnings were received through the "whistle-blower" system. Out of the total number of warnings received during the year 2021, ELSA Internal Audit Department analysed 7 warnings received in 2021, and the other 7 warnings received at the end of 2020.

The audit reports are submitted to and agreed upon by the audited companies' management and further submitted to the Audit and Risk Committee of ELSA, as well as to the Board of Directors. Following the conclusion of the audit engagements and after agreeing to the audit recommendations with the responsible persons, the Internal Audit Department works together with the audited structures in order to draw up the action plans aimed to reduce or eliminate the identified risks.

The background is a solid blue color with a pattern of faint, light blue upward-pointing arrows and a large gear icon on the right side. The text is white and bold.

5. Operating activity of Electrica in 2021

5.1. Operating segments

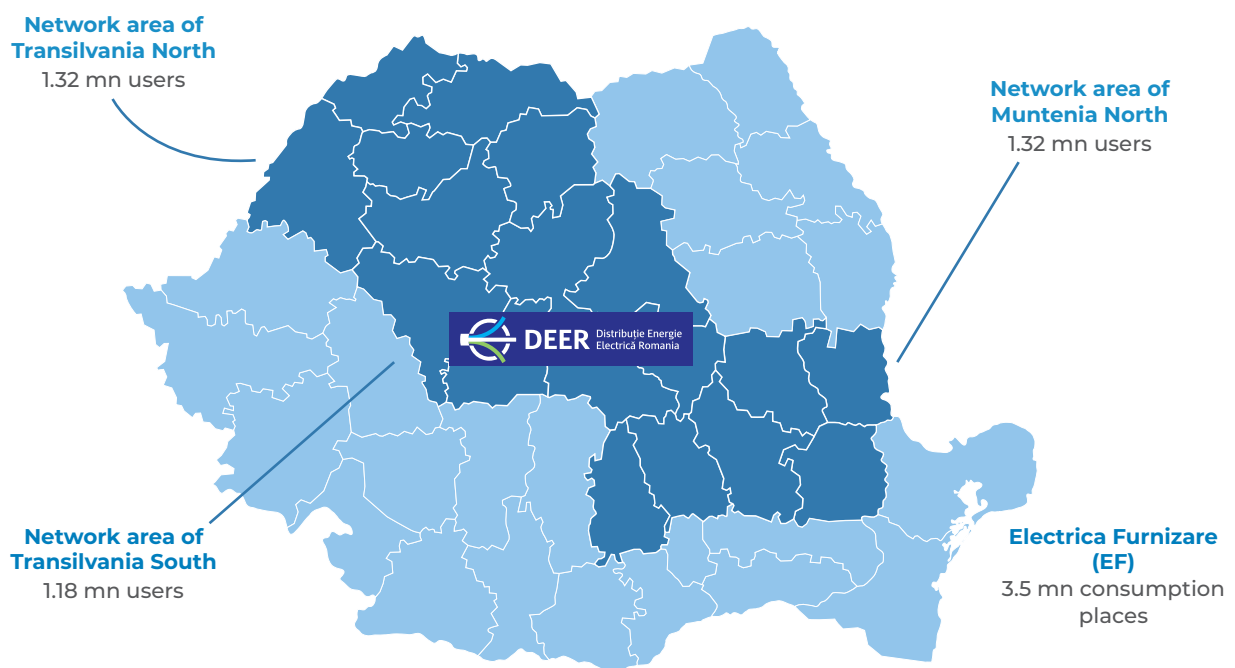
The operations of each reportable segment are summarized below.

Segments	Operations
Electricity and gas supply	Purchasing and supplying electricity and gas to end consumers (EFSA, including the trading and representation activity on the Balancing Market as Balance Responsible Party – BRP)
Electricity distribution	Electricity distribution service (include DEER and activity performed by SERV within distribution segment)
Electricity generation	Production of electricity from renewable sources (photovoltaic panels)
External electricity network services	Repairs, maintenance, and other services for electricity networks owned by other distributors (includes Electrica SERV SA activity without the one mentioned above for the distribution segment)
Headquarters	Includes corporate services at the parent level

Source: Electrica

The figure below shows the areas covered by the Group subsidiaries and the number of customers/users they serve.

Figure 21: The geographical coverage of the companies in the Electrica Group in 2021



Source: Electrica

Note: The figure refers to the company's number of consumption places/users on 31 December 2021

DISTRIBUTION SEGMENT

Electrica Group's distribution segment, starting with 1 January 2021 refers to the activity of DEER (with the following network areas: Transylvania North, Transylvania South and Muntenia North) and SERV.

The electricity distribution segment is a regulated area of activity, in which operations are conducted in a geographically limited area in accordance with the concession agreement, the nature of the services provided, and the specific obligations are stipulated in the license conditions of the concessionaire operator. Thus, the electricity distribution subsidiary of Electrica Group is the energy distribution operator in Transylvania North (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties), Transylvania South (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) and Muntenia North (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), operating electrical installation with voltages between 0.4 kV and 110 kV.

DEER holds the exclusive electricity distribution license in these regions of network areas valid for the next seven years with an extension clause for another 25 years. Within its service for distribution activity, SERV provides maintenance, repair, and various services to group companies (car rental, rental of buildings, etc.) as well as repairs and other related services to third parties.

The specific distribution tariffs are determined and approved by ANRE based on the "tariff basket cap" method as set out in ANRE Order no. 169/18 September 2018 regarding the approval of the tariff setting methodology for the electricity distribution service (applicable in the fourth regulatory period 2019 - 2023), with subsequent amendments, and respectively GEO no. 1/15 January 2020 and ANRE Order no. 75/6 May 2020 regarding the establishment of RRR applied to the approval of tariffs for the electricity distribution service.

The regulatory method "tariff basket cap" aims to avoid significant fluctuations in the tariffs applied to the users for electricity distribution. The model for determining the regulated income is based

on the principle of remunerating in tariffs the justifiable costs recorded by the distribution system operator, the main source of profit of the distribution company is the rate of return of capital invested in the distribution activity.

The tariffs are adjusted annually, taking into account the operational performance achieved, the quantities of electricity distributed, the quantities and the purchase price of electricity needed to cover network losses (NL), controllable and noncontrollable costs, the change in reactive energy revenues from forecasted values, the depreciation and carrying out expected capitalizable expenses, the changes in actual gross profit from other activities compared to the forecasted one, as well as the corrections in previous periods, carried out according to the methodology.

As of 31 December 2021, the Group is in an estimated under-recovery position of approximately (RON 273 mn (representing corrections related to the year 2021)), which will be recovered from the distribution tariffs of the following years.

The current regulatory period (the fourth regulatory period – RP4) began on 1 January 2019 and will end on 31 December 2023. The rules on RAB and distribution tariffs determination are expected to remain unchanged until the end of 2023. ANRE sets the annual level of distribution tariffs in RON per MWh for each distribution company, respectively on each network area in case of a merged DSO and for each voltage level (high, medium, and low). The invoiced tariffs are summed up according to the related voltage level (e.g., the medium voltage tariff includes the high voltage tariff, and the low voltage tariff includes the high voltage and medium voltage tariff).

ANRE determines the regulated annual income required for each year of the regulatory period based on projections submitted by distribution operators in accordance with the methodology requirements, at the beginning of the regulatory period.

The electricity distribution tariffs approved by ANRE for 2022 are as follows (RON/MWh):

Tariff (RON/MWh)	Applicable starting with 1 January 2022			
	ANRE Order no.	High Voltage	Medium Voltage	Low Voltage
MN	119/25 November 2021	21.02	43.54	140.68
TN		21.79	48.13	122.78
TS		22.34	45.49	127.04

Source: ANRE

SUPPLY SEGMENT

Electrica Group operates on the electricity supply segment through its subsidiary, EFSA, both on the regulated electricity market (as SoLR in the territorial areas where the Group's distribution subsidiaries operate), and on the competitive market, at a national level. EFSA holds an electricity supply license that covers the entire Romanian territory, valid until 2021, with the possibility of extension. Additionally, holds a license for supplying natural gas, valid until 2022.

The electricity market is split between the regulated market (through suppliers of last resort) and the competitive market. On both markets, electricity can be sold/purchased wholesale or retail.

Last resort suppliers market

Currently, EFSA is a supplier of last resort for approximately 2mn customers with 1.9mn consumption places.

Competitive market

In 2021, the trading on the wholesale competitive market is transparent, public, centralized, and non-discriminatory and takes place on OPCOM platforms; prices can be freely negotiated by the parties on the competitive retail market. The participants on the wholesale market can trade electricity based on bilateral contracts concluded on the markets managed by OPCOM or on the spot markets also managed by OPCOM.

BRP Electrica - Balance Responsible Party

The activity of representation in the Balancing Market as the Balance Responsible Party (BRP) took place within EFSA.

Starting with 1 April 2018, the client portfolio is diversified, consisting of producers (hydro, thermal, wind, photovoltaic, biogas, biomass), suppliers, and distribution operators, ensuring the balancing service of over 24% of total electricity consumption from Romania.

The distribution companies within Electrica Group have delegated their responsibility to BRP EFSA.

The Balancing Market, a component of the wholesale energy market, is a market for which each licensee must either assume the balancing responsibility or transfer the balancing responsibility to a BRP. By transferring the responsibility to a balance responsible party, there is the advantage of aggregating imbalances, in the sense of reducing costs on the Balancing Market compared to the situation where the producer/supplier/distributor would be itself a Balance Responsible Party.

ENERGY SERVICES SEGMENT

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

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

5.2. Fixed assets

The number of users and volume of installations as of 31 December 2021 at the level of the three distribution regions (North Transylvania area - TN area, South Transylvania area - TS area, and North Muntenia area - MN area) and total DEER (Romania Electrical Energy Distribution) are quantified as follows:

	UM	TN	MN	TS	Total
Geographical coverage	km ²	34,162	28,962	34,072	97,196
The number of users, of which:	no.	1,325,828	1,324,324	1,177,039	3,827,191
high voltage (HV – 110 Kv)	no.	34	40	46	120
medium voltage (MV)	no.	4,363	4,387	2,984	11,734
low voltage (LV)	no.	1,321,431	1,319,897	1,174,009	3,815,337
Overhead power lines length, out of which:	km	53,146	59,548	45,850	158,544
high voltage (HV – 110 Kv)	km	2,196	2,146	3,149	7,491
medium voltage (MV)	km	11,906	12,647	10,502	35,055
low voltage (LV)	km	39,044	44,754	32,200	115,999
<i>out of which connections</i>	<i>km</i>	<i>18,280</i>	<i>24,340</i>	<i>17,455</i>	<i>60,075</i>
Underground power lines length, out of which:	km	17,505	12,297	12,736	42,538
high voltage (HV – 110 Kv)	km	30	17	63	110
medium voltage (MV)	km	4,234	3,537	3,636	11,407
low voltage (LV)	km	13,241	8,743	9,037	31,021
<i>out of which connections</i>	<i>km</i>	<i>7,772</i>	<i>2,329</i>	<i>2,921</i>	<i>13,023</i>
Cumulative power of transformers/power AT	MVA	6,269	8,810	6,819	21,898
in power stations (HV/MV + MV/MV), out of which:	MVA	3,760	5,770	4,143	13,673
<i>in HV/MV power stations</i>	<i>MVA</i>	<i>3,712</i>	<i>5,421</i>	<i>4,075</i>	<i>13,208</i>
<i>in MV/MV power stations</i>	<i>MVA</i>	<i>48</i>	<i>349</i>	<i>69</i>	<i>466</i>
Switching stations/Transformer stations	MVA	2,509	3,040	2,676	8,226
No. of substations, out of which:	pcs	121	213	105	439
HV/MT power stations	pcs	92	125	101	318
MT/MT power stations	pcs	29	88	4	121
Number of switching stations and transformer stations	pcs	9,280	10,710	9,548	29,538

Source: Electrica

Most of the distribution installations currently in the patrimony of the electricity distribution company (detailed by geographical areas) within Electrica Group, about 80% of the total volume, was built in the period 1960-1990, in the successive stages of development of the National Energy System. This has led to a wide variety of equipment currently in operation. These represent installations made with Romanian technology in the period 1960 - 2000, where there is a high degree of physical and moral wear and tear. It should be noted that the installations put into operation between 1980 - 2000 (approximately 10%) gradually exceed the normal operating time.

A relatively small category, representing about 20% of the total installations, is represented by the new installations, put into operation after 2000 and which are made to technical standards that meet the current requirements.

Depending on the voltage level, categories of installations, the year of commissioning, and the specific operating conditions, the degree of wear and tear of the installations can be assessed as follows:

		TN	MN	TS
High voltage power lines (110 kV)	Underground power lines	25%	45%	50%
	Overhead power lines	74%	64%	75%
Medium voltage power lines	Underground power lines	48%	63%	65%
	Overhead power lines	57%	58%	60%
Low voltage power lines	Underground power lines	52%	69%	75%
	Overhead power lines	57%	63%	68%
Substations		69%	73%	60%
Transformers	Pole - mounted	44%	48%	50%
	Concrete enclosure	50%	65%	75%
	Pad - mounted	69%	75%	20%
	Underground	15%	95%	85%
	Concrete base	10%	8%	12%

Source: Electrica

Investments

The investments at the Electrica Group level have been prioritized considering especially the distribution company's assets degree of wear, and with a particular focus on the improvement of the distribution service quality, the safety in operations, as well as the increase in efficiency.

The Group will continue to modernize and to develop the smart distribution network by installing smart network infrastructure systems, such as SCADA, SAD, electricity measurement systems, etc., in order to improve the energy and operational efficiency, to improve the network flexibility, the distribution service quality and to ensure the continuity in the electricity supply and the networks' safety.

In the investments' program implementation, the Group's strategy and in particular the following criteria are ensured:

- tracking the inclusion of regulated investments in the RAB;
- non-regulated investments of the Group must provide an internal rate of return higher than the weighted average cost of capital;
- the proposed investment program must follow the Group's financial strategy of maintaining a solid capital structure.

Thus, those categories of capital expenses that contribute to the development of profitable and sustainable distribution activity, as well as to the creation of the conditions of access to the electricity distribution network for the consumers and electricity producers, in accordance with market requirements, are prioritized, based in particular on:

- distribution automation by integrating the installation in SCADA, SAD, DMS, etc.;
- modernizing the equipment from the transformer substations and the medium voltage network;
- introducing equipment with reduced technological losses, higher operating efficiencies and environmentally friendly;
- modernizing of the medium and low voltage distribution network and the connections;
- expansion of modern systems for measuring electricity consumption and transmitting consumption data.

At the same time, the Group is considering investments in the upgrade of IT infrastructure and IT systems, considering both the legal requirements regarding data protection and the positive effect on the quality of the services provided.

The following table presents the investment program approved by ANRE for the distribution area within Electrica Group for the period 2019 - 2023 (in 2018 real terms):

Commissioning program approved by ANRE for the period 2019 - 2023 (RON mn)						
	2019	2020	2021	2022	2023	Total
SDTN	190	175	170	160	160	855
SDTS	200	190	170	170	160	890
SDMN	200	190	160	160	165	875
Total	590	555	500	490	485	2.620

Source: ANRE

In 2021, Electrica Group companies realized the following investments, compared to the planned values:

Electrica Group subsidiary (RON mn)	Planned 2021	Achieved 2021
DEER, TN area	214.7	182.1
DEER, TS area	222	158.2
DEER, MN area	202.2	160.0
EFSA	51.2	9.4
SERV	11.6	1.5
SEM	-	-
ELSA	10.7	4.5
Total	712.4	515.9

Source: Electrica

At Electrica Group level, in 2021, the consolidated CAPEX plan was achieved at a rate of 72.4% compared to the plan approved by the Board of Directors of ELSA in February 2021, and for the distribution subsidiary DEER, the average degree of achievement is 96.9% compared to the approved plan.

The synthetic structure of investments achieved (CAPEX) by the distribution subsidiary in 2021 is presented in the table below (for details of the most important investments see Appendix 2):

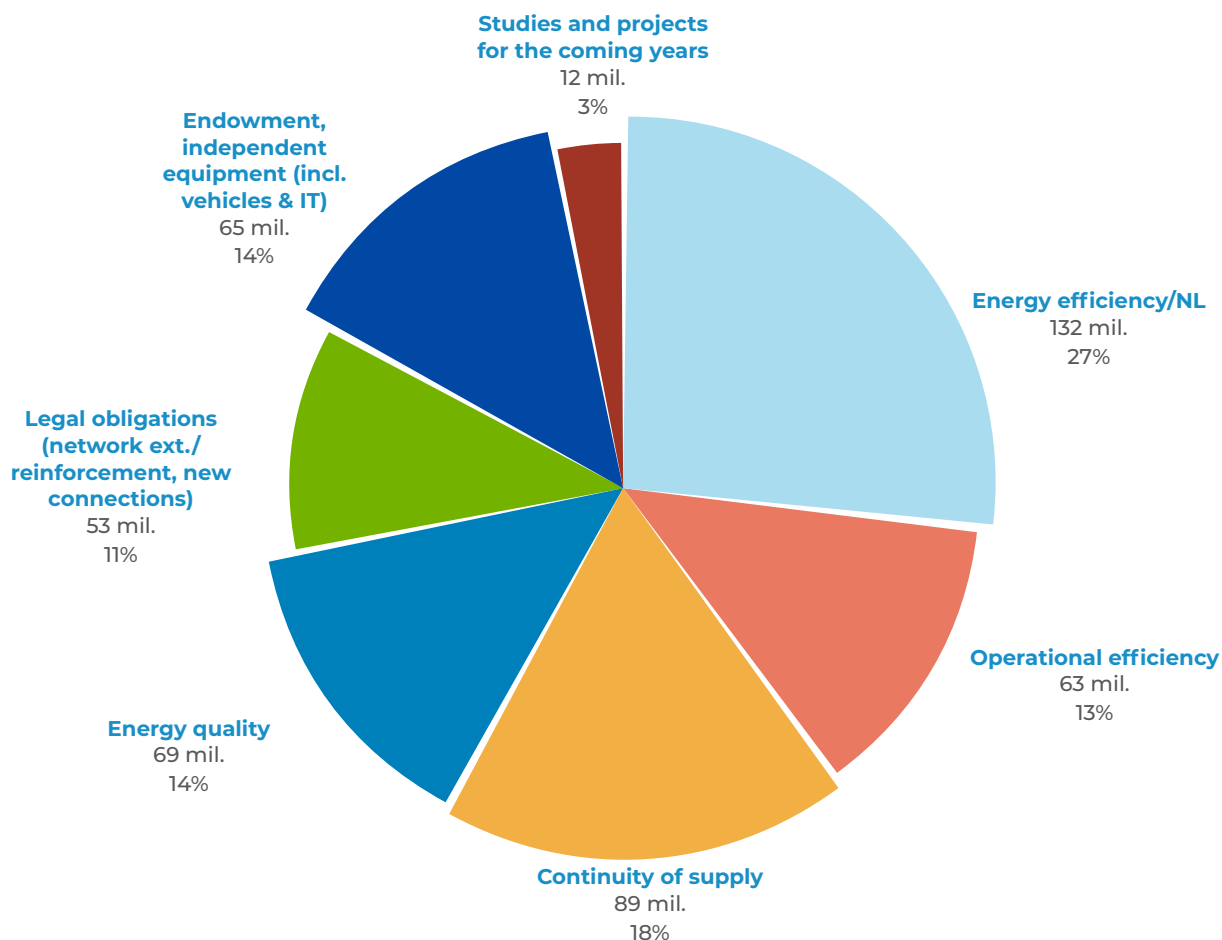
Category of works (RON mn)	Total
Efficiency, out of which:	195
Energy efficiency/NL	132
Operational efficiency	63
Quality of distribution service, out of which:	212
Continuity of supply	89
Energy quality	69
Legal obligations (network extention/reinforcement, new connection)	53
Other categories, out of which:	77
Endowment, Independent equipment (including vehicles & IT)	65
Studies and projects for the coming years	12
Total*	484

Sursa: Electrica

* Does not include additional CAPEX for connection

The main investments of the Electrica Group were focused in 2021 on improving the quality of the distribution service, as well as on increasing the energy and operational efficiency.

Figure 22: The structure of CAPEX achievements for distribution operator within the Group, in 2021 (RON mn)



Source: Electrica

* Does not include additional CAPEX for connection

The **approved plan of investments to be commissioned** for 2021 was in the total amount of RON 662.5 mn (RON 558.6 mn without connections), this value also includes investments carried forward, for the year 2020 (RON 9.4 mn).

From the investment plan for 2021 the distribution company of Electrica group – DEER, carried out and commissioned investments of RON 533.3 mn, and from the RON 9.4 mn of deferred investments related to 2020, carried out and commissioned RON 8.2 mn.

Thus, the total value of the investments carried out and commissioned in 2021 is RON 541.1 mn, representing an average percentage of 82% compared to the total planned value of RON 662.5 mn.

DEER (RON mn)	Total 2021 plan	Total achieved 2021	Total percentage of achievement %
MN area	212.0	171.0	81%
TS area	227.6	183.1	80%
TN area	222.9	187.3	84%
Total DEER	662.6	541.1	82%

Source: Electrica

As a result of investments made during 2014-2021, the value of the Regulated Assets Base of the Group's distribution operators has progressively changed, with an increasing evolution, and is as follows:

RAB (RON mn)	2014 ⁷	2015	2016	2017	2018	2019 ⁸	2020 ⁹	2021 ¹⁰
SDTN	1.331	1.420	1.519	1.624	1.728	1.856	1.952	2.022
SDTS	1.333	1.377	1.388	1.475	1.521	1.691	1.778	1.847
SDMN	1.486	1.543	1.581	1.679	1.769	1.913	2.035	2.098
Total	4.150	4.340	4.488	4.779	5.019	5.460	5.764	5.967

Source: Electrica

5.3. Procurement

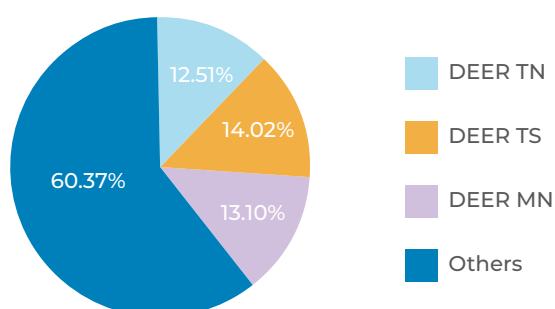
The procurement activity is carried out in accordance with the legal provisions in force, as well as in accordance with own procedures and regulations, as appropriate, aiming to cover the needs of goods, services, and works, in order to carry out in good conditions the Group's activities. In some cases, purchases are carried out centralized, by delegating the purchase coordination to a Group company, with the primary goal of reducing costs, optimizing the procurement, and ensuring a unified policy within the Group.

5.4. Sales activity

Electrica Group's revenues are influenced mainly by the distribution and supply segments. The contribution of the distribution segment to the total revenues was 22.9% in 2020 (2019: 24.2%), while the contribution of the supply segment was 76.6% in 2020 (2019: 75.4%).

The Group's distribution operators (one operator from 1 January 2021) are natural monopolies in their respective markets and as such, they hold a dominant position. In addition, the Group's distribution operators have a legal monopoly in their relevant regions; hence, other entities cannot set up a competing electricity distribution business. The following figure shows the national market share (based on the quantities of distributed electricity) held by the Group's subsidiaries in the electricity distribution segment, according to the 2019 ANRE report for performance indicators' monitoring.

Figure 23: Market share of distribution segment in 2020



Source: ANRE Report for performance indicators' monitoring 2020

⁷ In 2018, ANRE communicated the final value of the investments recognised for 2014, due to this reason starting with 2014 the RAB values have been modified.

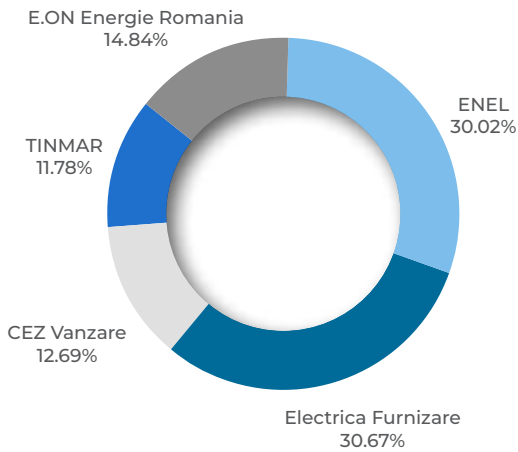
⁸ The values estimated as of 31 December 2019 may suffer corrections/changes, following ANRE's analysis process.

⁹ The values estimated as of 31 December 2020 may suffer corrections/changes following ANRE's analysis process.

Regarding the supply segment, although it holds a strong position in the electricity supply market, EFSA is facing growing competition in its market.

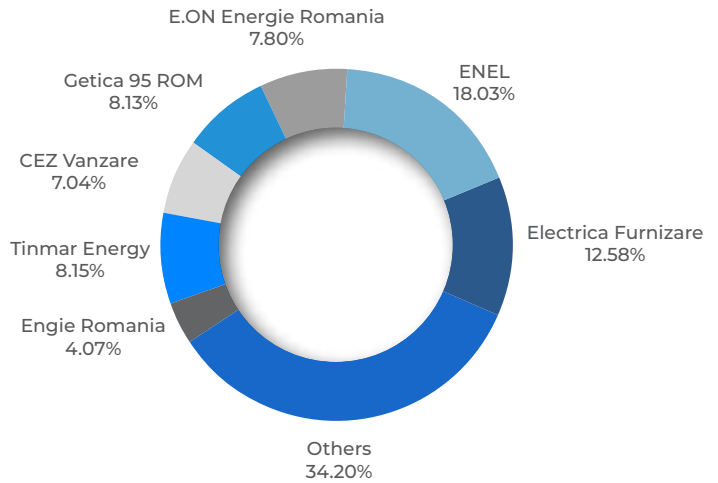
The figures below show Electrica market shares for the supply activity as of 30 November 2021 (based on the quantities supplied):

Figure 24: Last Resort suppliers market, 2021



Source: ANRE monthly report (November 2021)

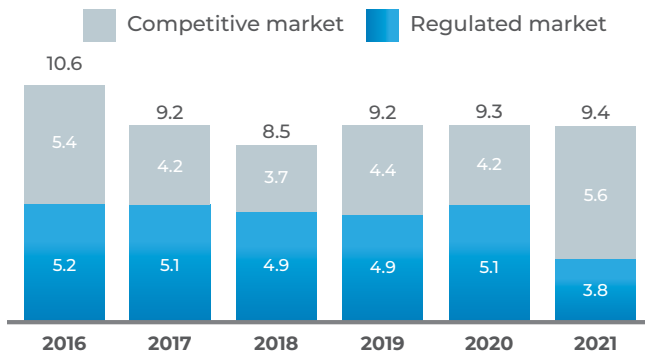
Figure 25: Competitive Market, 2021s



Source: ANRE monthly report, November 2021

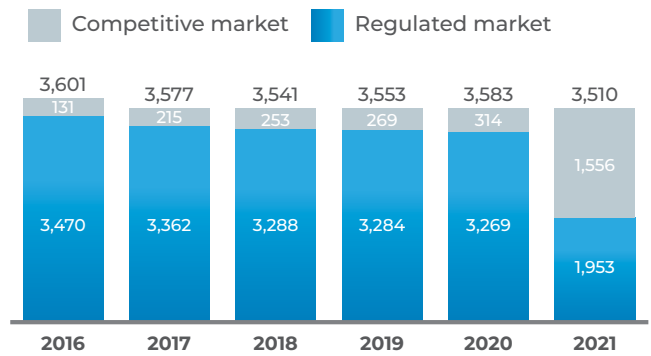
Note: "Others" category includes suppliers whose individual market shares are below 4%

Figure 26: Volume of electricity supplied on the retail market (TWh)



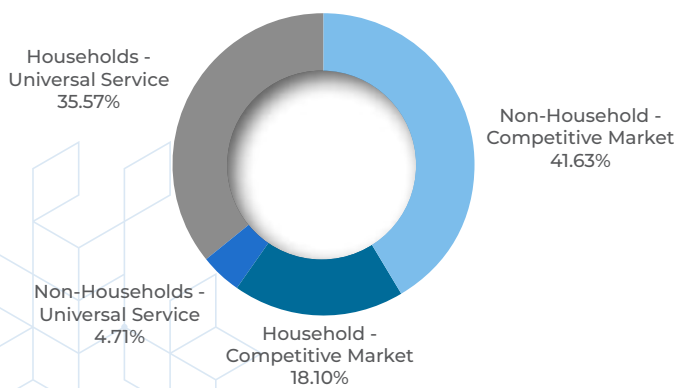
Source: Electrica

Figure 27: Evolution in the number of customers (thousand)



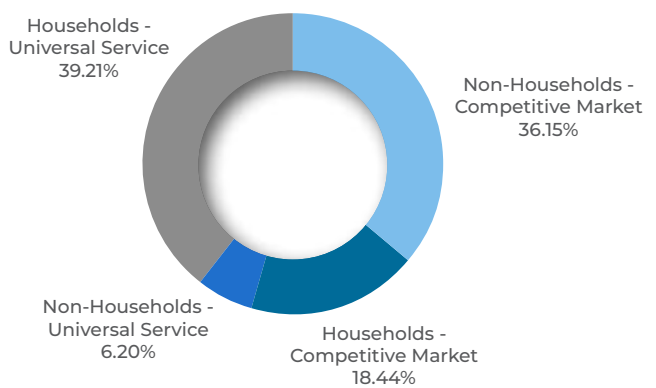
Source: Electrica

Figure 28: Customers by electricity supplied volume, 2021



Source: Electrica

Figure 29: Customers by revenues, 2021



Source: Electrica

Major customers exposure

EFSA does not have a significant exposure/concentration to a particular customer or group of customers that could have a major influence on its business. The leader position provides an inherent advantage to have a very large portfolio of customers and to obtain the dispersion of risk, and as such, there is no risk concentration. This advantage has been confirmed during the pandemic period, proving that the economic sectors impacted by the pandemic, despite they generating significant exposures, cannot represent systemic dangers to the entire company's portfolio.

However, certain consumers, such as hospitals, ambulance stations, schools, kindergarten and nurseries, air and maritime traffic services are considered to have special importance and they cannot be disconnected by the electricity suppliers. Customers who fall under the insolvency law can benefit from its protection against its creditors, and therefore possibly also from electricity suppliers for the electricity supply contracts in force at the date of initiation of insolvency procedures.

BRP Electrica - Balance Responsible Party

The representation activity as Balance Responsible Party ("BRP") on the Balancing Market was performed within EFSA.

In 2021, all market participants (approx. 920) were established as Balance Responsible Parties at Transelectrica S.A., out of which 68 participants assumed the responsibility of balancing in their own name as well as for other licensees.

Starting with 1 April 2018, the client portfolio is diversified, consisting of producers (hydro, thermal, wind, photovoltaic, biogas, biomass), suppliers, and distribution operators, ensuring the balancing service of over 24% of total electricity consumption from Romania.

The distribution companies from Electrica Group, respectively respective SDEE Muntenia Nord SA, SDEE Transilvania Sud SA, and SDEE Transilvania Nord SA, which gave delegated the responsibility to BRP EFSA, have merged starting with 1st of January 2021, under the name of Distribuție Energie Electrica Romania SA.

At the end of 2021, about 96 licensed participants have delegated their responsibility to EFSA, out of which:

- 8 suppliers, representing 8.33% out of total BRP;
- 6 distribution operators, representing 4.17% out of total BRP, and
- 84 producers, representing 87.5% out of total BRP;

compared to the end of 2020, when about 98 licensed participants were registered.

In 2021, the average number of customers was about 97, equal to the average of 2020, and an average number of over 300 bilateral contracts, respectively exchanges with OPCOM, were notified. Starting with February 2021, the settlement in EM is performed at an interval of 15 minutes using the methodology of unique price in accordance with the ANRE Order no. 213/2020. These intervals with unique prices do not allow compensations, and those with dual prices are reduced.

In the period February – December 2021, out of 32,064 intervals, a dual price was applied to 3,739 intervals (11.66%), resulting in a compensation degree between positive and negative imbalances of approximately 47%.

In 2021, as a result of internal compensations of imbalances, within BRP EFSA, it resulted in an improvement of surplus and deficit prices by 41.67 RON/Mwh compared to the imbalance prices calculated by OTS/OPCOM.

The year 2021	
OPCOM Average surplus price	PRE EFSA Average surplus price
426.17	467.67
OPCOM Average deficit price	PRE EFSA Average deficit price
622.87	581.20

Electrica Furnizare SA, through BRP service, has been acting on the Intraday market starting with February 2021 in order to buy/sell electricity quantity not transacted on DAM (Day-Ahead Market).

For the period February – December 2021, the results for the trades in IM (Intraday Market) are the followings:

- Buy – quantity of 56,468.07 MWh at an average price of 651.50 RON/MWh;
- Sell - quantity of 51,924.38 MWh at an average price of 562.20 RON/MWh.

Out of total traded of 107,523.52 MWh (at an average price of 585.17 RON/MWh) on Buy in IM-OPCOM, EFSA traded a quantity of 56.468,07 MWh, representing approx. 53%, and out of the total traded of 115,262.22 MWh (at an average price of 481.22 RON/MWh) on Sell in IM-OPCOM, EFSA traded a quantity of 51.924,38 MW, representing approx. 45%.

In accordance with EU Regulation 943/2019 REGULATION (EU) 2019/943 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 June 2019 on the internal electricity market, ANRE approved many orders detailed in the *sub-chapter 1.2*.

5.5. Personnel

On 31 December 2021, Electrica Group had 8,013 employees. The table below provides an overview of the employment in the Group, by business segments, at the end of the specified years. Starting with 2020, the figures include also the mandate contracts.

	2021*	2020*	2019
Electricity distribution segment - DEER	6,454	7,213	6,972
DEER - MN	2,156	2,184	2,191
DEER - TN	2,259	2,248	2,233
DEER - TS	2,039	2,087	2,085
Services segment - SERV	612	694	463
Supply segment – EFSA	838	793	896
Services related to other distribution networks – SEM (included in SERV starting December 2020)	0	0	296
Headquarters – ELSA	109	120	128
Total	8,013	8,126	8,292

Source: Electrica

*According to the modified reporting methodology to INS, the employees number from 31 December 2021 also includes 23 persons who worked based on a mandate agreement.

In addition to the traditional areas of interest, new ones appeared, such as the development of new activities, based on innovative technology, the development of a closer relationship with customers, based on the development of competencies, but also on an offer of products and services aligned with their needs, which led to an increase in the number of employees within the Group.

Also, ensuring the necessary human resources (from internal resources or through specific recruitment) for key business areas and training staff and capitalizing on its potential, expertise, and skills, in order to increase labor productivity and individual performance, are treated as priority topics.

As of 31 December 2021, approximately 52% of the Group's employees represent directly productive staff, and 48% represent indirectly productive staff, including technical, economic, social, and administrative personnel.

The table below presents the Group's employment by age, as follows:

Age category	31 December 2021	31 December 2010
under 18	0.00%	0.01%
18-30	4.76%	4.60%
31-40	16.06%	16.32%
41-50	34.96%	36.99%
51-60	41.44%	39.26%
over 60 years old	2.85%	2.82%
Total	100%	100%

Source: *Electrica*

As of 31 December 2021, about 98.5% of the Group's employees are union members and their employment conditions are governed by the Collective Labor Agreement, which will expire on 3 April 2022 for ELSA and has expired on 31 December 2021 for the Group's subsidiaries. According to the legislative provisions, the negotiations for the elaboration of a new CLA for DEER, FISE, and EFSA have started; as well, the negotiations were extended in 2022.

Electrica Group did not face union action in 2021.

In the same context of transformations, in 2021, Group's subsidiaries did not run a voluntary leave program with compensatory payments, these continuing the processes of identifying the personnel with expertise in order to ensure the performance and efficiency of the activities at the level required by the regulatory authorities and the energy market.

In alignment with the Group strategic objectives, one of the objectives that resulted from the Human Resources Strategy, is „Education and training to ensure the need for quality human resources“. Thus, it was considered of major importance the organization and operation of a formalized internal model, at the level of the Group, of professional and extra-professional training. One of the projects related to the strategy was the creation of a team of internal trainers for the companies within the Electrica Group. The „Training of Trainers“ courses lasted 180 hours.

One of the strategic objectives is the education and training to ensure the necessary quality human resources, with the expected result of creating a professional internal training system, that addresses the main skills needed by the employees, to enhance and maintain organizational and support the performance. Throughout 2021, it continued the training program in the dual education system, within the distribution branch, targeting classes in high schools with an energy profile.

The Group is involved in the life of the communities in which it operates, supporting children of families with modest material possibilities to remain in the education system, and at the same time, forming a solid base of young electricians who will be able in the future to join the distribution company, depending on the workforce need.

Both ELSA and its subsidiaries prepared and updated policies, procedures, and internal regulations that contain provisions regarding employment, non-discrimination, occupational health and safety, employer and employees' rights and obligations, the procedure for solving the employees' complaints, the labor discipline, disciplinary sanctions and deviations, rules regarding the disciplinary procedure, criteria and procedures for the professional evaluation of employees, succession and final provisions. Achieving the best possible correlation between the future needs of the organization and the competencies, experience, and career aspirations of its members, led to the definition of the guidelines of the succession in the company concept.

Also, the improvement and continuous development of the performance management system contributes to the achievement of Electrica Group's key objectives, set for the 2019-2023 period (*Improving operational performance to continuously increase the quality of customer service, Increasing performance, and strengthening the sustainability of economic results*). By adopting the human resources strategy, the Group aims to ensure the qualified resources necessary to support the initiatives for the next period, in the conditions of an accentuated dynamics of the labor market.

Another desideratum, established by the strategic objective regarding modernization, is the increase of the employees' trust in the employer and the creation of a suitable working environment for collaboration and obtaining the envisaged performances. Thus, in order to improve the interactions of the Electrica Group employees with the human resources

departments, to increase employee retention, and to improve the perception of the organizational culture. Also, in order to improve the employer's image and the continuation of the pandemic context during 2021, the „work from home” system continued within the Electrica Group, following the authorities' recommendations in the state of prolonging the alert context and complying with the internally defined processes, regarding workplace safety and human resources activity management.

The organizational culture modernization, having as central elements „excellence” and „safety”, is one of the strategic objectives, and one of the projects in this area is represented by the program „Change agents” in the distribution regions, with the role of supporting organizational change that occurred following the merger of the distribution companies. This program aims to promote openness to new challenges and to encourage employees to propose solutions to solve the problems they face at work. Change agents are employees who not only accept the change but seek solutions and support its implementation.

Another objective of major interest is performance management, as a coherent system that evaluates as objectively as possible the activity of the employees, in close correlation with the system of compensations and benefits and the professional development one.

Thus, the Group's Key Performance Indicators Catalogue was elaborated, as a tool that ensures the objective and professional evaluation of Electrica's strategic objectives achievement on each main area of activity. Additionally, a framework methodology for the application of the KPIs Catalogue and performance management according to best practices has been developed, which is to be adapted to each company. The project also included a series of applied workshops, training sessions on setting and evaluating performance indicators, as well as other discussions aimed at transferring knowledge for methodological alignment at all hierarchical levels and expressing expectations to strengthen internal teams.

Additionally, it was continued the methodological and conceptual framework for the application of international best practices was developed in order to increase the maturity of the performance management system within Electrica, which considers the continuous improvement of the employee evaluation process and the development of the necessary tools to build a solid performance-based system.

The training programs carried out at the Electrica Group level took into account both the constant evolution and the improvement of the Group employees' skills.

The company's management supports the principle of development through continuous training by involving employees in these programs, thus supporting them to effectively address their professional challenges.

HEALTH AND SAFETY AT WORK

The Integrated Quality-Environment-OSH Management System, implemented, certified, and supervised at the level of each company within the Electrica Group by the SRAC Cert certification body, ensures the companies' compliance with the legal requirements for occupational safety and health and those of the SR ISO reference standard 45001: 2018, and enhances the providing of professional services and safely conducting the business processes for the organization and contractor staff, but also customers.

The work accidents situation and specific indicators at the Electrica Group level

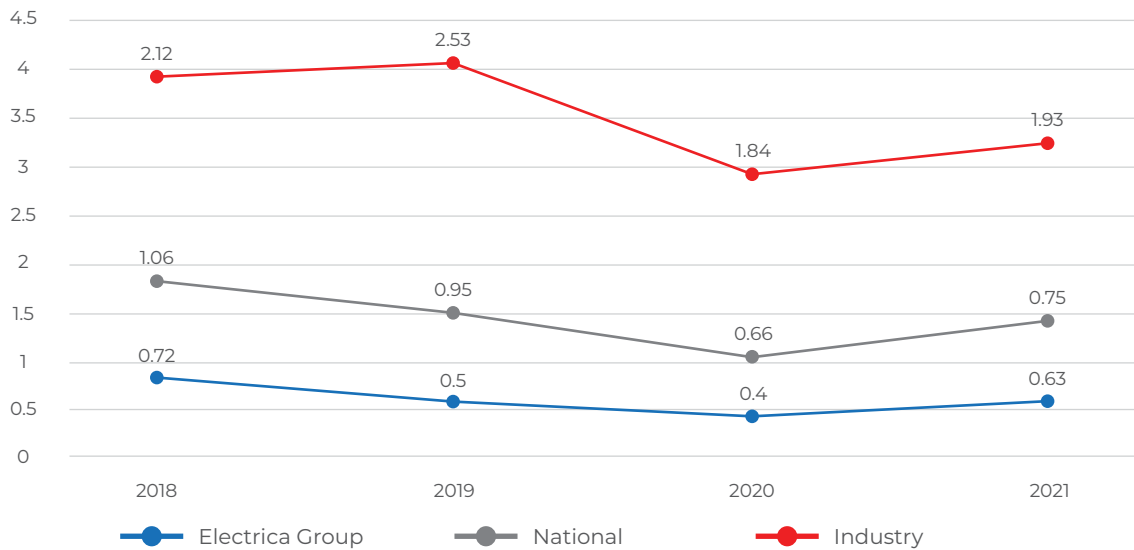
In 2021 there were no fatal work accidents at the Electrica Group level.

The total number of work accidents at the group level decreased by 20% compared with the previous year, with 4 work accidents being recorded compared to 5 accidents recorded in 2020.

The complex of complementary causes and favourable factors that determined the occurrence of each of these accidents was analysed by legally constituted commissions at the company level and the investigation files include prevention measures that need to be implemented by the company. Two of the work accidents registered at the group level were generated by the mechanical risk that materialised during traffic accidents, one was caused by physical aggression of a third party and another by stumbling and falling from the same level.

An OSH event produced because of preexistent health condition of the staff, without being classified as a work accident according to the DEER communication, took place in August 2021 and resulted in the death of a DEER employee. The investigation of the event is carried out by the competent authorities (ITM Galați) and depending on the results of the research, the event could be reclassified as a work accident.

The frequency index (FI), expressed as the number of injured people returning to 1000 employees is for 2021 at Electrica Group level 0.63 ‰, increasing compared to 2020 based on the sensible decrease of headcount in 2020 at the Group level.



FI is a statistical indicator recommended by the International Labor Organization (ILO) through The Resolution on Accidents at Work adopted in October 1998, as it correlates the number of accidents with the number of workers, increasing the comparability of HSW organizations' performance and eliminating distortions generated by the size of these organizations (the number of staff in each organization).

Starting with 2018 and continued in the following years, the FI for the Electrica Group was constantly below the national value of the indicator and well below the level registered for the industry in which it operates.

Aspects regarding the employees' health

No occupational diseases were registered at the Electrica Group level, neither in the reference year nor in the previous years.

Prevention, monitoring, and health security at the workplace were performed by doctors specialized in occupational medicine based on dedicated service agreements and was watched by ELSA, for portfolio companies, through half-yearly reports.

Actions to improve safety and health of employees at work place

A sustained effort by the HSW teams of each group' company, coordinated by ELSA's IMS&HSW Department was needed throughout 2021 for ensuring the prevention and monitoring of SARS-CoV-2 infections in the context of the COVID-19 pandemic, the main actions defined and managed by HSW professionals consisted in:

- defining and constantly reviewing the regulatory framework necessary to prevent the new coronavirus spread at the level of group companies (rules for collaboration and use of common areas, rules for sanitation of equipment and work devices, rules for travel in the interest of service, intervention protocols in self-isolation locations or quarantine, disease management protocols, direct/indirect contact, return from risk areas, etc.);
- internal communication of relevant aspects in the context of developments in the external and internal environment;
- ensuring staff awareness and training in order to reduce the risk of contamination at work (hygiene rules, legal obligations, use of medical devices dedicated to the prevention, new regulations, teleworking system, etc.);
- ensuring the equipment and services necessary for the personnel protection (hygienic-sanitary materials and services, medical devices, markings and signals, testing services and kits, etc.).

In 2021 the total number of HSW training hours performed increased by 1%, reaching 315,295 hours from 312,100 HSW-ES training hours in 2020.

Given the context of the COVID-19 pandemic, to avoid possible transmission of the virus from one area to another because of differentiated developments at the regional level, for 2021 the HSW dropped the cross-control concept, regardless of its proven effectiveness. The aforementioned causes have limited the total number of HSW inspections to 2,085 performed at Electrica Group level by its staff, in order to identify deficiencies that could generate health and safety risks for employees, these inspections being followed by the immediate treatment of irregularities found.

Although during the reference period there were numerous inspections performed by the Territorial Labor Inspectorates and Inspectorates for Emergency Situations, some of them concerning the implementation and compliance degree with the new legal regulations intended to limit the COVID-19 spread, in 2021 no sanctions were imposed for any of the Group companies.

The year 2021 meant the alignment of safety and health activities and practices at work place between regions for the distribution area, following the merger of the three operators, by unitary review and adoption of more than 100 HSW instructions, since the high-level alignment of the processes and subprocesses in the previous years.

During the year, all companies from Electrica Group have performed external audits carried out by the certification body, either for the supervision or for the certification of the Integrated Quality - Environmental - OSH Management System implemented in accordance with the new standard ISO 45001:2018, all companies obtained or maintained their certification.

5.6. Environmental considerations

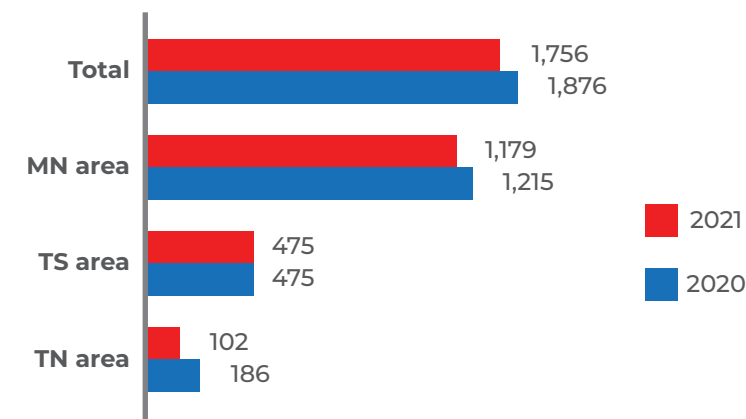
In 2021, Electrica Group invested in the field of environmental protection over RON 14.899 mn¹¹, the value recording an increase of almost 4% compared to the 2020 level of RON 14.36 mn.

The consolidated non-financial statement is included in the Group's Sustainability Report, which is published within a maximum of 6 months from the date of the Directors' Report.

Continuing the practice of previous years in identifying and evaluating all real and potential environmental aspects with positive and negative effects, associated with specific processes, both in normal operating conditions, as well as in abnormal operating conditions and emergency situations at the level of each company, Electrica Group has defined and promoted its main concerns in order to increase environmental performance, as follows:

- reducing or limiting the impact of services and infrastructure on the environment;
- responsible waste management with safe disposal of generated waste, especially of those the highly polluting ones;
- conservation of biodiversity and resources.

Figure 30: PCB capacitors in operation at the end of 2021



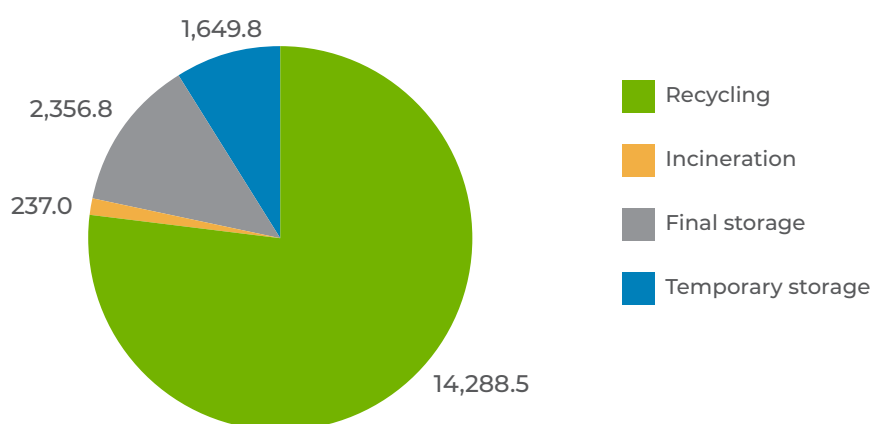
Source: Electrica

¹¹ considering estimated value for December 2021

Subsumed to the concern for reducing or limiting the impact of services and infrastructure on the environment, at the Group' distribution operator – DEER – level the program for PCBs (polychlorinated biphenyls) elimination from the operating electrical distribution infrastructure was continued in 2021, with results represented in the left chart. The implementation pace ensures the comfort of finalizing the elimination program within the national legislated term of 2028, according to GD no. 1497/2008, for the company.

For responsible waste management and the safe disposal of the generated waste, especially highly polluting waste, a unified process has been defined and implemented at the level of Electrica Group, governed by the principles of selective collection and recycling – when its requirements are met - or destruction with authorised operators.

Figura 31: Waste processing



Source: Electrica

In this regard, all Group's companies agreed on contracts with authorized providers for processing/storage of all categories of generated waste, the transport being carried out by these respective contractors as part of the contracted services. Based on these contracts, at Electrica Group level was selected and managed in 2021 a total amount of 18532,18¹² tons of waste, most of them, over 77%, being recycled.

During 2021 there were no incidents with environmental impact, but there was a non-compliance with the provisions of Law 211/2011 on waste regime caused by exceeding the perimeter of controlled waste storage properly organized at the regional structure Sibiu in the South Transylvania area of DEER. This was reported to the National Environmental Guard, which carried out two successive inspections. On the date of the first inspection carried out on 18 February 2021, the findings indicated that the steps to release the unorganized space from the mixed waste stored were started and the second inspection carried out on 22 February 2021 concluded that DEER - SR Sibiu released and sanitized the perimeter notified for uncontrolled storage of mixt waste, proceeding also to waste disposal or recycling with an authorized economic operator. As a result, no fines were applied by the authorities. The measures implemented have ensured the fast and complete elimination of the effects of non-compliance. Protecting biodiversity and decreasing the effects of the Group's activities and assets on flora and fauna has also been maintained as a priority direction of action for 2021, the amount allocated by Electrica Group in this regard increasing to RON 8,846 mn.

Thus, during 2021, at the Electrica Group level continued the implementation of practices and solutions harmonized with the environmental protection norms and the principles of sustainable development.

For distribution and supply activities no environmental authorisations are required, and the energy services company within Electrica Group, have the environmental authorisations needed for the operation of more than 85% of the locations and in the case of three locations (15%) for which the authorisation had expired by the end of 2021, the documentation for re-authorization was already submitted, in accordance with the legislation in force.

Following external certification/ supervisory audits carried out by the certification body SRAC Cert, companies within Electrica Group obtained or maintained in 2021 the certifications for their Integrated Management Systems Quality – Environment – OHS through which the environmental aspects specific to the performed activities are managed in a responsible and efficient manner, in accordance with the provisions of the international standard ISO 14001:2015.

¹² considering estimated values for December 2021

5.7. Research and development activities

Electrica Group is promoting technological innovation by participating in research and development projects financed/co-financed through European funds, having the possibility to test new technologies to manage and optimize energy efficiency. Also, the electricity distribution networks integrate a high level of distributed generation sources.

By participating in these research, development, and innovation projects with financing/co-financing through non-reimbursable funds, Electrica Group has the following benefits:

- having access to cutting-edge technologies in the field of optimizing the operating regimes of the electricity distribution network (EDN) in terms of network connection of renewable electricity production sources (distributed or concentrated);
- the improvement of the safety and reliability of isolated electrical systems, of the quality of electricity supplied by providing quick and low-cost reserves through flexible loads;
- the possibility of identifying certain criteria to promote smart grids and smart metering solutions in terms of the requirements of the new data protection measurement code and encryption methods;
- the use of opportunities to develop the self-financing business portfolio of group companies;
- developing new competencies through the transfer of know-how;
- compliance with the best practices of similar companies in Europe;
- creating new opportunities for the group companies to participate in projects funded by the European Union.

Thus, Electrica participated in the European inteGRIDY project „integrated Smart GRID Cross-Functional Solutions for Optimized Synergetic Energy Distribution, Utilization Storage Technologies”, carried out within the research and innovation program of the European Union „Horizon 2020”, which was successfully completed in the year 2021.

The inteGRIDy project aimed to integrate cutting-edge technologies, solutions, and mechanisms in a scalable Cross-Functional Platform connecting energy networks with diverse stakeholders, facilitating the optimal and dynamic operation of the Distribution Grid (DG), fostering the stability and coordination of distributed energy resources, and enabling collaborative storage schemes within an increasing share of renewables.

The proposed solutions were tested in 10 demonstration sites across Europe (Lisboa, Xanthi, **Ploiesti**, Thessaloniki, Isle of Wight, Terni, San Severino Marche, Barcelona, St-Jean, Nicosia).

Electrica's participation was achieved through the Ploiești Pilot, where a demand response (DR) solution was implemented in an EIIIS system (Energy Integrated Information System) where building energy management and control systems operate based on critical peak pricing and intelligent DR programs/algorithms.

By deploying the Ploiești pilot, four major objectives of the project were achieved:

- a) DR solution based on intelligent algorithms and programs (focused on the residential area);
- b) Smart grid readiness;
- c) Energy management;
- d) For the consumer, educating and increasing awareness about energy consumption and energy behaviour.

Another important endeavor of Electrica Group in promoting technological innovation is to disseminate the solutions of electricity networks' modernization using the smart grid concept. The communications take place at the international conferences/symposiums where Electrica Group participates or organizes internally to align development plans with available new technologies.



6. Electrical financial reporting for 2021

6. Electrica financial reporting for 2021

Prezentarea informatiilor financiare consolidate ale Grupului este bazata pe situatiile financiare consolidate intocmite in conformitate cu Standardele Internationale de Raportare Financiara („IFRS”) adoptate de Uniunea Europeana („IFRS-EU”). Aceste situatii financiare consolidate sunt prezentate in RON, aceasta fiind si moneda functionala a tuturor companiilor din cadrul Grupului.

6.1. Consolidated statement of the financial position

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

	31 December 2021	31 December 2020	Variation
ASSETS			
Non-current assets			
Intangible assets related to concession agreements	5,514.6	5,455.2	1.1%
Other intangible assets	9.0	7.2	25.0%
Property, plant and equipment	505.4	508.1	-0.5%
Investments in associates	25.8	-	-
Deferred tax assets	83.5	19.7	323.9%
Other non-current assets	1.7	1.2	41.7%
Right of use assets	20.9	27.1	-22.9%
Total non-current assets	6,160.9	6,018.5	2.4%
Current assets			
Trade receivables	1,344.6	1,029.8	30.6%
Other receivables	48.6	32.5	49.5%
Cash and cash equivalents	221.8	570.9	-61.1%
Restricted cash	-	320.0	-100.0%
Inventories	73.0	70.1	4.1%
Prepayments	5.0	2.8	78.6%
Current income tax receivable	23.8	1.8	1,222.2%
Assets held for sale	5.4	15.5	-65.2%
Total current assets	1,722.2	2,043.4	-15.7%
Total assets	7,883.1	8,061.8	-2.2%
EQUITY AND LIABILITIES			
Equity			
Share capital	3,464.4	3,464.4	-
Share premium	103.0	103.0	-
Treasury shares reserves	(75.4)	(75.4)	-
Revaluation reserve	102.8	116.4	-11.7%
Legal reserves	408.4	392.3	4.1%
Retained earnings	950.2	1,759.5	-46.0%

	31 decembrie 2021	31 decembrie 2020	Variatie 2021/2020
Total equity attributable to shareholders of the Company	4,953.6	5,760.3	-14.0%
Total equity attributable to shareholders of the Company	4,953.6	5,760.3	-14.0%
Liabilities			
Non-current liabilities			
Lease liability – long term	12.1	16.9	-28.3%
Deferred tax liabilities	161.9	177.8	-8.9%
Employee benefits	149.2	143.9	3.7%
Other liabilities	32.7	33.9	-3.4%
Long-term bank borrowings	452.3	400.3	13.0%
Total non-current liabilities	808.3	772.7	4.6%
Current liabilities			
Lease liability – short term	9.4	10.7	-12.1%
Bank overdrafts	627.4	165.0	280.3%
Trade payables	891.3	607.2	46.8%
Other payables	271.3	240.9	12.6%
Deferred revenue	9.7	5.6	73.2%
Employee benefits	101.1	92.3	9.5%
Provisions	34.9	19.2	81.5%
Current income tax liability	-	9.2	-
Current portion of long-term bank borrowings	176.1	378.6	-53.5%
Total current liabilities	2,121.3	1,528.8	38.8%
Total liabilities	2,929.6	2,301.5	27.3%
Total equity and liabilities	7,883.1	8,061.8	-2.2%

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Non-current assets

The non-current assets increased with RON 142.4 mn in 2021, or 2.4%, from RON 6,018.5 mn as of 31 December 2020, to RON 6,160.9 mn at 31 December 2021, this variation is the cumulated effect of:

- Increase with RON 59.4 mn of network investments made by distribution subsidiaries (most relevant values of investments and put into function are presented in Annex 2);
- Increase of financial assets with RON 25.8 mn thanks to new investments in associate entities, which develop renewable energy production capacities (Crucea Power Park S.R.L., Sunwind Energy S.R.L., New Trend Energy S.R.L., Foton Power Energy S.R.L.) – see details in Chapter 1.2 Key events of this report.
- Increase of deferred tax by RON 63.8 mil. in 2021, or 323.9% from RON 19.7 mil as of 31 December 2020, effect generated in principal by fiscal position for 2021.

Current assets

In 2021, current assets decreased by RON 321,2 mn compared to 2020, or 15.7%, from RON 2,043.3 mn to RON 1,722.2 mn, this evolution being mainly the net effect of

- Value of collateral deposits of RON 320 mn has decreased because the long term loan from BRD – Group Societe Generale has been reimbursed;

- Value of cash and cash equivalents decreased with RON 349.1 mn due to reduction of short term deposits and cash at banks, both of them representing the impact of the increase of electricity prices as well as of investments in associates and the cash pooling structure (liquidities are used in cash pooling system);
- trade receivables have increased by RON 314.8 mn in 2021, mainly due to the supply segment correlated with the increase in sales.

Trade receivables

Trade receivables increased by RON 314.8 mn during 2021, or 30.6%, to RON 1,344.6 mn, from RON 1,029.8 mn as of 31 December 2020. This variation is generated by the increase of sales, especially in the supply segment to which the impact of COVID-19 on the receivables collection is added.

Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits, and bank accounts.

Their value decreased by RON 349.1 mn in 2021, or 61%, reaching RON 221.8 mn, from RON 571 mn in 2020, due to the reduction of short term deposits and cash at banks, both of them representing the impact of the increase of electricity prices as well as of investments in associates and the cash pooling structure (liquidities are used in cash pooling system).

(RON mn)	31 December 2021	31 December 2020
Bank current accounts	167.8	179.4
Call deposits	53.9	391.5
Cash in hand	0.1	0.1
Total cash and cash equivalents in the consolidated statement of financial position	221.8	571.0
Overdrafts used for cash management purposes	(627.4)	(165.0)
Total cash and cash equivalents in the consolidated statement of cash flows	(405.6)	406.0

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Restricted cash

As of 31 December 2021, the restricted cash balance previously presented as long-term, representing a guarantee for the loan from BRD, reclassified in the category of current assets has a nil balance, as the loan was repaid in Q4 2021.

Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares on 31 December 2021 and 2020 with a nominal value of RON 10 per share.

The company recognizes the changes in its share capital only after their approval in the General Meeting of Shareholders and their registration with the Trade Register. Contributions made by the shareholder, which are not registered with the Trade Register at the end of the year, are recognized as "Pre-paid capital contributions in kind from shareholders".

There were no changes in the number of shares in 2021.

	Number of ordinary shares	
	2021	2020
Number of shares at 1 January	346,443,597	346,443,597
Shares issued during the year	-	-
Number of shares at 31 December	346,443,597	346,443,597

Source: Electrica

Revaluation reserves

The reconciliation between the opening balance and the closing balance of the revaluation reserve is presented below:

(RON mn)	2021	2020
Balance at 1 January	116.4	87.7
Revaluation surplus of land, land improvements, and buildings	-	43.8
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant, and equipment	(13.5)	(7.2)
Deferred tax liability arising on revaluation of land, land improvements, and buildings	-	(7.9)
Balance at 31 December	102.8	116.4

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Legal reserves

The legal reserves are established as 5% of the profit before tax according to the individual statutory financial statements of companies within the Group, until the total legal reserves reach 20% of the paid-up share capital of each company, according to legal provisions. These reserves are deductible for income tax purposes and are not distributable.

(RON mn)	Legal reserves
Balance at 1 January 2020	371.8
Set-up of legal reserves	20.4
Balance at 31 December 2020	392.3
Set-up of legal reserves	16.1
Balance at 31 December 2021	408.4

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Non-current liabilities

The non-current liabilities have considerably increased from RON 772.7 mn as of 31 December 2020 to the value of RON 808.3 mn as of 31 December 2021.

This evolution is a net effect of the main non-current liabilities categories variation, of which the most significant relates to long-term borrowings, which increased due to withdraws performed in 2021 (RON 30.0 mn from BRD/2020 loan, RON 40.0 mn from BRD/2021 loan and RON 83 mn from BCR/2020 loan), mainly to finance the investments in the distribution network on one hand, partially compensated with the decrease of leasing debts following the reimbursement.

Current liabilities

In 2021, the current liabilities increased by RON 592.5 mn, to RON 2,121.3 mn, from RON 1,528.8 mn at the end of 2020, mainly as a result of the changes in the categories listed below.

Current portion of long-term bank borrowings

The current portion of long-term bank borrowings decreased by RON 202.5 mn, following the reimbursement of long-term loans, reclassified as such at the end of 2021.

Overdrafts

The overdrafts considerably increased in 2021 by RON 462.4 mn, reaching RON 627.4 mn, from RON 165.0 mn at the end of 2020, as the Group has adapted its financing methods for working capital, including the implementation of a cash pooling structure, according to operational activity priorities and emergencies.

Trade payables

As of 31 December 2021, the trade payables increased by approx. RON 284.1 mn, to RON 891.3 mn, from RON 607.2 mn on 31 December 2020, mainly due to an increase of suppliers' balances following the changes in the electricity market.

6.2. Consolidated statement of profit or loss

The following table presents the consolidated statement of profit or loss of Electrica Group for 2021 and 2020 (amounts in RON mn):

	2021	2020	Variation 2021/2020
Revenue	7,178.9	6,501.1	10.4%
Other income	195.8	165.4	18.4%
Electricity and natural gas purchased	(5,694.7)	(3,905.7)	45.8%
Construction costs related to concession arrangements	(485.8)	(676.0)	-28.1%
Employee benefits	(802.7)	(774.5)	3.6%
Repairs, maintenance and materials	(102.4)	(104.6)	-2.1%
Depreciation and amortization	(480.8)	(490.9)	-2.1%
Reversal of impairment/(Impairment) for trade and other receivables, net	(70.6)	62.2	-
Other operating expenses	(343.2)	(325.1)	5.6%
Operating profit	(605.5)	451.9	-
Gain from bargain purchase of subsidiaries*	-	7.5	-
Finance income	2.6	9.7	-73.1%
Finance costs	(29.5)	(26.7)	10.4%
Net finance cost	(26.9)	(17.1)	57.3%
Profit before tax	(632.4)	442.3	-
Income tax expense	79.5	(54.8)	-
Profit for the year	(552.9)	387.5	-
Earnings per share			
Basic and diluted earnings per share (RON)	(1.63)	1.14	-

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

*the value is included in EBIT, is separated only for disclosure purposes

Key financial indicators for 2021 and their y-o-y evolution:

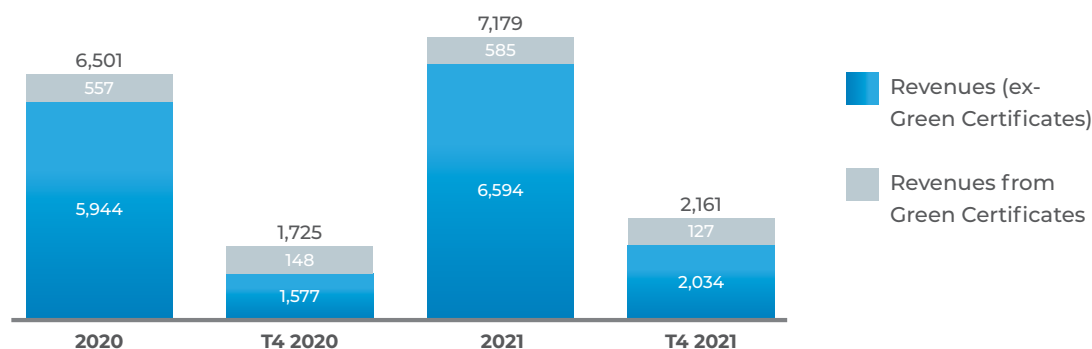
- **Revenues: RON 7.2 bn**, an increase of RON 677.8 mn, or 10.4%;
- **EBITDA: loss RON 128.0 mn**, a RON 1,081.1 mn decrease;
- **EBIT: loss RON 605.5 mn**, lower by RON 1,064.9 mn;
- **EBT: loss RON 632.4 mn**, a decrease of RON 1,074.7 mn;
- **Net result: loss of RON 552.9 mn**, lower with RON 940.4 mn.

Revenues and other income

In 2021, Electrica recorded total revenues (including other income) of RON 7,374.6 mn, increasing by RON 708.2 mn or 10.6%, from RON 6,666.5 mn in 2020; the variation is generated mainly by the revenues' evolution, the other operating income recording only a slight increase of RON 30.4 mn.

Revenues

Figure 32: Revenue for 2021/Q4 2021 and comparative information (RON mn)



Source: Electrica

The revenues increased by RON 677.8 mn, or 10.4%, being the net effect of the following main factors:

- increase of RON 757.2 mn on the supply segment;
- RON 20 mn decrease of the distribution segment's revenues;
- Increase with RON 137.8 mn of revenues from energy services, mainly due to presence of SERV revenues in this segment starting with 2021, following the merger of SEM and SERV.

Electricity and natural gas purchased

In 2021, the expense for electricity purchased increased by RON 1,789.0 mn, or 45.8%, to RON 5,694.7 mn, from RON 3,905.7 mn in the comparative period.

This variation is mainly generated by the increase of electricity costs and natural gas needed for the supply activity and to cover NL, as well as of green certificates cost (pass-through cost).

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

(RON mn)	2021	2020	VAR %
Electricity purchased to cover network losses	1.087,1	694,0	56,6%
Electricity and natural gas purchased for supply	3.750,0	2.377,2	57,8%
Transmission and system services related to supply activities	275,9	277,3	-0,5%
Green certificates	581,7	557,2	4,1%
Total electricity and natural gas purchased	5.694,7	3.905,7	45,8%

Sursa: Electrica

Construction costs

In 2021, the network construction costs related to concession arrangements decreased by RON 190.2, mn or 28.1%, to RON 485.8 mn, from RON 676.0 mn recorded in 2020, being correlated with the evolution of the investments recognizable in RAB realized in 2021, which were at a lower level compared to 2020.

Employee benefits

The expenses for salaries and employee benefits increased by RON 28.2 mn, or 3.6%, reaching RON 802.7 mn in 2021, from RON 774.5 mn in the same period of the previous year.

Repairs, maintenance, and materials

In 2021, the expenses with repairs, maintenance, and materials recorded only a slight decrease of RON 2.2 mn, or 2.1%, reaching RON 102.4 mn from RON 104.6 mn.

Reversal of impairment/(Impairment) for trade and other receivables, net

In 2021, the impairment adjustments for the depreciation of trade receivables had a net negative effect of RON 70.6 mn, reaching the value of RON 132.8 mn, from RON a positive impact of 62.2 mn, in 2020. This evolution is generated mainly by:

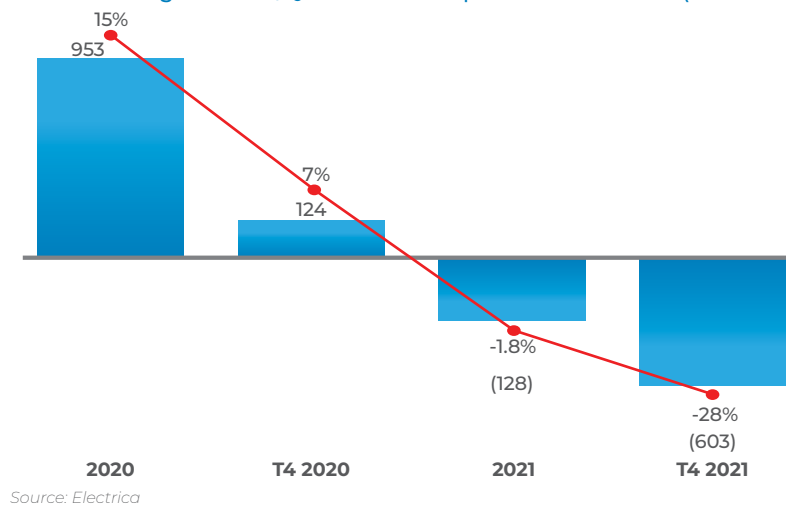
- impairment adjustments for the depreciation of trade receivables, with a negative impact of approx. RON 18 mn, recognized as a result of the receivables' recoverability assessment for the supply and distribution segments;
- the positive impact of approx. RON 105 mn booked in 2020, following the reversal of the impairment adjustments for uncollected VAT related to the uncertain receivables from Oltchim for which there is no correspondent amount in 2021.

Other operating expenses

The other operating expenses increased in 2021 by RON 18.1 mn, or 5.6%, to RON 343.2 mn, from RON 325.1 mn in 2020, mainly from the unfavourable impact of changes in net provisions, of about RON 16 mn, big impact representing the provision recognized for the supply subsidiary' obligations - compensations following the application of Performance Standard for energy supply according to ANRE Order no. 6/2017, following the complete market liberalization started at 1 January 2021, to which a slight increase of provisions for the distribution segment is added.

EBITDA and EBITDA margin

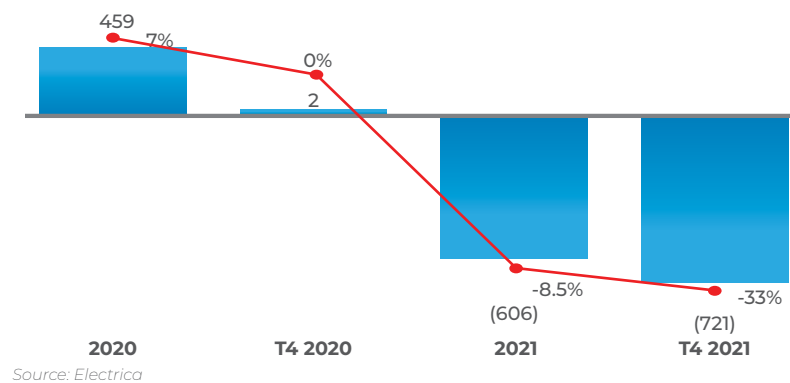
Figure 33: EBITDA and EBITDA margin for 2021/Q4 2021 and comparative information (RON mn and %)



Operating profit

The Group EBIT decreased by approx. RON 1,064.9 mn y-o-y, adding to the EBITDA evolution mainly the favorable impact of the depreciation and amortization, e.g., its decrease of RON 10.1 mn, or 2.1%.

Figure 34: EBIT and EBIT margin for 2021/Q4 2021 and comparative information (RON mn and %)



Net finance cost

The net finance cost at the group level increased by RON 9.8 mn in 2021 compared to 2020, as a result of the increase in external financing, but also from the reduction in finance income, following the deposits' decrease.

Profit before tax

The Group has registered a gross loss of RON 632.4 mn in 2021, compared with the gross profit of RON 442.3 mn in 2020, following the factors mentioned above.

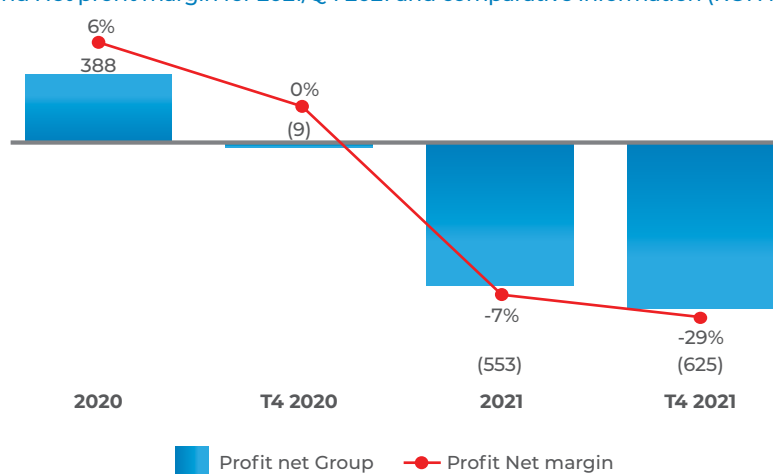
Income tax expense

The income tax was revenue of RON 79.5 mn in 2021, generated by the incurred gross loss.

The net result for the year

As a result of the above-described factors, in 2021, the net result is a loss of RON 552.9 mn, representing a decrease of RON 940.4s mn compared to RON 387.5 mn in 2020.

Figure 35: Net profit and Net profit margin for 2021/Q4 2021 and comparative information (RON mn and %)

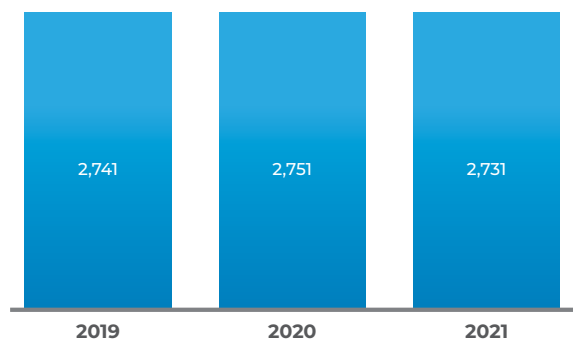


Source: Electrica

SEGMENT REPORTING - DISTRIBUTION

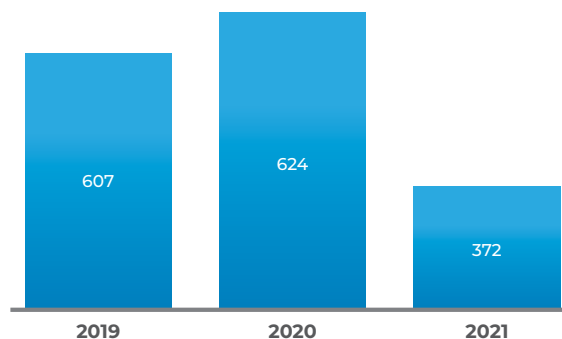
Key indicators - The distribution segment

Figure 36: Revenues w/o conso adjustments (RON mn)



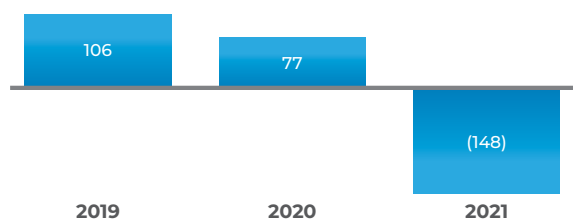
Source: Electrica

Figure 37: EBITDA w/o conso adjustments (RON mn)



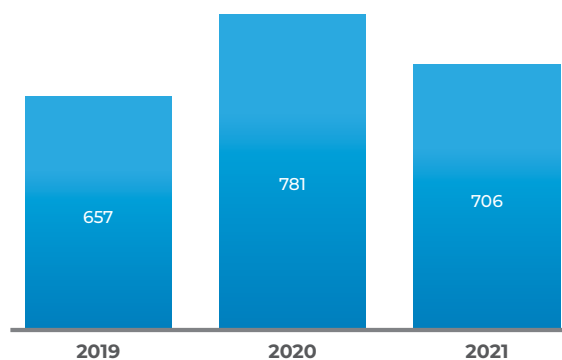
Source: Electrica

Figure 38: Net result - w/o consolidated adjustments (RON mn)



Source: Electrica

Figure 39: Net debt/(cash) (RON mn)



Source: Electrica

The following table presents elements from the reporting of the statement of profit or loss of the **Group's distribution segment**, for the period 2021 – 2020:

	2021	2020
External revenues	1,389.4	1,486.6
Inter-segment revenue	1,341.5	1,264.2
Segment revenue	2,730.8	2,750.8
Segment profit/(loss) before tax	(153.0)	95.1
Net finance (cost)/income	(73.5)	(65.1)
Depreciation, amortization and impairment, net	(451.9)	(465.8)
EBITDA	372.4	624.0
Net profit/(loss) of the segment	(139.0)	77.1

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Revenues

In 2021, the revenues from the electricity distribution segment decreased by approx. RON 20.0 mn, or 0.7%, to RON 2,730.8 mn, from RON 2,750.8 mn in 2020, as a result of the following factors:

- the favorable impact of approx. RON 197.7 mn, from the increase of distribution tariffs, compared to 2020, and of the quantity of distributed electricity by approx. 5.7%;
- the negative impact from the evolution of revenues from the construction of assets recognized in accordance with IFRIC 12, since the revenues from the electricity distribution segment are influenced by the recognition of investments into the network under concession agreements, these revenues decreasing in 2021 by RON 195.9 mn, compared to 2020;
- the negative impact from presenting SERV's activity in the energy services segment, compared with 2020 when it was presented under distribution segment.

Electricity purchased

In 2021, the cost of the electricity purchased to cover network losses increased by RON 393.1 mn, or 56.7%, to RON 1,087.1 mn, from RON 694.0 mn, the evolution being mainly generated by the increase in the electricity purchase prices (negative effect of RON 386.3 mn), as well as by the increase in the quantity of electricity needed to cover network losses (positive impact of RON 6.9 mn).

Employee benefits

The expenses with employee benefits slightly increased by RON 10.2 mn, or 1.7%, to RON 622.5 mn in 2021, from RON 612.3 mn in 2020.

Other operating expenses

The operating expenses on the distribution segment increased by RON 19.0 mn or 10% to RON 213.9 mn in 2021, from RON 194.1 mn in 2020, being the cumulated effect of a slight increase of provisions for the distribution segment of RON 9.6 mn and other operating expenses of RON 9.4 mn.

EBITDA

The increased expenses and especially the favorable variation of the operating expenses were the main elements that negatively influenced EBITDA with a decrease of RON 251.6 mn or 40.3%.

Net finance cost

The net finance cost recorded an increase in 2021 of approx. RON 8.4 mn compared to the previous year, the main factor being the growth of the external financing through loans at the level of the three distribution companies, mainly for the investment works realized in 2021.

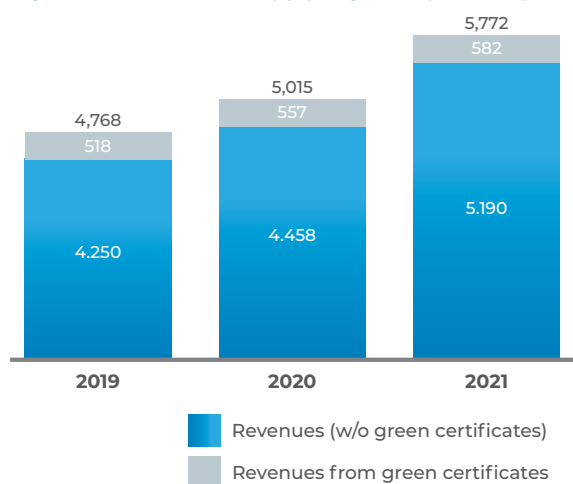
Net profit of the segment

The net profit is supplementarily influenced by the adjustments for the depreciation of tangible and intangible assets, which generates a decrease of RON 216.1 mn.

SEGMENT REPORTING – SUPPLY

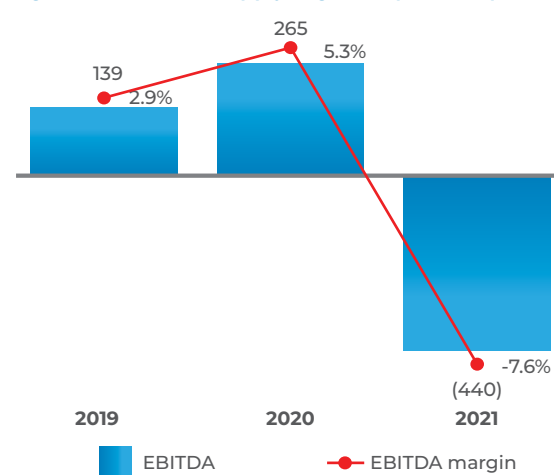
Key indicators - the supply segment

Figure 40: Revenues – supply segment (RON mn)



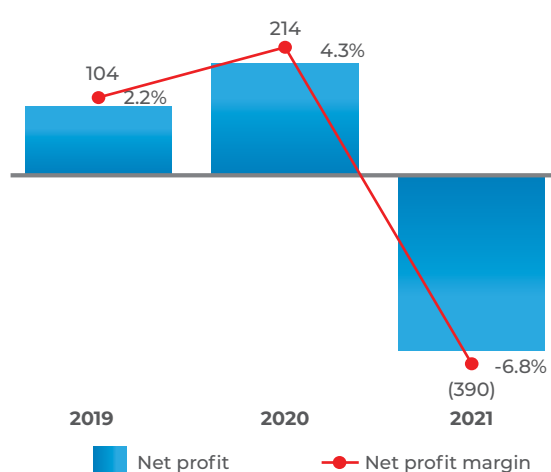
Source: Electrica

Figure 41: EBITDA - supply segment (RON mn)



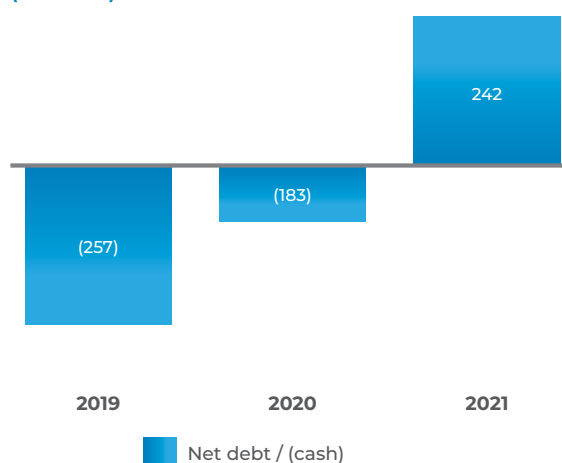
Source: Electrica

Figure 42: Net profit – supply segment (RON mn)



Source: Electrica

Figure 43: Net debt/(cash) – supply segment (RON mn)



Source: Electrica

The following table presents the elements from the reporting of the statement of profit or loss of the Group's supply segment for 2021 and 2020:

(RON mn)	2021	2020
External revenues	5,741.5	4,980.6
Inter-segment revenues	30.9	34.5
Segment revenue	5,772.4	5,015.1
Segment profit/(loss) before tax	453.6	255.9
Net finance (cost)/income	0.3	4.2
Depreciation, amortization and impairment, net	(14.2)	(12.8)
EBITDA	(439.7)	265.5
Net Profit/(loss) of the segment	(389.7)	214.2

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Revenues

The revenues from the electricity and natural gas supply activity increased in 2021 by approx. RON 757.2 mn, or 15.1%, to RON 5,772.8 mn, from RON 5,015.1 mn in 2020. The variation of the supply segment revenue is mainly driven by the increase of the retail sale prices by 12.5% and of the volume of electricity supplied on the retail market by 1%.

The green certificate value included in the final consumer invoice, set by ANRE, increased from RON 62.88/MWh in 2020 to RON 63.96/MWh in 2021.

Electricity and natural gas purchased

The cost of electricity and natural gas purchased for the supply segment increased by RON 1,451.4 mn, or 36.8%, to RON 5,397.7 mn in 2021, from RON 3,946.3 mn recorded in 2020.

The evolution is mainly determined by the increase of the cost of the electricity purchased for supply (including transmission and system services) both on the free market but also as a last instance supplier, which in 2020 was a regulated segment, and it was impacted by the recovery (positive corrections) of some of the losses from previous years, when the ANRE tariffs were under the actual purchase prices, an effect which did not exist in 2021. There was also a decrease of 5.9% of the purchased quantity of electricity from the market, compared with the previous period.

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 2021, the cost of GC increased by RON 24.5 mn, or 4.4%, to RON 581.7 mn, from RON 557.2 mn in 2020.

The increase was mainly influenced by:

- higher supplied volumes, for which there is an obligation to purchase green certificates, by 3.3% (negative impact of RON 18.5 mn);
- 2.0% increase in the GC average purchase price from RON 139.5/GC in 2020 to RON 142.2/GC in 2021, (negative impact of RON 9.9 mn);
- the regularization impact – positive variance of RON 4.8 mn, reflected in both revenue and expenses.

Impairment losses on trade and other receivables

The net impairment adjustments for trade receivables recorded a negative variation at the end of 2021 compared with 2020, of RON 27.8 mn, being mainly the effect of the receivables' recoverability.

EBITDA

The above-presented factors led to an EBITDA decrease of RON 705.2 mn in 2021 compared with the previous period.

Segment net profit

The net profit decreased by RON 603.8 mn compared to 2020, the evolution of EBITDA being mainly influenced by the decrease of the corporate income tax by approx. RON 30 mn.

6.3. Consolidated cash flow statement

The following table presents the consolidated statement of cash flows of Electrica Group, for 2021 and 2020 (amounts in RON mn):

	2021	2020	Variation
Cash flows from operating activities			
Profit for the year	(552.9)	387.5	-
Adjustments for:			
Depreciation	21.1	27.9	-24.2%
Amortization	459.7	463.1	-0.7%
Impairment of property, plant, and equipment and intangible assets, net	(3.9)	0.6	-
Gain on disposal of property, plant and equipment, and intangible assets	2.7	(0.3)	-
Evaluation of fixed assets recognized in profit, net	-	2.4	-
(Reversal of impairment)/Impairment of trade and other receivables, net	70.6	(62.2)	-
(Reversal of impairment)/Impairment of assets held for sale	0.6	(0.2)	-
Change in provisions, net	15.7	(0.3)	-
Net finance cost	26.9	17.1	57.3%
Changes in employee benefits obligations	5.1	-	-
Gain from bargain acquisition of subsidiaries	-	(7.5)	-
Corporate income tax expense	(79.5)	54.8	-
	(33.9)	882.9	-
Changes in:			
Trade receivables	(391.4)	(87.2)	348.6%
Other receivables	(22.9)	3.8	-
Prepayments	(2.2)	0.6	-
Inventories	(2.9)	4.3	-
Trade payables	274.8	(76.0)	-
Other payables	32.5	(2.3)	-
Employee benefits	3.2	14.7	-78.5%
Deferred revenue	4.0	(1.3)	-
Cash generated from operating activities	(138.9)	739.5	-
Interest paid	(24.1)	(20.0)	20.8%
Income tax paid	(31.4)	(51.7)	-39.3%
Net cash from operating activities	(194.4)	667.9	-
Cash flows from investing activities			
Payments for purchases of property, plant, and equipment	(10.5)	(6.7)	55.9%
Payments for network construction related to concession agreements	(483.8)	(638.0)	-24.2%
Payments for purchase of other intangible assets	(6.3)	(2.2)	183.3%
Proceeds from the sale of property, plant, and equipment	1.5	5.0	-70.7%

	2021	2020	Variation
Proceeds from deposits with a maturity of 3 months or longer	-	66.4	-
Interest received	1.8	9.0	-80.3%
Restricted cash	320.0	-	-
Net cash effect from the gain of control over the acquired subsidiary	-	5.6	-
Payment for acquisition of associated	(25.8)	-	-
Payment for acquisition of subsidiaries	-	(8.0)	-
Net cash used in investing activities	(203.2)	(568.9)	-64.3%
Proceeds from long term bank borrowings	234.7	354.3	-33.8%
Repayment of long term bank loans	(385.9)	(29.1)	1,224.6%
Payment of lease liabilities	(15.2)	(29.3)	-48.1%
Dividends paid	(247.6)	(245.8)	-0.7%
Net cash from/(used in) financing activities	(414.0)	50.1	-
Net (decrease)/increase in cash and cash equivalents	(811.5)	149.1	-
Cash and cash equivalents at 1 January	406.0	256.9	58.0%
Cash and cash equivalents at 31 December	(405.6)	406.0	-

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

In 2021, the net decrease in cash and cash equivalents amounted to RON 811.5 mn.

The net cash generated by the operating activity was a loss of RON (138.9) mn. The net loss of the period was RON (522.9) mn; the main net profit's adjustments for non-monetary elements were: adding the depreciation and amortization of RON 480.8 mn, eliminating the impact of the impairment of trade receivables of RON 70.6 mn, adding the income tax of RON 79.5 mn and the net finance cost of RON 26.9 mn.

Changes in working capital had a negative effect, of RON 138.9 mn, the most significant impact being generated by the negative change in trade and other receivables, in the amount of RON 414.3 mn, and in trade and other payables of RON 314.5 mn (out of which, the change in employee benefits of RON 3.2 mn, having a positive impact). Income tax paid and interest paid amounted to RON 55.5 mn.

For the investment activity, the cash used was of RON 203.2 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements of RON 483.9 mn, these being reduced y-o-y, but also to the investments in associates of RON 25.8 mn.

The financing activity generated a decrease in cash and cash equivalents of RON 203.2 mn, the main factors being the proceeds from long-term bank borrowings of RON 234.7 mn, reimbursement of loans of RON 385.9 mn, and the dividends paid to the shareholders, of RON 247.6 mn.

In 2020, the net increase in cash and cash equivalents amounted to RON 149.1 mn.

The net cash generated by the operating activity was RON 667.9 mn. The net profit of the period was RON 387.5 mn; the main net profit's adjustments for non-monetary elements were: adding the depreciation and amortization of RON 490.9 mn, adding the income tax of RON 54.8 mn, and deducting the impact of the change in employee benefits obligations of RON 54.8 mn.

Changes in working capital had a favorable effect, of RON 143.4 mn, the most significant impact being generated by the change in trade and other receivables, having a negative impact, in the amount of RON 83.4 mn, and the positive change in trade and other payables of RON 64.3 mn (out of which, the change in employee benefits of RON 14.7 mn). Income tax paid and interest paid amounted to RON 71.6 mn.

For the investment activity, the cash used was of RON 568.9 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements, of RON 638.0 mn; these have recorded a slight increase y-o-y.

The financing activity generated an increase in cash and cash equivalents of RON 50.1 mn, the main factors being the dividends paid to the shareholders, of RON 245.8 mn, withdraws from loans of RON 354.4 mn, and the payments related to leasing contracts, as a result of IFRS 16 application.

6.4. The separate statement of the financial position

Financial information selected from the company's separate statement of financial position (amounts in RON mn):

	31 December 2021	31 December 2020	Variation 2021/2020
ASSETS			
Non-current assets			
Property, plant and equipment	100.1	96.9	3.3%
Intangible assets	0.1	0.3	-66.7%
Investments in subsidiaries	2,285.2	2,284.9	0.0%
Investments in associates	25.8	-	-
Loans granted to subsidiaries – long term	1,276.3	1,030.0	23.9%
Right of use assets	0.5	1.4	-65.9%
Total non-current assets	3,688.0	3,413.5	8.0%
Current assets			
Cash and cash equivalents	5.8	193.5	-97.0%
Deposits with a maturity date more than three months	-	-	-
Restricted cash	-	320.0	-
Trade receivables	0.9	0.4	124.8%
Other receivables	584.8	180.8	223.5%
Inventories	-	-	-
Prepayments	0.8	0.4	79.0%
Assets held for sale	0.3	-	-
Loans granted to subsidiaries – short term	30.0	-	-
Total current assets	622.5	695.1	-10.4%
TOTAL ASSETS	4,310.5	4,108.6	4.9%

	31 December 2021	31 December 2020	Variation 2021/2020
EQUITY AND LIABILITIES			
Share capital	3,464.4	3,464.4	-
Share premium	103.1	103.1	-
Treasury shares reserve	(75.4)	(75.4)	-
Revaluation reserves	12.4	12.6	-1.6%
Legal reserves	228.2	212.0	7.6%
Other reserves	71.2	35.6	-
Retained earnings	319.6	297.0	7.6%
Total equity	4,123.5	4,049.3	1.8%
Liabilities			
Non-current liabilities			
Lease liability – long term	0.1	0.5	-80.0%
Employee benefits	1.1	1.5	-27.7%
Total non-current liabilities	1.2	2.0	-39.7%
Current liabilities			
Credit lines	120.5	-	-
Lease liability – short term	0.4	1.0	-59.2%
Trade payables	4.0	7.1	-43.9%
Other payables	44.0	36.0	22.2%
Deferred revenue	0.4	0.2	100.0%
Employee benefits	12.2	7.1	69.6%
Provisions	4.2	5.8	-27.2%
Total current liabilities	185.8	57.3	223.9%
Total liabilities	186.9	59.3	215.4%
Total equity and liabilities	4,310.5	4,108.6	4.9%

Source: Separate financial statements of ELSA as of 31 December 2021

Non-current assets

On 31 December 2021, as compared to 31 December 2020, fixed assets increased with RON 274.4 mn or 8.0%, from RON 3,413.5 mn to RON 3,688.0 mn.

At the end of 2021, the land and buildings situation is similar to the previous period. They include the administrative headquarter of the company and the corresponding land, the plots of land over which the company has obtained title deeds, and the land and buildings acquired in 2020 from the subsidiary SEM. The increase registered in 2021 in the amount of 3.1 mil. RON is due to the modernizations and renovations made to the administrative headquarters.

Investments in associates

On 28 July 2021 and 7 December 2021, Electrica SA has concluded four contracts for sale – purchase of shares in four project-based companies, having as main object the production of electricity from renewable resources. The sale – purchases agreements mention that at the first stage, the Group received 30% from the share capital of the four companies, following which, it will obtain the 70% difference after certain conditions mentioned in the contracts are met.

The cost of investment, at the acquisition date, the total value of RON 25.8 mn are detailed below:

	Crucea Power Park S.R.L.	New Trend Energy S.R.L.	Sunwind Energy S.R.L.	Foton Power Energy S.R.L.
Acquisition date	31.07.2021	31.07.2021	31.07.2021	31.12.2021
The percentage at the acquisition date	30%	30%	30%	30%
Net value at the acquisition date	(242)	(5)	(5)	(7)
Percentage of the Group from net (30%)	(73)	(2)	(2)	(2)
Goodwill	12.6	4.8	2.2	6.3
Investment cost at acquisition date	12.5	4.8	2.2	6.3

Other receivables

Cash-pooling receivables comprise the receivable of Electrica SA as of 31 December 2021 as cash pool leader in the two cash-pooling systems set up at the Group level. The increase in 2021 is due to liquidity requirements of subsidiaries included in the cash pooling scheme by the Company (correlate with the decrease of cash equivalent)

Trade receivables

As of 31 December 2021, the company's trade receivables increased by RON 0.5 mn, or 124,8%, to RON 0.9 mn, from RON 0.4 mn on 31 December 2020, mainly because of the revenues from AMR services are no longer obtained.

Cash, restricted cash, and short-term investments

As of 31 December 2021, the cash and cash equivalents decreased by RON 187.7 mn or 97.0%, to RON 5.7 mn from RON 193.5 mn on 31 December 2020.

(RON mn)	31 December 2021	31 December 2020
Bank current accounts	3	18.4
Call deposits	2.7	175.1
Total cash and cash equivalents in the separate statement of financial position and in the separate statement of cash flow	5.7	193.5

Source: Separate financial statements of ELSA as of 31 December 2021

Value of cash and cash equivalents decreased by RON 187.7 mn due to the decrease of short-term deposits and cash at banks, both coming from investment acquisitions in associates and the cash pooling structure (liquidities used for cash pooling).

Loans granted to subsidiaries

(RON mn)	31 December 2021	31 December 2020
DEER (long term loan granted) *	1,276	1,030
EFSA	30	-
Total loans granted to subsidiaries	1,306	1,030

Source: Separate financial statements of ELSA as of 31 December 2021

(*Starting with 31 December 2020 the three distribution companies merged into one single distribution company named Distribuție Energie Electrică România S.A. („DEER”)

The closing balance of the loans granted to subsidiaries are related to intragroup loans granted in 2017 and 2018 as follows:

- Intragroup loan agreement concluded with SDMN in April 2018. The main provisions are the maximum amount of the loan: RON 230 mn; the purpose of the loan: financing the investment program of 2018; interest rate: 4.7% per year; maturity: 84 months; period allowed for disbursements: 12 months; full repayment at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2021, the loan balance is RON 230 mn (31 December 2020: RON 230 mn);

- Intragroup loan agreement concluded with SDTN in April 2018. The main provisions are the maximum amount of the loan: RON 160 mn; the purpose of the loan: financing the investment program of 2018; interest rate: 4.7% per year; maturity: 84 months; period allowed for disbursements: 12 months; full repayment at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2021, the loan balance is RON 160 mn (31 December 2020: RON 160 mn);
- Intragroup loan agreement concluded with SDTS in April 2018. The main provisions are the maximum amount of the loan: RON 130 mn; the purpose of the loan: financing the investment program of 2018; interest rate: 4.7% per year; maturity: 84 months; period allowed for disbursements: 12 months; full repayment at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2021, the loan balance is RON 130 mn (31 December 2020: RON 130 mn);
- Intragroup loan agreement with SDMN concluded in November 2017. The main provisions are the maximum loan amount: RON 150 mn; the purpose of the loan: financing the investment program of 2017, Interest rate: 2.79% per year, maturity: 84 months, period allowed for disbursements: 12 months. Repayment in full at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2021, the outstanding balance is RON 150 mn (31 December 2020: RON 150 mn);
- Intragroup loan agreement with SDTN concluded in November 2017. The main provisions are the maximum loan amount: RON 200 mn; the purpose of the loan: financing the investment program of 2017, interest rate: 2.79% per year, maturity: 84 months; period allowed for disbursements: 12 months. Full repayment at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2021, the outstanding balance is RON 200 mn (31 December 2020: RON 200 mn);
- Intragroup loan agreement with SDTS concluded in November 2017. The main provisions are the maximum loan amount: RON 160 mn. Purpose of the loan: financing the investment program of 2017; interest rate: 2.79% per year, maturity: 84 months, period allowed for disbursements: 12 months. Repayment in full at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2021, the outstanding balance is RON 160 mn (31 December 2020: RON 160 mn);
- Intragroup loan agreement on short term concluded with ELSA in December 2021 for financing the current activity in the amount of RON 90.0 mn, out of which RON 60.0 mn have been reimbursed. As of 31 December 2021, the outstanding balance is RON 30.0 mn. Interest rate: 3,51% per year.

Multi-borrower credit agreements

On 1 April 2019, between Banca Comerciala Romana, as lender and ELSA, as guarantor and borrower, together with its distribution subsidiaries (SDMN, SDTN, and SDTS, currently DEER SA), as borrowers, was concluded a contract for a multi-product revolving facility, as follows: maximum loan amount: RON 125 mn; the purpose of the loan: financing the current activity; interest rate: 0.77% + ROBOR 1M p.a.; initial maturity: 16 March 2020, prolonged for one year up to 16 March 2021, under the same terms. Repayment: in full, at maturity. As of 31 December 2020, the outstanding balance of the facility for the Company is nil.

On 16 April 2019, between BNP PARIBAS, as the lender, and ELSA, as guarantor and borrower, together with its subsidiaries, EFSA and SERV, as borrowers, was concluded a contract for a credit facility in the form of a credit line from the current accounts opened by the borrowers to the lender, as follows: maximum loan amount: RON 160 mn. Purpose of the loan: financing the current activity; interest rate: 0.60% + ROBOR 1M p.a.; initial maturity: 16 March 2020, prolonged for one year up to 16 March 2021, under the same terms. Repayment: in full, at maturity. As of 31 December 2020, the outstanding balance of the facility for the Company is nil.

Intragroup loan contract with DEER SA was concluded on October 2021. Main provisions: loan amount: RON 246.3 mn; the purpose of the loan: to reimburse the loans from BRD obtained in 2016 for financing the investment plan from 2016, which were due in 2021; interest rate: 3.51% p.a.; initial maturity: 96 months up to 12 October 2029. Withdraws: 12 months. Repayment: in full, at maturity; advance reimbursement is allowed but no sooner than 12 months from utilization date. As of 31 December 2021, the outstanding balance of the loan is RON 246.3 mn.

Cash pooling system at Group level

On 20 December 2019, between ING Bank N.V., ELSA, and its subsidiaries were concluded two agreements for the implementation of two cash pooling schemes, as follows:

- **a first system** involving ELSA, as cash pool leader, and its distribution subsidiaries (SDMN, SDTN, and SDTS), as participants.
The credit facility offered by the pool leader to each participant is up to the amount of RON 180 mn, and the credit facility offered by each participant to the pool leader is up to the amount of RON 50 mn. The interest rate is ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the

internal liquidity of ELSA and by drawing from the credit line granted to ELSA, the amount of interest due by the participants to ELSA will be calculated using a weighted interest rate, calculated based on the ROBOR internal rate 1M + 0.07% p.a. and the ROBOR bank rate 1M + 0.8% p.a. The initial due date was 20 December 2020, the convention is automatically extended for a period of 1 year.

- **a second system** involving ELSA, as cash pool leader and its subsidiaries, EFSA, SERV, and SEM, as participants. The credit facility offered by the participants to the pool leader is up to the amount of RON 180 mn for EFSA, RON 50 mn for SERV, and RON 2 mn for SEM. The credit facility offered by the pool leader to the participants is up to the amount of RON 30 mn in the case of EFSA, RON 10 mn in the case of SERV, and RON 2 mn in the case of SEM. The interest rate is ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the internal liquidity of ELSA and by drawing from the credit line granted to ELSA, the amount of interest due by the participants to ELSA will be calculated using a weighted interest rate, calculated based on the ROBOR internal rate 1M + 0.07% p.a. and the ROBOR bank rate 1M + 0.8% p.a. The initial due date was 20 December 2020, the convention is automatically extended for a period of 1 year.

Through these systems, the bank will automatically transfer all available amounts existing at the end of each day in the current bank accounts of the participants to the master bank account of ELSA. In case the current bank accounts of the participants have a negative balance at the end of the day, the bank will transfer the necessary amounts from the master bank account of ELSA to the current bank accounts of the participants so that at the end of each day the balance of the current bank accounts of the participants is nil. In case the balance of the master bank account of ELSA is not sufficient to cover the negative balance of the current bank accounts of the participants, the bank will make available the necessary funds from the overdraft facility that will be signed between the bank and ELSA.

On 30 December 2020, Electrica Energie Verde 1 (EEV1), entered the second cash pooling system.

The credit facility that can be borrowed by EEV1 under the agreement is up to RON 15 mn and the amount that can be borrowed by ELSA under the convention is up to RON 10 mn. The interest rate is ROBOR 1M + 0.07% p.a. However, if the amounts drawn by EEV1 are covered both by the internal liquidity of ELSA and by drawing from the credit line granted to ELSA, the amount of interest due to ELSA will be calculated using a weighted interest rate, calculated based on the ROBOR internal rate 1M + 0.07% p.a. and the ROBOR bank rate 1M + 0.8% p.a. The agreement has as due date 28 January 2022, with the option of automatic renewal for successive periods of 1 (one) year.

Share Capital

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as of 31 December 2021 (346,443,597 ordinary shares as of 31 December 2020) with a nominal value of RON 10 per share. Ordinary shares offer the right to dividends and the right to one vote per share in the company's shareholder meetings, except for the 6,890,593 shares redeemed by the Company in July 2014, for the purpose of prices stabilization. All shares confer equal rights in the company's net assets, except for the 6,890,593 shares redeemed by the company, in July 2014.

ELSA recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration in the Trade Register.

Dividends

The company may distribute dividends from the statutory profit, according to the audited individual financial statements prepared in accordance with Romanian accounting regulations.

The dividends distributed by the Company in the years 2021 and 2020 (from previous years' profits) were as follows:

(RON mn)	2021	2020
Dividends distributed	247.8	246.1

Source: Separate financial statements of ELSA as of 31 December 2021

On 28 April 2021, the General Meeting of Shareholders of ELSA approved the distribution of dividends in the amount of RON 247.8 mn, legal reserves in the amount of RON 14.9 mn, and other reserves in the amount of RON 35.6 mn. The value of dividends per share distributed to the shareholders of the Company were: RON 0.7248 per share (2020: RON 0.7248 per share).

Out of the dividends distributed by the Company of RON 247.8 mn (2020: RON 246.1 mn) the dividends paid were RON 246.6 mn (2020: RON 245.8 mn), the difference representing dividends uncollected by the shareholders.

Provisions

(RON mn)	Litigations and other risks
Balance at 1 January 2021	5.8
Provisions made	0.08
Provisions utilised	(1.1)
Provisions reversed	(0.5)
Balance at 31 December 2021	4.2

Source: Separate financial statements of ELSA as of 31 December 2021

The provisions in the amount of RON 4.2 mn as of 31 December 2021 (31 December 2020: RON 5.8 mn) refer mainly to the benefits granted upon the termination of executive managers' contracts.

6.5. The separate statement of profit or loss

Financial information selected from the company's separate statement of profit or loss (RON mn):

	2021	2020	Variation 2021/2020
Revenues	-	3.3	-
Other income	0.8	14.5	-94.4%
Employee benefits	(39.2)	(31.8)	23.3%
Depreciation and amortization	(2.3)	(13.1)	-826%
Reversal of impairment of trade and other receivables, net	-	98.6	-
Impairment of property, plant and equipment, net	3.8	(10)	-
Impairment of assets held for sale	(0.5)	-	-
Change in provisions for legal cases and non-compete clauses, net	1.6	(2.5)	-
Other operating expenses	(19.9)	(23.9)	-16.6%
Profit/(loss) before financing result	(55.6)	35.1	-
Finance income	377.7	260.3	45.1%
Finance costs	(0.3)	(0.1)	111.8%
Share of results of associates	-	-	0%
Net finance income	377.4	260.2	45.1%
Profit before tax	321.8	295.3	9.0%
Income tax benefit/(expense)	-	3.1	-98.6%
Profit for the year	321.8	298.4	7.9%
Earnings per share	0.95	0.88	7.7%

Source: Separate financial statements of ELSA as of 31 December 2021

Revenues

During the year 2021, ELSA has no longer recorded revenues compared with 2020 when it recorded revenues of RON 3.3 mn. The revenues obtained by the Company are represented by revenues from service agreements related to the AMR system concluded with the distribution subsidiaries that include automatic meter reading services, communications, and monitoring of the quality parameters of electricity services. Starting with 1 July 2020, the company no longer registered this type of revenue, as a result of the AMR system assets transfer to the distribution subsidiaries by contribution to their share capital.

Other income

During the financial year ended 31 December 2021, the other income mainly includes income from compensations/refunds of certain amounts as a result of favorable court sentences, to which rent revenue and proceeds from the disposal of assets are added.

Revenues from compensations consist mainly of the amount of RON 12.8 mn collected in 2020 by ELSA from the National Agency for Fiscal Administration ("NAFA") as a result of the final civil sentence obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions.

Depreciation and amortization of tangible and intangible assets

The depreciation and amortization expense is RON 2.3 mn in 2021, compared to RON 13.1 mn in 2020, as a result of the assets related to the AMR system transfer to the distribution subsidiaries in June 2020, representing the assets for which it was recorded the most significant part of the depreciation expense at the company level.

Employee benefits

In 2021, employee benefits increased by RON 7.4 mn to RON 39.2 mn from RON 31.8 mn in 2020. The variation is the result of several factors, mainly changes in the structure of benefits granted to employees, as a result of the provisions of the Collective Labor Agreement entered into force on 1 April 2020, the payments related to the project to streamline the staff structure of the company, the plan to change the organizational structure by

transforming business structures with specialized staff.

Impairment of trade receivables and other receivables

Impairment adjustments for other receivables recognized during 2020 are in the amount of RON 98.6 mn and mainly represent the reversal of the impairment adjustments for uncollected VAT related to the uncertain receivables from Oltchim; in the previous years, ELSA recognized impairment adjustments for the total amount of receivables from Oltchim, and based on the sentence opening for the bankruptcy proceedings and the provisions of the Fiscal Code, reversed the impairment adjustments related to uncollected VAT, simultaneously with the VAT adjustment.

Impairment of property, plant, and equipment

Impairment adjustments recorded during 2021 for property, plant, and equipment are in the amount of RON 3.8 mn, compared to the amount of RON 10.0 mn in 2020. These mainly refer to impairment adjustment reversal recorded following the AMR system assets reclassified as non-current assets held for sale.

Other operating expenses

In 2021, ELSA recorded other operating expenses in the amount of RON 19.9 mn, compared to the amount of RON 23.9 mn in 2020. The evolution was mainly determined by the increase of consulting services expenses related to the projects carried out at the company level.

Profit/(loss) before financing result

As a result of the above-mentioned factors, ELSA recorded in 2021 a loss before financing result in the amount of RON 55.6 mn, while in 2020 it recorded a profit amounting to RON 35.1 mn.

Net finance income

ELSA's main financial income is provided by the dividends distributed by its subsidiaries.

During the financial year ended 31 December 2021, ELSA recorded dividend income from its subsidiaries in the amount of RON 329.5 mn (2020: RON 215.0 mn), structured as follows:

(RON mn)	2021	2020
SDMN	33.3	2.7
SDTS	10.2	6.9
SDTN	52.7	54.1
EFSA	233.3	124.0
SERV	-	27.3
Total	329.5	215.0

Source: Separate financial statements of ELSA as of 31 December 2021

Another category of financial income related to its subsidiaries is represented by interest income related to the loans granted, which slightly increased to RON 41.2 mn in 2021 compared to RON 39.4 mn in 2020, according to the detail:

(RON mn)	2021	2020
SDMN	15.7	15.2
SDTN	11.5	13.3
SDTS	14.0	10.8
SEM	-	0.1
Total	41.2	39.4

Source: Separate financial statements of ELSA as of 31 December 2021

In 2020 the liquidity concentration structure (cash pooling) was implemented within the Electrica Group, which ensures that the current liquidity needs of the Group's subsidiaries are covered. By implementing the cash pooling scheme, the following financial revenues and expenses were recorded by ELSA:

(RON mn)	2021	2020
SDMN	-	0.6
SDTS	1.4	2.1
SDTN	2.0	1.3
EFSA	1.2	(1.3)
SERV	(0.6)	(0.7)
Total	4.0	2.0

Source: Separate financial statements of ELSA as of 31 December 2021

Profit before tax

In 2021, profit before tax increased by RON 26.5 mn or 9.0% to RON 321.8 mn from RON 295.3 mn in 2020.

Income tax benefit/(expense)

In 2021, the company recorded insignificant income tax benefit (2020: the expense of RON 3.1 mn), mainly due to the registration of deferred income tax revenues.

Net profit for the year

As a result of the factors presented above, the 2021 net profit recorded an increase of 7.9% compared to 2020, to RON 321.8 mn from RON 298.4 mn.

6.6. Separate cash flow statement

Financial information selected from the cash flow statement of the company (RON mn):

Indicator	2021	2020	Variation 2021/2020
Cash flows from operating activities			
Profit for the year	321.8	298.4	7.9%
Adjustments for:			
Depreciation	1.1	11.2	-90.0%
Amortization	1.2	1.9	-39.5%
Impairment of property, plant and equipment, net	(3.8)	10.0	-
Loss/(Gain) from the disposal of tangible assets	3.1	0.6	393.1%
Reversal of impairment of trade and other receivables, net	(0.1)	(98.6)	-
Net finance income	(377.4)	(260.2)	45.1%
Changes in employee benefits obligations	5.1	(0.4)	-1,394.9%
Changes in provisions, net	(1.6)	2.5	-
Changes in:	-	(3.1)	-
	(50.2)	(37.7)	33.1%
Changes in:			
Trade receivables	(0.4)	103.2	-
Other receivables	3.0	4.3	-26.5%
Trade payables	(2.9)	1.8	-
Other payables	0.3	(0.4)	-
Employee benefits	(0.3)	1.9	-
Cash generated/(used in) from operating activities	(50.5)	73.1	-169.1%
Interest paid	(0.2)	-	-
Net cash from/(used in) operating activities	(50.7)	73.1	-169.4%
Cash flows from investing activities			
Payments for purchases of property, plant, and equipment	(4.8)	(4)	20.0%
Proceeds from the sale of property, plant and equipment	0	0.2	-89.0
Proceeds from deposits with a maturity of 3 months or longer	0	66.4	-83.5%
Cash pooling net position	(393.6)	(132.2)	197.8%
Loans granted to subsidiaries	(336.3)	-	-
Proceeds from loans given to subsidiaries	60.0	0.0	100%
Payments for shares in associates	(25.8)	0	-
Payments for acquisition of subsidiaries	(0.1)	0	-
Restricted cash	320.0	-	-
Interest earned	42.2	41.4	1.9%

Indicator	2021	2020	Variation 2021/2020
Dividends received	329.5	215	53.3%
Net cash from investing activities			
Cash flows from financing activities			
Proceeds from issue of share capital, net	-	-	-
Dividends paid	(247.6)	(245.8)	0.8%
Payment of lease liabilities	(1.0)	(0.9)	9.5%
Net cash used in financing activities	(248.6)	(246.7)	0.8%
Net increase in cash and cash equivalents	(308.3)	13.2	-
Cash and cash equivalents at 1 January	193.5	180.5	7.3%
Cash and cash equivalents at 31 December	(114.8)	193.5	-

Source: Separate financial statements of ELSA as of 31 December 2021

In 2021, the net decrease in cash and cash equivalents amounted to RON 308.3 mn.

The net cash generated by the operating activity was of RON (50.5) mn. The net profit of the period was RON 321.8 mn; the main non-monetary elements adjustments for the net profit were: adding the amortization and depreciation of tangible and intangible assets in the amount of RON 2.3 mn, adding the impact of tangible assets disposal in the net amount of RON 0.7 mn, reducing the variation of the change in provisions of RON 1.6 mn, eliminating the impact of the impairment of trade receivables and deduction of the income tax benefit which were immaterial. The net financial result of RON 377.4 mn was deducted.

Changes in working capital had a favorable effect, of RON 320.8 mn, the most significant impact being generated by the restricted cash of RON 320.0 mn, positive change in trade and other receivables, in the amount of RON 2.7 mn, and in trade and other payables of RON 2.7 mn (out of which, a RON 0.3 mn positive impact from the change in employee benefits).

For the investment activity, the cash used was RON 329.1 mn, the most significant values being related to the dividends received in the amount of RON 329.5 mn, to the loans granted to affiliates in the amount of RON 336.3 mn, to interest received in the amount of RON 41.4 mn, but also to the payments for purchases of shares in subsidiaries in amount of RON 25.8 mn, but also cash received from loans given to subsidiaries in amount of RON 60.0 mn and the amounts paid within the cash pooling scheme, implemented at the Group level, amounting to RON 393.6 mn. The financing activity generated a decrease in cash and cash equivalents of RON 248.6 mn, mainly from the dividends paid to the shareholders - RON 247.6 mn.

In 2020, the net increase in cash and cash equivalents amounted to RON 13.2 mn.

The net cash generated by the operating activity was of RON 73.0 mn. The net profit of the period was RON 298.4 mn; the main non-monetary elements adjustments for the net profit were: adding the amortization and depreciation of tangible and intangible assets in the amount of RON 13.0 mn, impairment adjustments for tangible assets of RON 10.0 mil. RON, eliminating the impact of the impairment of trade and other receivables of RON 99.0 mn and deduction of a net financial result of RON 260.2 mn.

Changes in working capital had a favorable effect, of RON 110.0 mn, the most significant impact being generated by the positive change in trade and other receivables, in the amount of RON 107.0 mn, positive effect reduced by the change on payable and other payables with a negative effect of RON 3.2 mn (out of which, a RON 1.9 mn from the change in employee benefits). Interest paid was RON 0.2 mn.

The investment activity generated a decrease of cash and cash equivalents of RON 246.7 mn, the main factor being the payment of dividends to the shareholders in the amount of RON 245.8 mn.

6.7. Risk management

For the Electrica Group, the year 2021, from a risk management perspective was one of consolidation of the previous year's initiatives and new projects, initiated based on internal needs or at the request of third parties. This year also marks an important milestone for the risk management competence throughout the Electrica Group in that the first consultancy project in this area to be implemented outside the Group has been concluded.

Thus, regarding consolidation, the Risk Management Procedure was implemented throughout the Group, which allowed, for the first time to have homogeneous aggregate reporting, from the point of view of exposures at the Group level. Instructions and specific documentation were prepared for each branch office, the largest effort being allocated to the risks to be managed in sales, receivables, and treasury-related risks for supply activities.

Regarding internal needs, combined with applicable legal requirements, the **Policy on Knowing Your Business Partners** (clients and suppliers) was prepared and implemented for the most part. The purpose of this initiative is to fulfil the legal requirements in cases where the Group companies are designated as reporting entities under Law no 129/2019 and also to help the natural and necessary development of the counterparty default risk assessment in an aggregate manner, based on knowledge of the partners.

Under the same internal needs, a large project was implemented at Electrica Furnizare, moderated by the risk management team, with the principal aim of analysing the causes and circumstances of market risk exposure for several key processes, as well as the controls that could be implemented. The project identified additional previously unrecorded risks and a large number of actions to be analysed and implemented by the relevant business lines.

In line with the needs that the market risk has raised throughout 2021, an initiative to evaluate the impact of market risk upon the internal technological consumption recorded under DEER was also implemented. This was a multi-disciplinary project at the Group level, which produced risk management observations and recommendations for dealing with risks in drafting the procurement/purchasing strategy.

Another internal project was implemented under DEER, whereby the risk management team facilitated the **Resilience Plan Update**, resulting in the final document "The Resilience Plan in the Context of COVID 19 Outbreak and DEER Expansion". The projects implemented upon the request of third parties were implemented with the assistance of the

DEER risk management team and were intended to prepare, in two iterations, the evaluations, and the Energy Sector Risk Preparation Plan in accordance with (EU) 2019/941 Regulation of the European Parliament and the Council. The methodology of the entire project was based on several scenarios developed and described by ENTSOE, with an impact scale and the specific probabilities of transport and distribution activities. The same category included the risk evaluation initiative regarding relevant infrastructure ownership risks for the safety of electric power supply, based on (EU) 2019/941 Regulation of the European Parliament and the Council, upon the request of the Competent Authority of Electric Power Supply under the Ministry of Energy.

The year 2021 also meant significant communication efforts due to pandemic work conditions, as well as significant internal training and consulting efforts, at the group level

There were numerous risk management challenges in 2021, in that the materialisation of certain risks, such as market risk (electricity and natural gas prices, in particular), regulatory risk (regarding client invoicing), operational risk (IT systems, electric power theft), had multiple causes and sometimes unpredictable effects.

For the next year, we aim to increase agility and, where possible, to automate the risk management system, to transform this Group level competence into a point of best practice, and to align and implement the necessary instruments of risk management with and into the strategic and operational goals of the Group.

FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks resulting from the use of financial instruments: credit risk, liquidity risk, and market risk.

■ Credit risk

Credit risk is the risk that the Group will register a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, cash, and cash equivalents, restricted cash, and bank deposits.

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. In the past, the Group had a high credit risk mainly from State-owned companies.

Cash and bank deposits are placed in financial institutions that are considered to have a low risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Group's credit risk in respect of receivables was concentrated in the past around state-controlled companies and in recent years refers to clients that are facing financial difficulties in their industries due to specific changes in circumstances in their industry sector. The Group has set up a policy regarding risk management and it has taken into account the insurance of the trade receivables. Also,

the electricity supply contracts include termination clauses in certain circumstances.

The Group establishes an allowance for impairment that represents the number of expected credit losses, calculated based on the expected loss rates.

Impairment

The following table provides information on the exposure to credit risk and expected credit losses for trade receivables as of 31 December 2021:

(RON mn)	Expected credit loss rates ("ECL")	31 December 2021			
		Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	1,080.1	(16.6)	1,063.5	Nu
Past due 1-30 days	5%	228.5	(10.6)	217.9	Nu
Past due 31-60 days	15%	36.7	(5.3)	31.4	Nu
Past due 61-90 days	38%	15.4	(5.9)	9.5	Nu
Past due more than 90 days	98%	964.7	(942.4)	22.3	Da
Total		2,325.4	(980.8)	1,344.6	

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

The following table provides information on the exposure to credit risk and expected credit losses for trade receivables as of 31 December 2020: create la 31 decembrie 2020:

(RON mn)	Expected credit loss rates ("ECL")	31 December 2021			
		Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	812.9	(13.1)	799.8	Nu
Past due 1-30 days	1%	163.4	(2.3)	161.1	Nu
Past due 31-60 days	12%	49.0	(5.8)	43.2	Nu
Past due 61-90 days	33%	17.5	(5.7)	11.8	Nu
Past due more than 90 days	99%	936.6	(922.7)	13.9	Da
Total		1,979.4	(949.6)	1,029.8	

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

■ Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by transferring cash or another financial asset. The Group's liquidity management policy is to maintain, as far as possible, sufficient liquidity to meet its obligations when they are due, under both normal and stressed conditions, to avoid unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount over expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts facilities.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

Financial liabilities	(RON mn)			Contractual cash flows		
	Carrying amount	Total	less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2021						
Bank overdrafts	627.4	627.4	627.4	-	-	-
Lease liability	21.5	21.5	9.4	4.9	5.1	2.1
Long term bank borrowings	628,5	628,5	176,2	92,9	278,8	80,6
Trade payables	922.3	922.3	891.3	-	-	-
Total	2,168.7	2,168.7	1,704.3	97.8	283.9	82.7
31 December 2020						
Bank overdrafts	165.0	165.0	165.0	-	-	-
Lease liability	27.6	27.6	10.7	6.8	10.0	0.1
Long term bank borrowings	778.9	778.9	378.6	70.8	212.5	117.0
Trade payables	607.2	607.2	607.2	-	-	-
Total	1,578.7	1,578.7	1,161.5	77.6	222.5	117.1

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

■ Market risk

Market risk is the risk that changes in market prices – foreign exchange rates and interest rates – will affect the Group's income or the value of its financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

Currency risk

The Group has exposure to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is RON. Certain liabilities are denominated in foreign currency (EUR). The Group also holds deposits and bank accounts denominated in foreign currency (EUR). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

Exposure to currency risk

The summary of quantitative information on the Group's exposure to currency risk is given below:

	31 December 2021 EUR	31 December 2020 EUR
Cash and cash equivalents	0.8	3.3
Lease liability	(19.1)	(24.4)
Net statement of financial position exposure	(18.3)	(21.1)

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
	2021	2020	2021	2020
EUR/RON	4.9204	4.8371	4.9481	4.8694

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON on 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	(RON mn) Effect	Profit before tax Strengthening	Profit before tax Weakening
31 December 2020			
EUR (5% movement)		(0.9)	0.9
31 December 2020			
EUR (5% movement)		(1.1)	(1.1)

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

(RON mn)	31 December 2021	31 December 2020
Fixed-rate instruments		
Financial assets		
Call deposits	53.9	391.5
Deposits with a maturity date more than three months	-	-
Financial liabilities		
Financing for network construction related to concession agreements	-	-
Long-term bank borrowings	(418.9)	(728.9)
Lease liability	(8.3)	(9.1)
Total	(373.3)	(346.5)
Variable-rate instruments		
Financial liabilities		
Lease liability	(13.3)	(18.6)
Long-term bank borrowings	(209.6)	(49.9)
Bank overdrafts	(627.4)	(165.0)
Total	(850.3)	(233.5)

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

(RON mn)	Profit before tax	
	50 bp increase	50 bp decrease
31 December 2021		
Variable-rate instruments	(4.3)	4.3
31 December 2020		
Variable-rate instruments	(1.2)	1.2

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

6.8. Description of the main features of internal control and risk management systems concerning the financial reporting process

The internal control represents all measures, procedures, and policies adopted by ELSA management and their implementation by the employees, regarding the organizational structure, applied procedures, methods, techniques, and instruments, for the implementation of company strategy and objectives. The internal control includes all control forms performed at the company level, such as preventive financial control, internal and managerial control, compliance control.

The internal control activity represents a way of analysis of ELSA activities, of adopting and applying the internal management, also associated with the knowledge activity, which allows the Company's management to coordinate the activities within the organization in an efficient manner.

In this respect, through the internal control, the monitoring and verification are carried out, in accordance with the legislation in force and the specific procedures, in compliance with the legal framework that regulates the activities carried out in the checked entities, according to the approved control objectives and themes.

Through internal control, the Company's management ascertains the deviations resulting from the established objectives, analyzes the causes, and orders the corrective or preventive measures

that are required.

The internal control and the risk management systems have the following main goals:

- protecting organizational resources against losses due to waste, negligence, abuses, fraud, etc.;
- compliance with the applicable legislation and the internal regulations;
- the reliability of financial reporting (accuracy, completeness, and correctness of the information);
- ensuring an environment based on identifying, understanding, and controlling risks, environment which will contribute to achieving the organizational goals;
- efficient and effective business operations and use of resources;
- applying the BoD and executive management resolutions and follow-up.

The achievement of these goals was performed in 2021 as follows:

- in order to ensure internally the compliance with the competition and state aid rules, there were held several training sessions and practical verification;
- clear definition and responsibilities segregation for each person involved in the organizational process; segregation

of duties regarding the carrying out the operations among the personnel, so that the approval, control, and registration duties are adequately assigned to different persons (as per the Company's organizational chart);

- elaboration, update, and implementation of regulations, policies, procedures, forms, etc;
- the existence of a Guide for Accounting Policies, elaborated in accordance with the requirements of the legislation in force, approved by the Board of Directors;
- the existence of a schedule and a well-defined process regarding the elaboration of accounting and financial information in accordance with the reporting requirements (financial reports, including financial statements, annual and interim reports, budget, etc) and their appropriate verification and approval by the Board of Directors, for the purpose of endorsing and release for publication.

The framework of ELSA's internal control system consists of the following elements:

- ✓ **Control environment** – The existence of a control environment represents the basis of an efficient internal control system. It consists of the commitment towards integrity and ethical values (for this purpose, a series of policies on zero tolerance towards corruption, anti-fraud and anti-money-laundering, avoidance and fighting against conflicts of interest, gifts policy, protocol expenses, and forbidding facilitating payments, transparency, and the involvement of stakeholders), as well as organizational measures (policies on the delegation of authority and responsibilities);
- ✓ **Evaluation of risks** – Generally, all processes are within the scope of the internal control system. An identification process is carried

out regarding major or critical risks, related to particular activities for stimulating internal control methods;

- ✓ **Control activities meant to reduce the risks** – Control activities have different forms (managerial control, general control, preventive financial control, etc.) and they are implemented and carried out with the purpose of reducing significant operational and compliance risks;
- ✓ **Information and communication** – Information helps all other components of the internal control system by communicating to employees their responsibilities for controlling and providing information in an adequate and timely manner, so that all employees may be able to fulfill their duties. Internal communication occurs by means of disseminating information to all levels, while the external one implies the dissemination of information to external parties, in accordance with the requirements and expectations;
- ✓ **Monitoring activities** – the Audit and Risk Committee together with the Internal Audit Department assess the efficiency and the effective implementation of the internal control system.

The Company's management monitors the functioning of internal controls using periodical analyzes; for instance, the execution of the budget, the monitoring of security incidents, internal and external audit reports, and internal control reports.

Deficiencies in the implementation or functioning of internal controls are documented in the internal control reports, respectively in internal audit reports and briefing notes, and they are presented to the management, with the purpose of issuing the corrective actions.





Appendix 1

Litigations

Electrica Group litigations in 2021:

1. Disputes with ANRE

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1	Plaintiff: ELSA Defendant: ANRE 192/2/2015	Cancellation of ANRE's President Order no. 146/2014 regarding the establishment of the regulated rate of return considered to the approval of the tariffs for the electricity distribution service provided by concessionary DSOs starting with 1st January 2015 and the abrogation of Art. 122 of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – a reinstatement request was filed – term: 30.03.2022.
2	Plaintiff: ELSA; Defendant: ANRE; 361/2/2015	Cancellation of ANRE Order no. 155/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTN).	High Court of Cassation and Justice	Suspended until the settlement of the case file no. 192/2/2015.
3	Plaintiff: ELSA; Defendant: ANRE; 360/2/2015	Cancellation of ANRE Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTS).	High Court of Cassation and Justice	Suspended until the settlement of the case file no. 192/2/2015.
4	Plaintiff: ELSA; Defendant: ANRE; 340/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order 171/2015.	High Court of Cassation and Justice	Appeal - Suspended until the settlement of the case file no. 192/2/2015.
5	Plaintiff: ELSA; Defendant: ANRE; 342/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order. No. 172/2015.	High Court of Cassation and Justice	Appeal - Suspended until the settlement of the case file no. 192/2/2015.
6	Plaintiff: ELSA; DEER Defendant: ANRE; 7614/2/2018	Action for partial annulment of ANRE Order no. 169/2018 regarding the approval of the Tariff Setting Methodology for the Electricity Distribution Service.	Bucharest Court of Appeal	In course of settlement.
7	Plaintiff: ELSA; DEER Defendant: ANRE 7591/2/2018	Action for the annulment of the ANRE Order no. 168/2018 regarding the regulatory rate of return and obliging ANRE to issue a new order.	Bucharest Court of Appeal	Suspended until de final settlement of case no. 541/36/2018 of the Bucharest Court of Appeal.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
8	Plaintiff: Fondul Proprietatea Defendant: ANRE Intervenient: ELSA; DEER 4804/2/2020 (former 7341/2/2014)	Legal action for the partial annulment of ANRE Order no. 112/2014 regarding the amendment and completion of the tariff setting methodology for the electricity distribution service, approved by the ANRE Order no. 72/2013.	Bucharest Court of Appeal	Retrial – the action was dismissed as unfounded. The decision is definitive by non-appeal by the plaintiff.
9	Plaintiff: ELSA, DEER Defendant: ANRE 434/2/2019	Legal action for annulment of ANRE Order 197/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive electric energy for DEER (former DMN).	Bucharest Court of Appeal	In course of settlement.
10	Plaintiff: ELSA, DEER Defendant: ANRE 435/2/2019	Legal action for annulment of ANRE Order 199/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER former SDTS).	High Court of Cassation and Justice	On 9 June 2020, the court rejected the action as unfounded. An appeal was filed, term on 09.03.2023.
11	Plaintiff: ELSA, DEER Defendant: ANRE 436/2/2019	Legal action for annulment of ANRE Order 198/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER former SDTN).	Bucharest Court of Appeal	In course of settlement.
12	Plaintiff: DEER Defendant: ANRE 184/2/2015	Contentious administrative litigation – Cancellation of ANRE Order no. 146/2014 regarding the setting of the regulated rate of return applied at the approval of the tariffs for the electricity distribution service provided by the DSOs starting with 1st January 2015 and the abrogation of art. 122 of the tariff setting methodology for the electricity distribution service, approved by the ANRE order no. 72/2013.	High Court of Cassation and Justice	A reinstatement request was filed - term 15.02.2022.
13	Plaintiff: DEER Defendant: ANRE 309/2/2020	Judicial action on the cancellation of documents issued by regulatory authorities – Order no. 227/2019 regarding the approval of the tariffs for the electricity distribution service and the price for the reactive energy for DEER (former. SDMN).	Bucharest Court of Appeal	In course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
14	Plaintiff: DEER Defendant: ANRE 213/2/2015	Cancellation of ANRE Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by the DSOs from 1st January 2015 and the abrogation of Art. 122 of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal –a reinstatement request was filed - term 24.02.2022.
15	Plaintiff: DEER Defendant: ANRE 305/2/2020	Action for the cancellation of ANRE's President Order no. 228/2019 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (formerSDTN).	Bucharest Court of Appeal	Action dismissed on merits, appealable within 15 days from its communication.
16	Plaintiff: DEER Defendant: ANRE 371/2/2015	Cancellation of the ANRE's President Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTS).	Bucharest Court of Appeal	Suspended until the settlement of the case file no. 208/2/2015.
17	Plaintiff: DEER Defendant: ANRE 208/2/2015	Cancellation of the ANRE's President Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by DSOs from 1st January 2015 and the abrogation of Art. 122 of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	Bucharest Court of Appeal	A reinstatement request was filed.
18	Plaintiff: DEER Defendant: ANRE 303/2/2020	Cancellation of the ANRE's President Order no. 229/2019 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former. SDTS).	Bucharest Court of Appeal	In course of settlement.

Source: Electrica

2. Fiscal matter disputes

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1	Plaintiff: ELSA Defendant: NAFA 17237/299/2017	1. Suspension of forced execution initiated by NAFA-DGAMC in the enforcement file no. 13267221 under the enforceable order no. 13725/3rd May 2017 and of the no. 13739/3rd May 2017; 2. Cancellation of the enforcement order no. 13725/3rd May 2017, of the no. 61/90/1/2017/263129 (which also bears the No. 13739/3rd May 2017) issued by NAFA-DGAMC for the amount of RON 39,248,818 and all subsequent execution orders issued in connection with the forced execution of the amount of RON 39,248,818 in the execution file no. 13267221.	District 1 Court	Suspended until the final settlement of case no. 9131/2/2017.
2	Plaintiff: ELSA Defendant: NAFA 9131/2/2017	Annulment of the tax decisions issued by NAFA and communicated to the company by address no. 665/17 March 2017, new accessories amounting to RON 39,053,522.	High Court of Cassation and Justice	Action admitted on merits. NAFA filed an appeal, in course of settlement.
3	Plaintiff: ELSA Defendant: NAFA 6043/2/2018	1. Obligation of NAFA to correct the evidence of tax receivables, so that it reflects the decisions given by the courts in the disputes between the parties, through decisions that have come into the power of the judicial work. 2. In particular, in order to adjust the financial statement in the sense indicated in paragraph 1, the NAFA shall be obliged to draw up those corrective administrative acts or operations which: a) to reflect in the fiscal file the extinguishment by prescription of the amount of RON 16,915,950 representing the profit tax registered in Decision no. 3/2008 (the „Main Claim“) and the removal from its tax records, ' b) to reflect in the fiscal file the corresponding extinction of all the accessories calculated by NAFA in the Main Claim (extinguished by prescription) and the removal from their tax records (including the amount of RON 30,777,354 included in Decision no. 357/2008).	High Court of Cassation and Justice	In the first instance, Electrica's action was admitted. NAFA filed an appeal, dismissed it as unfounded.
4	Plaintiff: ELSA Defendant: NAFA - DGAMC 25091/299/2018	Appeal to execution and suspension of forced execution - the cancellation of the enforcement order no. 13566/22 June 2018 and the notice 13567/22 June 2018, issued in the execution file no. 13267221/61/90/1/2018/278530, amounting to RON 10,024,825 (representing the partial fine from the Competition Council).	District 1 Court	Suspended until the settlement of case no. 3889/2/2018.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
5	Plaintiff: ELSA Defendant: NAFA - DGAMC 2444/2/2021	1. Obligation of NAFA to correct the evidence of tax receivables, held according to art. 153 FPC so that it reflects the decisions given by the courts in the disputes between the parties, through decisions that have come into the power of the judicial work, respectively by a) Decision no. 1078/17.04.2015 issued by the Bucharest Court of Appeal in case no. 5433/2/2013; b) Decision no. 5154/26.06.2017 issued by Bucharest District 1 Court in case no. 51817/299/2016*; c) Decision no. 624/06.03.2015 issued by the Bucharest Court of Appeal in case no. 7614/2/2013; Obligation of NAFA to draw up those acts or administrative correction operations which: - to reflect Electrica's right to the reimbursement of RON 5,860,080 representing fiscal obligation unlawfully reinstated in the fiscal evidence; - to reflect Electrica's right to the reimbursement of RON 817,521 which was not objected of the reimbursement made by NAFA on 22 September 2020, arising from the annulment of the fiscal decision in case mentioned in item 1 above, let. a); 2. The obligation of NAFA to pay the legal interests related to the period 12.12.2016 – 21.09.2020, calculated in a percentage of 0.02%/day of delay for the debt amount of RON 18,687,515 reimbursed on 22.09.2020, in the total amount of RON 5,161,491.64; 3. Establishing a 15 days term from the decision so that NAFA-DGAMC to settle the fiscal file as indicated above, imposing late penalties of RON 1,000/day of delay for exceeding this term, due to Electrica by DGAMC.	Bucharest Court of Appeal	In course of settlement.
6	Plaintiff: DEER Defendant: NAFA - DGAMC 359/2/2021 (former 1018/2/2016*)	Cancellation of administrative act – Decision no. 462/23 November 2015, litigation amount of RON 7,731,693 (RON 4,689,686 income tax + RON 3,042,007 VAT) and for the amount of RON 6,154,799 (RON 3,991,503 interests/penalties and late fees related to income tax + RON 2,163,296 interests/penalties and delay fees related to the VAT).	Bucharest Court of Appeal - retrial	The court of first instance rejected the action as unfounded. The plaintiff filed an appeal, admitted by the court, which quashes the contested decisions and, re-judging partially admits the action. Partially annuls Decision no. 462 / 23.11.2015 issued by A.N.A.F –DGSC, regarding point 3. Obliges the defendant A.N.A.F –DGSC to settle on the merits of the claim regarding the amount of RON 10,091,323. It sends for retrial to the same court the request regarding the other fiscal obligations retained by the fiscal body, amounting to RON 13,886,492. Final (file no. 1018/2/2016*). In the retrial, case no. 1018/2/2016* was registered with a new number, 359/2/2021 - in course of settlement. DGAMC - ANAF rejected by Solution Decision no. 154 / 02.07.2020, the appeal regarding the amount of RON 10,091,323 (Point 3 of Decision no. 462/2015) reason for which an action for annulment was filed on 22.12.2020 (file no. 641/42 / 2020).

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
7	Plaintiff: DEER Defendant: DGAMC - NAFA 641/42/2020 641/42/2020	Annulment of the administrative act of the Settlement Decision 154/02.07.2020 for the amount of RON 10,091,323 (point 3 of the Decision no. 462 / 23.11.2015)	Ploiesti Court of Appeal	In course of settlement.
8	Plaintiff: DEER Defendant: Galati City Hall - DITVL Galati 263/42/2020	Cancellation of administrative documents issued by the fiscal bodies within the Galati City Hall - DITVL Galati, respectively Fiscal inspection report, taxation decision, and decision to resolve the appeal. According to the Fiscal Inspection Report, the control team determined an additional tax on buildings, together with the related accessories, in a total amount of RON 24,831,293, for the 2012-2015 period.	Ploiesti Court of Appeal	In course of settlement.
9	Plaintiff: EL SERV Defendant: NAFA 5786/2/2018	Cancellation of administrative act NAFA RIF 2017 and decision no. 305/30 May 2017, amounting to RON 46,260,952, the amount by which the financial loss of the Company was diminished; RON 7,563,561 was established as additional VAT for payment by the refusal to deduct the VAT + related accessories.	High Court of Cassation and Justice	By decision 2145/2019 dated 03.07.2019, the court admits the request. Partially annuls Decision no. 22 / 18.01.2018 regarding the settlement of the appeal, Taxation Decision no. F-MC 305 / 30.05.2017, The provision regarding the measures established by the fiscal inspection bodies no. 115046 / 30.05.2017 and RIF no. F-MC 177 / 30.05.2017, regarding the amount of RON 7,264,463 VAT with the related accessories, illegally retained as non-deductible, respectively regarding the amount of RON 37,083,657 with which the financial loss was illegally diminished. In the case, an appeal was filed by both parties, in course of settlement.
10	Plaintiff: EL SERV Defendant: NAFA 31945/3/2018	Cancellation of the administrative decision no. 221/19 July 2017 - the cancellation of penalties related to decision no. 305/2017 from above, RON 118,215.	Bucharest Court	Suspended until the final settlement of case no. 5786/2/2018.
11	Plaintiff: DEER Defendant: MFP-NAFA - DGRFP Cluj - AJFP Maramures 371/33/2017	The appeal of tax decision no. F-MM-180/2016 regarding additional tax and VAT, as well as interest/late payment increases and late payment penalties. Preliminary administrative procedures were conducted in 2017, prior to the case filing. Amount: RON 32,295,033.	High Court of Cassation and Justice	Appeal - in course of settlement.
12	Plaintiff: EFSA Defendant: NAFA - DGAMC 8709/2/2018	Cancellation of: • DGSC Decision no. 325/26 June 2018 • Decision F-MC 678/28 December 2017 • Report F-MC 385/28 December 2017 • Decision no. 511/24 October 2018 • Decision no. 21095/24 July 2018 Value: RON 11,483,652	Bucharest Court of Appeal	In course of settlement.

Source: Electrifica

3. Other significant litigations (with a value higher than EUR 500 thousand)

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1	Plaintiff: SPEEH Hidroelectrica S.A. Defendant: ELSA 13268/3/2015*	The obligation of Electrica to pay to SPEEH Hidroelectrica SA the amount of RON 5,444,761 (the loss suffered by selling energy at an average price per MWh under the production cost of 1 MWh); partial obligation to pay the unrealized benefit of Hidroelectrica by selling the total amount of 398,300 MWh, calculated according to the ANRE regulations (RON 9,646,826, according to the written instructions dated 5 May 2015/ RON 5,444,761 according to the applicant's conclusions mentioned in the Conclusion of 15 March 2017); ordering the defendant to pay the legal interest from the date of the decision until the effective payment, court costs.	Bucharest Court of Appeal	The court of the first instance rejects the exception of the prescription of the material right to the action as unreasonable and the action as unfounded. Both parties have appealed, dismissed it as unfounded. Both parties filed an appeal. Hidroelectrica's appeal was rejected. The ELSA appeal was admitted, the case being sent for retrial to the Bucharest Court of Appeal. In the retrial, the court admits ELSA appeal, changes the appealed sentence in the sense that it admits the exception of the prescription of the material right to action, and rejects the action as prescribed. With appeal within 30 days from the communication.
2	Creditor: ELSA Debtor: Petprod S.A. 47478/3/2012/a1	Insolvency proceedings, registering to the list of creditors for the amount of RON 2,591,163	Bucharest Court	Ongoing procedure.
3	Creditor: ELSA Debtor: CET Braila S.A. 2712/113/2013	Bankruptcy, registering to the list of creditors in the amount of RON 3,826,035.	Braila Court	Ongoing procedure.
4	Creditor: ELSA, AAAS, BCR SA, and others Debtor: Oltchim S.A. 887/90/2013	Bankruptcy, remaining amount to be recovered – RON 671,018,210.	Valcea Court	Ongoing procedure. On 15.12.2021, the Court of the European Union ruled on the appeal filed by the debtor Oltchim S.A. against the Decision of the European Commission of 17.12.2018 by which it was established that Oltchim S.A. benefited from illegal state aid from several Romanian companies, including ELECTRICA S.A. By its decision, the Court of First Instance of the European Union cancelled Articles 1 letter a and c of the Decision of the European Commission, as well as articles 3-6 and art. 7 paragraph 2 of the same Decision. Thus, the consequence for ELSA is the cancellation of the ELSA claim representing state aid, in the amount of RON 498,065,828.38 and the interest calculated on the principal until the date of bankruptcy, in the amount of RON 56,893,843.59. The decision is not final, it can be challenged by the European Commission. The term of appeal expires, according to the information of the liquidators, on 01.03.2022.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
5	Creditor: ELSA Debtor: Romenergy Industry SRL 2088/107/2016	Bankruptcy, registering to the list of creditors in the amount of RON 2,917,266.	Alba Court	Ongoing procedure.
6	Creditor: ELSA Debtor: Transenergo Com S.A. 1372/3/2017	Insolvency proceedings. Amount RON 37,088,830.	Bucharest Court	Ongoing reorganization procedure. On 03.02.2021, the Debtor's reorganization plan was confirmed, according to which unsecured receivables do not participate in distributions. ELSA's appeal against the sentence confirming the reorganization plan was definitively dismissed.
7	Creditor: ELSA Debtor: Electra Management & Supply SRL 41095/3/2016	Bankruptcy. Amount: RON 6,027,537.	Bucharest Court	Ongoing procedure
8	Creditor: ELSA Debtor: Fidelis Energy SRL 3052/99/2017	Insolvency proceedings. Amount: RON 11,354,912.	Iasi Court	Ongoing procedure
9	Plaintiff: EL SERV Defendant: ELSA 5930/3/2016*	Obligation to increase the share capital of SEM, with the value of the lands located in Dobroiesti, 71, Zorilor Street Ilfov County („Deposits land and Fundeni thermal power station”), with an area of 6,480 sqm, CADP M03 no. 10982/2008, respectively from Bucharest, 104, Timisoara Boulevard., district 6 („Land for energy equipment repair shop”, with an area of 8,745 sqm, CADP M03 no. 12917/2014 – amounting to RON 7,344,390.	Bucharest Court of Appeal	Retrial: By the decision of 20.10.2020, the court dismissed SEM appeal, as unfounded, so that the sentence on merits was maintained by which the exception of prescription was admitted. With appeal within 30 days from the communication. Considering the EGMS SEM Decision no. 9 / 07.11.2019 by which the share capital of SEM was increased with these 2 lands, the request will remain without an object. Decision no. 1369/2020 21.10.2020 pronounced by the CAB by which the appeal formulated by SEM was rejected, the decision remained final by not exercising the appeal, considering the lack of interest of SEM (the share capital was increased with the 2 lands).
10	Plaintiff: ELSA Defendant: Competition Council 3889/2/2018	Administrative litigation - annulment of Competition Council Decision no. 77/20 December 2017, by which an ELSA charge is set through a fine of RON 10,800,984 and, in the subsidiary, the reduction of the fine set up to the legal minimum of 0.5% of ELSA's turnover, by re-individualizing the alleged anticompetitive facts, with the retention and full use of all mitigating circumstances applicable to ELSA.	High Court of Cassation and Justice	The court dismissed ELSA's action as unfounded; ELSA filed an appeal – in course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
11	Plaintiff: ELSA Defendant: EL SERV 39968/3/2018	Action for damages - request payment of penalty interest in the amount of RON 6,782,891, related to the amount of RON 10,327,442.	High Court of Cassation and Justice	The first court partly admitted the action and ordered the payment of the legal interest calculated for the period 20.11.2015-22.05.2018. EL SERV filed an appeal, dismissed as unfunded. EL SERV filled a recourse, in course of settlement.
12	Plaintiff: ELSA Defendant: Elite Insurance Company 44380/3/2018	Claims - request for the equivalent value of the insurance policy issued to guarantee the obligations of Transenergo Com S.A., in the amount of RON 4,000,000.	Bucharest Court	Suspended based on art. 307 Civil Procedure Code.
13	Plaintiff: ELSA Transenergo Com S.A. Defendant: Zurich Broker de Asigurare Reasigurare SRL 3310/3/2020	Claims - RON 4,000,000 (ELSA) and RON 97,350 and the bearing of any damage related to the non-fulfilment of its obligation (Transenergo Com) - regarding the insurance policy issued to guarantee the payment obligations of Trasenergo Com	Bucharest Court	The court rejected the request as unfounded, and Transenergo Com's request as directed against a person without passive procedural capacity. With appeal within 30 days from communication. To this file was connected case no. 3474/299/2020.
14	Plaintiff: ELSA Defendant: former directors and administrators of ELSA 35729/3/2019	Claims - claim for damages calculated as a result of the control of the Court of Accounts, amounting to RON 322,835,121.	Bucharest Court	Suspended until the final settlement of case 2229/2/2017.
15	Plaintiff: VIR Company International S.R.L. Defendant: DEER 7507/105/2017	Claims - the amount requested by VIR Company International SRL consists of: - EUR 5,000,000, damage caused by delayed issuance of the connection certificate for the photovoltaic plant located in Valea Calugareasca commune, Darvari village; - EUR 155,000, equivalent of the amount of electricity produced by the plant during the technological tests period; - EUR 145,000, green certificates related to the amount of energy produced by the photovoltaic plant during the technological tests period. In addition, it requires DEER to pay the penalty interest of 5.75%/year for all the amounts of money claimed and court costs.	Prahova Court	In course of settlement.
16	Creditor: DEER Debtor: Transenergo Com S.A. 1372/3/2017	Insolvency proceedings. Amount: RON 9,274,831.	Bucharest Court	Ongoing proceedings. On 3 February 2021, the Debtor's reorganization plan was confirmed, according to which unsecured receivables do not participate in distributions. The Debit represents the accumulated receivables as a result of the distribution subsidiaries' merger.
17	Plaintiff: DEER Debtor: ELSA (18976/3/2020) 33763/3/2019	Claims, according to the Court of Accounts Decision, representing payments not owed of RON 20,350,189 made by DEER (former SDMN).	Bucharest Court	Suspended until the final settlement of case no. 1677/105/2017.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
18	Plaintiff: Tutu Daniel and Tudor Ionel Defendant: DEER 180/233/2020	Claims - the equivalent value of land related to the Galati Center Transformation Station – RON 2,500,000.	Galati Court	In course of settlement.
19	Plaintiff: Sinaia City Hall Defendant: DEER 3719/105/2020	Action in „Obligation to do” administrative litigation. Sinaia City Hall requests: -mainly: obliging MN to comply with LCD 113/2015 in the sense of executing the works regarding the underground location of the technical-municipal networks for the project „Energy efficiency and lighting extension of the historic area - Sinaia” - in the alternative: in case MN will not execute the works in due time and the City Hall will execute the works in our name and on our behalf, MN will be obliged to pay RON 7,659,402.72 + VAT (RON 9,101,192); - updating the amount requested in the subsidiary with the inflation rate and legal interest.	Prahova Court	In course of settlement.
20	Plaintiff: DEER Defendant: Romenergy Industry S.A. 2088/107/2016	Bankruptcy - amount: RON 9,224,595.51.	Alba Court	Ongoing proceedings. The debit represents the accumulated receivables as a result of the distribution subsidiaries' merger.
21	Plaintiff: Asirom Vienna Insurance Group S.A. Defendant: DEER 439/111/2017	Recourse claims – for RON 2,842,347, representing the compensation paid by the plaintiff to the insured company SC Ciocorom SRL following a fire that occurred on 7 March 2013. DEER (former SDTN) fault is invoked for the overvoltage after a power outage.	Bihor Court	In course of settlement.
22	Plaintiff: Energo Proiect SRL Defendant: DEER 374/1285/2018	Claims of RON 2,387,357.	High Court of Cassation and Justice	In first court, the case was dismissed. In the appeal, the court admitted the plaintiff's appeal, partially annulling the sentence on the merits by rejecting the exception of the lack of capacity to use the Oradea Branch and retrying, rejecting the exception of illegality of ANRE Decision no. 1285/05.09.2017 invoked by the defendant DEER. Dismisses as unfounded the request for a lawsuit filed by the plaintiff in contradiction with DEER and the Oradea Branch. The plaintiff filed an appeal, which is in the filter procedure.
23	Plaintiff: DEER Defendant: Romenergy Industry S.A. 3086/62/2016	Payment ordinance - amount: RON 2,806,318.	Brasov Court	Ceased under art. 75 para. 1 final thesis from Law no. 85/2014 (as a result of the finality of the decision to open the bankruptcy procedure of Romenergy Industry S.A. (file no. 2088/107/2016).

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
24	Plaintiff: DEER Defendant: ELSA 4469/62/2018	Claims according to the Courts of Account findings – RON 8,951,811	Brasov Court	First instance. The High Court of Cassation and Justice solved the negative competence conflict between Brasov Court and Bucharest Court, the case being in course of settlement at Brasov Court.
25	Plaintiff: DEER Defendant: directors and managers 342/62/2020*	Claims against the former general managers of the company, as a result of the non-fulfillment of some measures ordered by the Court of Accounts for the amount of RON 8,951,812.	Brasov Court	Suspended until the final settlement of case no. 4469/62/2018.
26	Plaintiff: EL SERV Defendant: Best Recuperare Creante SRL 2253/3/2011 (former 58348/3/2010)	Insolvency – amount to be recovered: RON 3,938,811.	Bucharest Court	Procedure closed. It was ordered the deregistration of the debtor from ORC Bucharest.
27	Plaintiff: EL SERV Defendant: National Leasing IFN S.A. 18711/3/2010	Bankruptcy – amount admitted to the list of creditors: RON 21,663,983.27 (guaranteed RON 17,580,203.48 and unsecured RON 4,083,779.79).	Bucharest Court	Ongoing proceedings.
28	Plaintiff: EL SERV Defendant: Servicii Energetice Banat S.A. 8776/30/2013 (joint with 2982/30/2014)	Bankruptcy - amount admitted to the list of creditors RON 72,180,439.68.	Timis Court	Ongoing proceedings.
29	Plaintiff: EL SERV Defendant: SEO 2570/63/2014	Bankruptcy - amount admitted to the list of creditors RON 26,533,446.	Dolj Court	Ongoing proceedings.
30	Plaintiff: EL SERV Defendant: SED 8785/118/2014	Bankruptcy - amount admitted to the list of creditors: RON 15,130,315.27.	Constanta Court	Ongoing proceedings.
31	Plaintiff: EL SERV Defendant: SE Moldova 4435/110/2015	Bankruptcy – amount: admitted to the list of creditors RON 73,708,082.90.	Bacau Court	Ongoing proceedings.
32	Plaintiff: EL SERV Defendant: New Koppel Romania 20376/3/2016	Claims – EUR 655,164, equivalent of RON 3,210,305.75.	Bucharest Court	Ongoing proceedings.
33	Plaintiff: Integrator S.A. Defendant: EL SERV, SAP Romania 34479/3/2016**	Claims – EUR 1.277.435,25 EUR license + 2.650.855,68 EUR maintenance – RON equivalent 19,321,005.11	Bucharest Court of Appeal	The case was suspended on 12.06.2019 until the jurisdiction was established in case 30 266/2017 registered with the Karlsruhe Court and declined in favor of the Mannheim Court.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
34	Plaintiff: EL SERV Defendant: SED 8785/118/2014/a1	Bankruptcy – opposition to the preliminary table - debt RON 3,025,622.	Constanta Court	Appeal admitted in part, the court ordering the registration of the appellant in the preliminary table of the debtor's obligations with the amount of RON 18,807.37, representing leasing rates and maintenance services. Definitively settled.
35	Plaintiff: EL SERV Defendant: directors and administrators 2013-2014 35815/3/2019	Action in attracting the liability of directors and administrators - measure II.7 of Decision no.13/27.12.2016 issued by the Romanian Court of Accounts– RON 7,165,549 + legal interest of RON 4,485,340.29.	Bucharest Court of Appeal	The court dismissed the action as prescribed, ordering the plaintiff to pay the judicial costs. The appeal in course of settlement.
36	Plaintiff: EL SERV Defendant: directors and administrators 2010-2014 35828/3/2019	Action in attracting the liability of directors and administrators - measure II.8 of Decision no.13/27.12.2016 issued by the Romanian Court of Accounts for the amount of RON 19,611,812 + Legal penalties of RON 14,475,832.43.	Bucharest Court	The court dismissed the action as it has been modified and specified, as prescribed. Orders the plaintiff to pay the judicial costs. An appeal was filed, no term was established.
37	Creditor: EFSA Debtor: Apaterm S.A. Galati 4783/121/2011*	Bankruptcy – registering to the list of creditors for the amount of RON 2,547,551.	Galati Court	Ongoing proceedings.
38	Creditor: EFSA Debtor: Vegetal Trading SRL Braila 1653/113/2014	Insolvency proceedings - registering to the list of creditors for the amount of RON 1,851,392.	Braila Court	Ongoing proceedings.
39	Creditor: EFSA Debtor: Ariesmin S.A. Branch 7375/107/2008	Bankruptcy - registering to the list of creditors for the amount of RON 20,711,588.	Alba Court	Ongoing proceedings.
40	Creditor: EFSA Debtor: Zlatmin S.A. Branch 6/107/2003	Bankruptcy - registering to the list of creditors for the amount of RON 9,314,176.	Alba Court	Ongoing proceedings.
41	Creditor: EFSA Debtor: Hidromecanica S.A. 3836/62/2009	Bankruptcy - registering to the list of creditors for the amount of RON 4,792,026.	Brasov Court	Ongoing proceedings.
42	Creditor: EFSA Debtor: Nitramonia S.A. 1183/62/2004	Bankruptcy - registering to the list of creditors for the amount of RON 2,321,847	Brasov Court	Ongoing proceedings.
43	Creditor: EFSA Debtor: Remin S.A. 32/100/2009	Insolvency proceedings - registering to the list of creditors for the amount of RON 71,443,402.	Timisoara Court	Ongoing proceedings.
44	Creditor: EFSA Debtor: Oltchim S.A. 887/90/2013	Bankruptcy - registering to the list of creditors for the amount of RON 56,533,826.	Valcea Court	Ongoing proceedings.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
45	Creditor: EFSA Debtor: Energon Power and Gas S.R.L. 53/1285/2017	Insolvency proceedings - registering to the list of creditors for the amount of RON 2,421,236.	Cluj Specialized Court	Ongoing proceedings.
46	Creditor: EFSA Debtor: CUG S.A. 2145/1285/2005	Bankruptcy - registering to the list of creditors for the amount of RON 7,880,857.	Cluj Specialized Court	Ongoing proceedings.
47	Plaintiff: EFSA Defendant: ELSA 6665/3/2019	Claims: request of payment regarding the invoices paid without supporting documents, as it has been stated by the Court of Account – RON 7,025,632.	Bucharest Court	The First Instance Court dismissed the claim of EFSA. The Decision can be appealed within 30 days of its communication.
48	Plaintiff: EFSA Defendant: natural persons Called in guarantee: ELSA 35647/3/2019	Claims according to art. 155 of Companies Law no. 31/1990 for the amount of RON 7,128,509.	Bucharest Court of Appeal	Dismisses as prescribed the action filed by the plaintiff EFSA. and dismisses as objectless the warranty claims issued by the defendants, two former directors, and one former general manager, against ELSA. The amount for which ELSA was called as collateral is around RON 6,232,398, representing the main debit, to which are added interest and payment of any other amounts that the court may charge. EFSA filed an appeal, dismissed it as unfounded. The decision can be appealed (recourse) within 30 days of its communication.
49	Plaintiff: EL SERV Defendant: ENEL DISTRIBUTIE MUNTENIA S.A. 4233/2/2020 (former no. 24088/3/2015)	Claims. Late payment penalties regarding the litigation with Autocourier S.R.L. in the amount of RON 3,068,929.67 according to the Agreement no. 1055/2002 as well as delay penalties for the main debt of RON 5,605,351.26 calculated after 30.06.2015 until the entire payment of the main debt.	High Court of Cassation and Justice.	Case admitted in a retrial on merits. The appeal filed by Enel against the decision favorable to SEM was dismissed. E-Distributie filed an appeal.
50	Plaintiff: IVAN LAURA IONELA IVAN CORNEL IONUT IVAN VLADIMIR MIHAI Defendant: EL SERV 34705/3/2015	Civil liability - work accident resulting in employee death (amount of compensation claims – EUR 3 million).	Bucharest Court	Case suspended according to art. 413 alin. 1 par. 1 Civil Procedure Code. (criminal case ongoing).
51	Plaintiff: CAZACU MARIA Defendant: DEER 7212/200/2020	Liability of the principal for the act of the defendant- work accident resulting in the death of an AISE employee (amount of compensation claimed: EUR 510,000)	Buzau Court	In course of settlement.
52	Plaintiff: PRICOPIE STEFAN Defendant: DEER 12807/231/2019	Faulty killing (art.192 NCP) - third party electric shock (amount of damages claimed: EUR 500,000)	Focsani Court	In course of settlement. Decision on merits on 11.02.2022.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
53	Plaintiff: DEER – Defendant: COS Targoviste 1906/120/2013	Insolvency – bankruptcy – total amount: RON 5,589,482.51 out of which RON 1,357,789.92 – amount at the list of creditors and RON 4,231,692.59 - current receivables.	Dambovita Court	Ongoing procedure. From the total receivables, the amount of RON 3,255,350.39 represents the current receivables, for which a payment request was formulated which is the object of the file 2478/120/2021, admitted on merits; the decision is not final.
54	Plaintiff: DEER Defendant: Prutul SA 4798/121/2019**	Claims: RON 4,343,437	Inalta Curte de Casatie si Justitie	La fond, instanta a admis exceptia inadmisibilitatii. Solutia a fost mentinuta in apel. In cauza a fost declarat recurs.
54	Reclamant DEER Parat: Prutul SA 4798/121/2019**	Pretentii: 4.343.437 RON	High Court of Cassation and Justice	On the merits, the court admitted the exception of inadmissibility. The solution was confirmed in the appeal. A recourse was filed.
55	Plaintiff: Verta Tel SRL Defendant: DEER 4106/3/2021	Claims – contractual liability: RON 2,009,233	Bucharest Tribunal	Case dismissed on merits. The decision is appealable.
56	Plaintiff: DEER Defendant: Getica 95 SRL 1666/114/2021	Insolvency – registration at the list of creditors for the amount of RON 26,283,220.67	Buzau Tribunal	Ongoing proceedings.
57	Plaintiff: DEER Defendant: AEM S.A. 1347/119/2021	Claims – contractual liability – RON 2,851,297.30	Covasna Court	In course of settlement.

Source: Electrica

4. Litigations against the Romanian Court of Accounts

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1	Plaintiff: ELSA Defendant: Romanian Court of Accounts 2268/2/2014*	Suspension and cancellation of the administrative act: Decision no. 3/14 January 2014 and Resolution no. 23/17 March 2014.	High Court of Cassation and Justice	First court: the claim is partly admitted, partially cancels Resolution no. 23 of 17 March 2014 regarding items 1 and 5 and Decision no. 3/14 January 2014 regarding items 4 and 8. Dismisses, as ungrounded the claim regarding items 2, 3, and 4 in Resolution no. 23/17 March 2014 and items 5, 6, and 7 in the Decision no. 3/14 January 2014. Rejects the request to suspend the execution of Decision no. 3/14 January 2014, as unfounded. ELSA and CCR filed an appeal, both being admitted. The court partly admits ELSA's request and sent the case for retrial to the first instance, regarding the annulment of point 5 of Decision no. 23/17 March 2014, related to point 8 of Decision no. 3/14 January 2014. Retrial phase: In the first instance, the court rejected the plaintiff's request for annulment of point 5 of Resolution no. 23/17.03.2014, with a correspondent in point 8 of Decision no. 3/14.01.2014 issued by the defendant. With appeal within 15 days from its communication. ELSA has appealed the case, with a term on 25.03.2022.
2	Plaintiff: ELSA Defendant: Romanian Court of Accounts 2229/2/2017	Partial annulment of Decision no. 12/27 December 2016, issued by the director of the 2nd Direction from the IVth Department of the Romanian Court of Accounts, regarding the faults from point 1 to 8, with the consequence of dismissing the actions from point 1, 3 to 9 inclusive, imposed to ELSA by the disputed Decision; the partial annulment of the conclusion no. 12/27 February 2017 of the Romanian Court of Accounts, rejecting the objection raised by ELSA against Decision no. 12, regarding the faults and orders mentioned above. In subsidiary, the extension of the deadlines for carrying out all the measures ordered by ELSA through Decision no. 12/27 December 2016 with at least 12 months; the suspension of the enforceability of Decision no. 12 until final settlement of the present dispute.	Bucharest Court of Appeal	In course of settlement.
3	Plaintiff: ELSA Defendant: Romanian Court of Accounts 7780/2/2018	Administrative litigation for annulment of Decision no. 38/9 October 2018, the annulment of the conclusion by which the appeal imposed by Decision no. 12/1 of 27 December 2016 was dismissed, the revocation of the Decision no. 12/1, and the cessation of any CCR control act.	High Court of Cassation and Justice	The court of first instance dismissed the action as inadmissible. ELSA filed an appeal, with term on 26.05.2022.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
4	Plaintiff: EFSA Defendant: Romanian Court of Accounts 2213/2/2017	Disputes with the Romanian Court of Accounts (Law no. 94/1992), action for the annulment of Decision no. 11/2016, of Decision no. 23/2017, and the Control Report no. 5799/2016.	High Court of Cassation and Justice	The court definitively dismissed the request filed by EFSA.
5	Plaintiff: EL SERV Defendant: Romanian Court of Accounts 2098/2/2017	Litigations with the Romanian Court of Accounts for the annulment of the administrative act – Decision no. 11/27 February 2017.	Bucharest Court of Appeal	In course of settlement.
6	Plaintiff: DEER Defendant: Romanian Court of Accounts Intervenient: SERV 1677/105/2017	Suspension and annulment of the measures imposed by the Decision of Prahova Court of Accounts no. 45/2016, following the Control Report of the Prahova Court of Accounts no. 6618/11 November 2016.	Prahova Court	In course of settlement.

Source: Electrica

5. Other litigations with significant impact

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1	Plaintiff: Niculescu Vladimir Defendant: DEER, City Hall Valenii de Munte 1580/105/2008**	Claim under Law no. 10/2001 – for a land of 1,558 sqm and a built area of 202 sqm, located in Valenii de Munte, 129, N. Iorga street and being used by the Exploitation Center Valeni.	Prahova Court	In the first instance, the plaintiff's action was partly admitted, it is acknowledged the right to reparative measures by equivalent for the land of 1,402 sqm located in Valenii de Munte, 129, Boulevard. Nicolae Iorga (currently no. 131), Prahova County. The Plaintiff and Valenii de Munte Town Hall filed an appeal. The Plaintiff's appeal was admitted and the case was sent for retrial to the first instance. In the retrial, the first instance court admitted the right of the plaintiff to compensatory measures under the law regarding some measures for completing the restitution process of the buildings taken over abusively, for the land with an area of 1,402 sqm. With appeal within 15 days from the communication.
2	Plaintiff: DEER Defendant: Local Council of Oradea City, RCS&RDS 3340/111/2015	Cancellation of Oradea LCD no. 108/17 February 2014 regarding the organization of the public auction for the concession of the 100,000 sqm land area, in order to reallocate underground sewerage for the placement of electronic and electrical communications networks.	Bihor Court	At the request of RCS-RDS, the case was suspended until the case file 2414/2/2016 was settled with Delalina SRL, a file that is in the role of the Bucharest Court of Appeal.
3	Plaintiff: Delalina S.R.L. Defendant: DEER 910/111/2016	The obligation to issue a technical permit for connection in the favour of SC Delalina SRL.	Bihor Court	The case file was suspended until the settlement of case file no. 2414/2/2016 with Delalina SRL, case file on the lawsuit of the Bucharest Court of Appeal.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
4	Plaintiff: Carei City and others Defendant: DEER 15600/211/2016*	Claims - it is requested to grant compensation in the form of material and moral damages, caused, by interrupting the supply of electricity to the consumers, in the Carei municipality, during 31.12.2014-02.01.2015.	Cluj Specialized Court	On 21.04.2021, the court rejects the action of a plaintiff as a result of admitting the exception of lack of capacity to use, rejects the exception of lack of active procedural quality of plaintiffs, invoked by defendants, rejects the exception of lack of passive procedural quality of defendant DEER, rejects the exception of lack of procedural quality liabilities of the defendant Electrica Furnizare SA and admits in part the action in contradiction with the defendant ELECTRICA FURNIZARE SA. Dismisses as unfounded the request for formal proceedings by the applicants in the preceding paragraph in contradiction with DEER. Obliges the defendant ELECTRICA FURNIZARE S.A., to pay the moral damages in favor of the plaintiffs in a differentiated way, in the amount of 500 RON for some of the plaintiffs, 750 RON and 1000 RON for other plaintiffs, rejecting at the same time the moral damages for other plaintiffs. Appeal filed by Electrica Furnizare – in course of settlement.
5	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: DEER, ANRE, Romanian Government, Ministry of Economy, Commerce, and Relationships with the Business Environment, Ministry of Energy, Banat Enel Distribution, Muntenia Enel Distribution, Dobrogea Enel Distribution 2414/2/2016	Cancellation of administrative acts (Order 73/2014, Concession agreements).	High Court of Cassation and Justice	The first court has rejected the exceptions and the action filed by the plaintiffs, which have initiated an appeal; On 22.03.2021, the court ruled in favor of the company, stating that DEER's (former SDTN) incident appeal was invalid and rejected as unfounded the main appeal filed by Foto Distributie SRL si Delalina SRL. The court rejected as unfounded the appeals filed by E-Distributie Muntenia SA (former Enel Distributie Muntenia), E-Distributie Banat SA (former Enel Distributie Banat) si E-Distributie Dobrogea SA (former Enel Distributie Dobrogea). Dismisses, as unfounded, the cross-appeal brought by the appellant - defendant Ministry of Economy, Entrepreneurship, and Tourism (Ministry of Economy) and the cross-appeal filed by the Ministry of Energy against the same sentence. Final.
6	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: ANRE Intervener: DEER 4013/2/2016	The cancellation of the ANRE decision on refusal to give licenses for electricity distribution.	Court of Appeal Bucharest	In course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
7	Plaintiff: ELSA Defendant: E – Distribuție Banat S.A. 30399/325/2018*	Obligation to do - Mainly obliging the defendant to hand over the documentation for the land in Bocsa. In subsidiary, the obligation to draw up the CADP documentation and payment of damages.	Timisoara Court of Appeal	Case rejected by the first and second courts. ELSA filed an appeal, admitted by the court. The appeal court quashes the contested decision and, re-judging admits the appeal, partially changes the sentence of the first instance in the sense that it partially admits the action and obliges the defendant to fulfill the formalities imposed by H.G. 834/1991 in order to obtain the Certificate of Attestation of the Property Right and to hand over the documentation for obtaining the certificate. Maintains the sentence regarding the rejection of the principal claim regarding the obligation of the defendant to hand over the prepared documentation, as well as regarding the obligation of the defendant to pay the comminatory damages. Dismisses the defendant's cross-appeal against the same judgment. Definitive.
8	Plaintiff: ELSA Defendant: Baile Herculane City 4572/208/2018*	Claim for land Lot 1-NC 32024 (area of 259 sqm) and lot 2 NC 31944 (with a surface of 1,394 sqm), both located in Baile Herculane, 1, Uzinei street and FC rectification.	Caras Severin Court	The first court admits the exception of the lack of active procedural quality of ELSA and dismisses the action. ELSA filed an appeal, dismissed it as unfounded. ELSA filed an appeal, admitted by the court, which sends the case for retrial to Caras Severin Court. Retrial – in course of settlement.
9	Plaintiff: E-Distribuție Banat Defendant: ELSA 12857/3/2019	(i) ELSA's compliance with the obligation of not to do regarding the share capital and the AoA of the EDB and the termination of abusive actions consisting of the requests addressed to the ONRC to change the structure of the share capital and the articles of association of the EDB by increasing the share capital with the value of the land in the Certificates of attestation of the property right held by ELSA on the land used by EDB in order to carry out the activity; (ii) Stating the fact that Electrica does not hold the quality of public authority involved in the privatization process and, consequently, acknowledging the absence of the right of ELSA to request ONRC to modify the constitutive act of the EDB by increasing the share capital with the value of the land owned by ELSA based on CADP on the used land from EDB; (iii) As against to the abusive actions taken in the EDB's opinion, ELSA's obligation to pay the damages whose existence and amount will be proved by the deadline provided by law.	Bucharest Court	In course of settlement.
10	Plaintiff: ELSA, SAPE Defendant: E-Distribuție Banat 949/39/2019	Action for the annulment of Shareholders resolution 5/06.12.2018 (share capital increase for SAPE).	Timis Court	In course of settlement. At this case was connected the case no. 988/30/2019.
11	Plaintiff: E-Distribuție Banat Defendant: ELSA 1994/30/2019/a1	Complaint against the resolution of the ORC director.	Timisoara Court of Appeal	The request was rejected definitively. E-Distribuție Banat filed an appeal for annulment (case. 793/59/2021), rejected. E-Distribuție Banat filed a request for review (case. 880/59/2021), dismissed by the court.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
12	Plaintiff: ELSA Defendant: UAT Targu Neamt 122/321/2020	<ol style="list-style-type: none"> obliging the defendant to leave us in full ownership and possession of the land with an area of 3,389 sqm, located in Targu Neamt, rectification of the entries from the land book no. 55409 of the City of Targu Neamt, in the sense of elimination of the inappropriate registrations made in it, in order to agree to the tabular status with the real legal situation of the building, respectively the cancellation of the property right of the tabular owner Targu Neamt City and the registration of the property right of the Energy Company Electrica SA Order the defendant to pay the court costs. 	Bacau Court of Appeal	The action was dismissed on merits. ELSA filed an appeal, dismissed it as unfounded. The decision was appealed.
13	Plaintiff: ELSA Defendant: UAT Bicaz 91/188/2020	<ol style="list-style-type: none"> obliging the defendant to leave us in full ownership and possession of the land in the area of 10,524 sqm (from documents 22,265 sqm), located in Bicaz, Neamt county. rectification of the entries from the land book no. 52954 of Bicaz City, in the sense of elimination of inappropriate entries made in it, in order to agree on the tabular status with the real legal situation of the building, respectively the cancellation of the property right of the tabular owner Bicaz City and the registration of the property right of Societatea Energetice Electrica S.A. Order the defendant to pay the court costs. 	Neamt Tribunal	The court of the first instance partially annuls the Decision of the Local Council of Bicaz no. 94 / 25.08.2016, respectively regarding the surface of 10,524 sqm of urban land 3, Bicaz, Energiei street (former Plant), located at the last position of the table in the Annex to HCL no. 94 / 25.08.2016, following the admission of the exception of illegality, invoked by the plaintiff. Dismisses the action brought by ELSA as unfounded. Admits in part the action in the rectification of the land book. It orders the rectification of the Land Book no. 52954 of the City of Bicaz, regarding the land with an area of 10,524 sqm, located in Bicaz, 3, Energiei street, Neamt County (former Uzine), in the sense of deleting the property right of the defendant Bicaz city, as a result of the partial annulment of HCL no. 94 / 25.08.2016, regarding this land. Rejects as unfounded the applicant's request to order the rectification of the Land Book no. 52954 of the City of Bicaz, regarding the land with an area of 10,524 sqm, located in Bicaz, 3, Energiei street, Neamt County (former Uzine), in the sense of registering the ELSA property right over the above-mentioned land. ELSA appealed.
14	Plaintiff: ELSA Defendant: Videle City, through Mayor 948/335/2020	<ol style="list-style-type: none"> obliging the defendants to leave us in full ownership and possession of the land surfaces that overlap with the land located in 1, Aleea FRE street, Videle, Teleorman county, for which we hold CADP. the delimitation of the above-mentioned properties, by establishing the boundary line according to the property deeds of the parties; rectification of the entries in the land book and registration of the property right of the plaintiff ELSA on this area of land 	Videle Court	Admits in part the request for summons and consequently: establishes the landline boundary of the plaintiff's property (ELSA) on the current boundary lines, outlined on the situation plan related to the completion of the expert report, with the coordinates indicated by the expert, land delimited points 1-2-3-4-5-6-7-8-9-10-11-12-13-14-15-16-17-18-19-20-21-22-23. It orders the rectification of the land book no. 23176 by repositioning, in order to eliminate any virtual overlap between the land belonging to the plaintiff, with the boundary line as previously established, and the land registered in this land book. Dismisses the action as unfounded.
15	Plaintiff: DEER Defendant: ANARC (ANCOM) and Telekom Romania Communications SA 7407/2/2020	Appeal against Decision no. 1177 / 13.11.2020 of the ANARC President. It was requested the partial annulment of the ANCOM decision and the complete rejection of the Telekom Romania request.	Bucharest Court of Appeal	In course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
16	Plaintiff: Valenii de Munte City Hall Defendant: DEER 2848/105/2020	Valenii de Munte City Hall requests the obligation of DEER (Ploiesti) to take over public lighting installations and to pay their equivalent value of RON 466,880.	Prahova Court	In course of settlement.
17	Plaintiff: ELSA and the subsidiaries Defendant: Romanian Government 3781/2/2020	Annulment of the administrative act: Government Decision 1041/2003 on some measures to regulate the facilities granted to pensioners in the electricity sector.	High Court of Cassation and Justice	Case dismissed on merits; it was filed an appeal, term on 23.02.2023.
18	Plaintiff: Grup 4 Instalatii Defendant: DEER 375/1285/2021	The obligation of DEER is to recognize, to respect the property right of G4Instalatii regarding the buildings located in Cluj Napoca, 28A, Ilie Macelarului Street. and 2, Uzinei Electrice Street. , registered in land book 297841 Cluj Napoca with no. 297841, consisting of land with an area of 10720 sqm and constructions: construction registered in land book with no. 297841-C1, construction of administrative headquarters with an area of 1560 sqm; body A, construction no. 297841- C2 - 512 sqm, building B, construction no. 297841 - C3 - 171 sqm, building C, construction no. 297841 - C4 - 338 sqm, building D, construction no.. 297841-C6 - 348 sqm - 110/10 kW Transformation Station. It is requested the handing over of the above buildings and the rectification of the land book registrations in the sense of the annulment of the tabulation conclusions by which the DEER property right was registered, the deregistration of the land book property right, the registration of the property right in favor of G4I.	Cluj Tribunal	The court admits the exception of the material incompetence of the Cluj Specialized Tribunal, an exception invoked ex officio, and consequently declines the competence to resolve the request for summons in favor of the Cluj Tribunal-Civil Section. Pending settlement in this court.
19	Plaintiff: ELSA Defendant: Kaufland Romania SCS, Deva City, through the Mayor and Deva City Council 156/221/2021	1. obliging the defendants to leave us in full ownership and possession of the land surfaces that overlap with the ELSA land located in Deva municipality, 1, Dorobanți street, Hunedoara county, as follows: (a) Kaufland Romania SCS - land areas of 15 sqm and 50 sqm (part of the Kaufland Deva parking lot), identified by IE 68452, which overlap to the N-W with the land owned by Electrica; (b) Deva Municipality, through the Mayor and the Local Council of Deva Municipality - land areas: (i) 2 sqm (part of the "Playground for children"), identified by IE 71851, which overlaps to the NE with the land in the ownership of Electrica and (ii) of 23 sqm (part of "Calea Zarandului"), identified by IE 75973, which overlaps to the SW with the land owned by Electrica; 2. the delimitation of the above-mentioned properties, by establishing the boundary line according to the property deeds of the parties; 3. rectification of the entries in the land book regarding the above-mentioned land areas, in the sense of eliminating the inappropriate entries made, in order to reconcile the tabular status with the real legal situation of the real estate, respectively of the cancellation of the property right tabular owners and the registration of the property right of the applicant ELSA over these land areas.	Deva Court	In course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
20	Plaintiff: ELSA Defendant: UAT Chisineu Cris 2143/210/2020	<p>1. obliging the defendant to leave us in full ownership and possession of the land with an area of 529 sqm identified with Cadastral no. 306526, registered in the land book no. 306526 Of Chisineu Cris., County Arad, located in Chişineu Criş, 63, Înfrăţirii street. , Arad county, as well as the land with an area of 121 sqm, identified with Cadastral no. 306527, registered in the land book no. 306527 of Chisineu Cris., County Arad, located in Chişineu Criş, 63, Înfrăţirii street. , Arad County.</p> <p>2. rectification of the entries in the land books no. 306526 and 306527 of the City of Chisineu Cris, in the sense of eliminating the inappropriate entries made, in order to reconcile the tabular status with the real legal situation of the buildings, respectively the cancellation of the property right of the tabular owner Chisineu Cris City and registration of the property right of ELSA 3. Order the defendant to pay the costs.</p>	Arad Tribunal	Case dismissed on merits. It was filed an appeal – in course of settlement.
21	Plaintiff: Alexandra Borislavski Defendant: ELSA ARB - 5670	<p>1. Obligation of the defendant to pay to the plaintiff the amount of 166,738 lei, 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 the plaintiff damages for non-execution of the obligation to pay the percentage of 55% of the OAVT package. 3. Obligation of the defendant to pay the amount of 11,973 lei, representing the annual variable remuneration for 2018. 4. Obligation of the defendant to pay the amount of 24,756 lei, representing the annual variable remuneration related to 2019. 5. Updating the amounts provided in the preceding items, with penalizing legal interest. The asked damages should be calculated as the legal penalty interest plus 8% payable per each day of delay as of the date of the registration of the claim until the payment of the 55% of OAVT package by the defendant. 6. The obligation of the defendant to pay the expenses incurred by the request for arbitration.</p>	Vienna International Arbitral Centre	No term was settled.

Source: Electrica

**Appendix 2 –
Details of the main
investments of Electrica
Group during 2020**

In 2021 the most significant investments of Electrica Group are the following:

Description	(RON mn)
MUNTENIA NORD	
Modernization and SCADA system integration of 110/20 kV Ianca Substation	2.61
Modernization of pole mounted transformer substation, LV OHL equipment and LV connections in Cobia commune, localities: Gherghitesti, Frasin Vale, Frasin Deal, Manastirea, Mislea, Capsuna, Craciunesti, Closcani, Blidari	1.89
Voltage level improvements in Tudor Vladimirescu locality, Galati County	2.09
Upgrading of 110kV protection system and SCADA system integration for Ploiesti Sud Substation	3.98
Voltage level improvements for consumers in Mogosani commune, localities Mogosani, Meri, Chirca, Cojocaru, Zavoiu	2.85
Modernization of electricity distribution installations belonging to Buzau branch, at blocks of flats in Brosteni neighborhood, Buzau County	4.03
Extension and modernization of 110/20/6 kV Tecuci Substation, Galati County	1.65
Modernization of 20kV OHL by replacing the insulation and conductors (20kV OHL Urleasca - SR Ramnicelu, 20kV OHL Lacu Sarat - SRPD 1-4, 20kV OHL Romanu - T. Vladimirescu and 20kV OHL Gropeni - Tichilesti)	3.51
Modernization and SCADA system integration of 110/20 kV Magura Substation	1.19
Extension of SMART Metering System (SMS) in Vrancea county, localities Marasesti, Gologanu, Slobozia Ciorasti, Jiliste, Balta Ratei, Liesti, Gura Calitei, Cocosari, Groapa Tufei, Rasca, Sotarcaru, Rachitosu, Bicestii de Jos, Vultur, Popesti, Tamboiesti, nanesti, Vitanesti de sub Magura, Urechesti, Sarbi, Biliesti, Mircestii NOI, Dragosloveni, Budesti, Valea Cotesti, Hangulesti, Ciorasti, Codresti, Spatareasa, Ciuslea, Bordesti, Bordestii de Jos, Bordestii de Sus, Chiojdeni, Maracini, Seciu, Lojnita, Martinești, Jitia, Candesti, Candesti Deal, Candesti Vale, Precistanu, Poiana Cristei, Mihalceni, Armeni, Belciugele, Coroteni, Balesti, Faurei, Bordeasca Veche	1.27
Modernization of distribution networks in the area of pole mounted transformer substations: 7087 no. 1, 7083 no. 2, 7084 no. 4, 7085 no. 5, 7088 no. 6, 7188 nr. 7 and 7082 SMA from Chiraftei locality, Mastacani commune, Galati County	1.15
Modernization of distribution networks in Voetin, Sihlea, Vrancea County	2.17
Increasing the supply reliability of 20 kV OHL Petresti-Irigatii 2, from 110/20 kV Crovu Substation, Arges river crossing	0.95
Modernization of LV OHL and LV connections for consumers of Stefan cel Mare Street, Braila city	1.01
Modernization of transformer substations powered from 20 kV Independenta underground cable line, Unirii, 24 Ianuarie, Substatia Obor, Patinoar, in Buzau city	0.89
Modernization of 20 kV OHL by replacing insulation and conductors 20 kV OHL Pisc - SPP 4, 20kV OHL Cuza Voda - Tufesti, 20kV OHL Maxeni Scortaru, 20kV OHL Romanu - Traianu	1.73
Modernization and integration in SCADA of 110/20/6 kV Buzau Est substation	3.40
Modernization of distribution Network in Gugesti locality, Vrancea county	3.90
Upgrading to 20kV the Transformer substation in Galati municipality - Cartier Traian Nord area, Galati county;	1.37
Execution of coexistence conditions with the existing electrical networks necessary to obtain the location permit for Traian Vuia street, H. Coanda street, G. Cosbuc boulevard, 1 Decembrie 1918 Street, and Al. Butcher mun. Galati	4.41
Integration in SCADA of the Berceni 110/20 kV substation	1.54
Modernization of Transformer substation PTZ 0065 and 0.4 kV OHL in the related area, Campina city	1.00
Modernization pole mounted transformer substations (PTA), LV OHL, and connections in Morteni commune, localities, Neajlov, Morteni, Florica.	1.47
Voltage level improvement for consumers in Dambovita county, commune Uliesti, localities Uliesti, Croitori, Jugureni, Olteni, Manastioara, Stravapolia.	2.46
Voltage level improvement for consumers in commune Petresti – localities Coada Izvorului, Greci, Puntea de Greci, Gherghesti, Ionesti, Potlogeni Deal	2.40
Voltage level improvement for consumers in commune Ciocanesti, localities Ciocanesti, Cretu, Vizuresti	1.96
Voltage level improvement for consumers in Costesti Vale, Tomsani localities, Costesti Vale commune, Dambovita county.	2.18

Description	(RON mn)
Voltage level improvement for consumers in localities Dragodana, Straosti, Burduca, Cuparu, commune Dragodana, Dambovita county	1.59
Voltage level improvement for consumers in villages Contesti, Savesti, Crangasi, Mereni, Calugareni, Boteni	1.75
TRANSILVANIA SUD	
Integration of substations from Alba 110 kV Operations Centre into the SCADA DMS system of SDTS	13.30
Modernization of transformer substations by replacing MV cells, TDRIs (indoor network distribution board for transformer stations), integration in SAD, and repairing buildings related to transformer stations in Sacele municipality, Brasov County	7.32
Voltage level improvements and modernization of LV OHL and LV electrical connections in Sanraiu de Mures and Nazna, Mures county	4.74
Modernization of LV OHL Marsa locality, Sibiu County	2.78
Modernization of LV OHL Hipodrom 1, 2, 3 area, Sibiu municipality, Sibiu County	4.55
Modernization of distribution network 20/0,4 kV, LV connection securing, locality Feldioara, Brasov County - Stage 1 area related to transformer substations no.11 and 30	2.85
Modernization of LV OHL Bistra, Bistra commune, Alba County	2.56
Modernization of MV network and LV OHL, voltage level improvements and security and systematization of LV connections - Doamna Stanca street and related streets, Fagaras municipality, Brasov County	2.03
Works at 110 kV OHL South Sibiu - Ucea 1 + 2, Sibiu County	1.40
Voltage level improvements and modernization of electrical distribution network, LV OHL and LV connections of Stejerisului, Cibunului, Calea Poienii streets, Brasov locality, Brasov County	1.87
Modernization of distribution networks on Dozsa Gyorgy, Belchiei, Pescarilor, Rozelor streets, Gheorgheni municipality, Harghita County	2.46
Backup power 20 kV busbars - Sanpaul Station, Mures County	1.30
Modernization of distribution network 20kV Sovata - Oras 2, Sovata locality, Mures county	1.50
Modernization of the protection system, in order to reduce the number of consumers affected in case of defects with grounding on the 20 kV distributors of (pole mounted transformer substations) PAs that supply electricity to users from Sibiu municipality, Sibiu County	1.10
Modernization of OHL 0,4 kV Blaj, str. Eroilor (partial), Fabricii, Locomotivei, Fochistilor, Ceferistilor, Dr. V. Suciu, I.M. Klein, Gh. Sincai and A. Muresanu, Blaj municipality, Alba County – stage 3	1.20
Modernization of OHL 0,4 kV Blaj, streets. Eroilor Fabricii, Locomotivei, Fochistilor, Ceferistilor, Dr. V. Suciu, I.M. Klein, Gh. Sincai si A. Muresanu, Blaj municipality, Alba county- stages 1,2 si 4	2.30
Modernization of electricity supply installations in Medias City – Vitrometan neighbourhood, Sibiu County	5.44
Voltage level improvement and modernization of OHL 0.4 kV. streets. Avram Iancu and Motilor, Aiud locality, Alba County	2.30
Decentralization of the MV network, voltage level improvement and conductors replacement in LV network, modernization, and security of connections to Zarand, Cetinii, General Traian Mosoiu streets, Brasov locality, Brasov County	1.90
Voltage level improving and modernization of OHL LV Parau, Brasov county	1.08
Voltage level improving area PTA 9 Harman, neighborhood Domnitorilor, Brasov County	1.80
Voltage level improving and securing connections Vatava locality, Mures county	1.32
Increasing safety of supply and voltage level in 20kV network Regin, Mures county	1.65
Voltage level improving and modernization of connections in Saulia de Campie, Mures county	1.97
Voltage level improving and modernization of LV OHL and connections Deda locality, Mures County	2.59
Implementation of Smart Metering System Brasov branch area	4.94

Description	(RON mn)
TRANSILVANIA NORD	
Integrated security, monitoring, and intervention System for the substations of SDTN	6.14
Construction of new MV underground cable line to increase the security of electricity supply in the area of Cihei locality, Sanmartin commune	2.70
Modernization of transformer substations belonging to Cluj-Napoca branch, Cluj County - Vol.2 - Gherla area	1.98
Modernization of 110/20 kV Nistru Substation	3.39
Reservation of 20kV busbar for Satu Mare 2 Substation from Carpati Substation, Satu Mare municipality	1.95
Modernization of 110/20/10 kV Baci Substation	2.20
Modernization of Satu Mare 2 110 kV Substation and introduction of 20kV busbar	2.24
Modernization of the electrical distribution networks in the Municipality of Cluj-Napoca, 21 Decembrie 1989 boulevard area and the adjacent streets, Cluj County	2.65
Modernization of neutral treatment groups in Carei 1 Substation	1.47
Modernization OHL 20KV Pump between S.S. 6350 and FBT transformer substation - reconstruction of pole mounted transformer station Moara Jibou and voltage level normalization on Campului street, Jibou locality	1.46
Network decentralization and power injection in the area of Spicului street, Cluj Napoca municipality, Cluj county	1.85
Modernization of pole mounted transformer substations (PTA) Oradea branch	1.12
Modernization of 20 kV OHL Palota - Cheresig	1.11
Power injection Bufet Expres area, Madach Imre street, Oradea locality, Bihor county	2.02
Increasing the safety of electricity supply in Coada Lacului area - Stana de Vale	1.74
Modernization of substation 110/20 kV SASAR	1.16
Modernization of substation 110/20/6 kV Prundu Bargaului	3.41
Modernization of OHL 110kV Nasaud- Rodna poles 79-128 Bistrita Nasaud county	1.22
Modernization of substation 110/20 kV Sarmasag	2.51

In anul 2021, cele mai mari transferuri din imobilizari corporale in curs la imobilizari corporale reprezentand, in principal, punerea in functiune a obiectivelor de investitii, sunt urmatoarele:

Description	(RON mn)
MUNTENIA NORD	
Extension and modernization of 110/20/6 kV Tecuci Substation, Galati County	3.68
Upgrading of 110kV protection system and SCADA system integration for Ploiesti Sud Substation	7.12
Modernization of transformer station equipment, LV OHL equipment, and LV connections in Cobia commune, localities: Gherghitesti, Frasin Vale, Frasin Deal, Manastirea, Mislea, Capsuna, Craciunesti, Closcani, Bliidari	1.95
Increasing the network voltage from 6 kV to 20 kV in Tecuci city, stage III – neighbourhoods N.Balcescu, Gh.Petrascu and Criviteni, Galati county	1.90
Increasing the supply reliability of 20 kV OHL Petresti-Irigatii 2, from 110/20 kV Crovu Substation, Arges river crossing	1.83
Upgrading protections of 110 kV and 6 kV cells, installation of the second neutral earthing group by the resistor at 20 kV, and SCADA system integration in 110/27,5/20/6 kV Ploiesti Nord Substation	2.68
Modernization and SCADA system integration of 110/20 kV Mizil Substation	2.39
Modernization and SCADA system integration of Magura Substation	1.41

Description	(RON mn)
Modernization of electrical distribution networks in the area of pole mounted transformer substations: 7087 no. 1, 7083 no. 2, 7084 no. 4, 7085 no. 5, 7088 no. 6, 7188 nr. 7 and 7082 SMA from Chiraftei locality, Mastacani commune, Galati County	1.32
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Modernization of 20kV OHL by replacing the insulation and conductors (20kV OHL Urleasca - SR Ramnicelu, 20kV OHL Lacu Sarat - SRPD 1-4, 20kV OHL Romanu - T. Vladimirescu and 20kV OHL Gropeni - Tichilesti)	3.97
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Modernization of distribution networks in Voetin, Sihlea, Vrancea County	2.44
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Voltage level improvement for consumers in localities Contesti, Savesti, Crangasi, Mereni, Calugareni, Boteni, commune Contesti	1.54
Modernization of 20 kV OHL by replacing insulation and conductors 20 kV OHL Pisc - SPP 4, 20kV OHL Cuza Voda - Tufesti, 20kV OHL Maxeni Scortaru, 20kV OHL Romanu - Traianu	2.61
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Description	(RON mn)
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Description	(RON mn)
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Separate Financial Statements

**as at and for the year ended
31 December 2021**

**prepared in accordance with
Ministry of Public Finance Order
no. 2844/2016 for the approval of
the Accounting Regulations in
accordance with International
Financial Reporting Standards**

Free translation from Romanian, which is the official and binding version

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	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	19	100,057,480	96,943,295
Intangible assets	20	53,676	272,880
Investments in subsidiaries	21	2,285,224,715	2,284,881,698
Investments in associates	22	25,809,696	-
Loans granted to subsidiaries – long term	23	1,276,325,000	1,030,000,000
Right of use assets		488,370	1,433,070
Total non-current assets		3,687,958,937	3,413,530,943
Current assets			
Cash and cash equivalents	18	5,757,972	193,484,820
Restricted cash	18	-	320,000,000
Trade receivables	16	925,873	411,954
Other receivables	17	584,765,644	180,761,447
Prepayments		765,483	427,549
Loans granted to subsidiaries – short term	23	30,000,000	-
Assets held for sale		279,655	-
Total current assets		622,494,627	695,085,770
Total assets		4,310,453,564	4,108,616,713

EQUITY AND LIABILITIES

Equity

Share capital	24	3,464,435,970	3,464,435,970
Share premium	24	103,049,177	103,049,177
Treasury shares reserve	24	(75,372,435)	(75,372,435)
Pre-paid capital contributions in kind from shareholders	24	7,366	7,366

SOCIETATEA ENERGETICA ELECTRICA S.A.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(All amounts are in RON, if not otherwise stated)

	Note	31 December 2021	31 December 2020
Revaluation reserves	24	12,397,647	12,605,266
Legal reserves	24	228,156,226	212,027,639
Other reserves	24	71,213,362	35,644,469
Retained earnings		319,621,087	296,938,104
Total equity		4,123,508,400	4,049,335,556

	Note	31 December 2021	31 December 2020
Liabilities			
Non-current liabilities			
Lease liability – long term		118,456	485,741
Employee benefits	13	1,050,299	1,453,187
Total non-current liabilities		1,168,755	1,938,928

Current liabilities			
Bank overdrafts	18	120,541,354	-
Lease liability – short term		394,818	968,556
Trade payables	25	4,034,356	7,199,932
Other payables	26	44,022,468	36,034,414
Deferred revenue		384,578	152,559
Employee benefits	12,13	12,160,721	7,168,505
Provisions	27	4,238,114	5,818,263
Total current liabilities		185,776,409	57,342,229
Total liabilities		186,945,164	59,281,157

Total equity and liabilities		4,310,453,564	4,108,616,713
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The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

28 February 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
SEPARATE STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in RON, if not otherwise stated)

	Note	2021	2020
Revenues	8	-	3,250,787
Other income	9	808,081	14,516,325
Employee benefits	14	(39,239,650)	(31,818,555)
Depreciation and amortization	19,20	(2,274,344)	(13,050,255)
Reversal of impairment of trade and other receivables, net	16,17	70,195	98,583,335
Reversal of impairment/(Impairment) of property, plant and equipment, net	19	3,804,893	(9,979,491)
Impairment of assets held for sale		(492,336)	-
Change in provisions for legal cases and non-competence clauses, net	27	1,580,149	(2,510,794)
Other operating expenses	9	(19,897,208)	(23,870,825)
(Loss)/Profit before finance result		(55,640,220)	35,120,527
Finance income	10	377,682,973	260,305,358
Finance costs	10	(262,543)	(123,963)
Net finance income		377,420,430	260,181,395
Share of results of associates	22	(3,498)	-
Profit before tax		321,776,712	295,301,922
Income tax benefit	15	43,172	3,076,614
Profit for the year		321,819,884	298,378,536
Earnings per share			
Basic and diluted earnings per share (RON)	11	0.95	0.88

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer
 Georgeta Corina Popescu

Chief Financial Officer
 Stefan Alexandru Frangulea

28 February 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in RON, if not otherwise stated)

	Note	2021	2020
Profit for the year		321,819,884	298,378,536
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	24	-	11,901,253
Tax related to revaluation of property, plant and equipment	15	-	(3,059,897)
Re-measurements of the defined benefit liability	13	269,825	104,482
Tax related to re-measurements of the defined benefit liability	15	(43,172)	(16,717)
Other comprehensive income, net of tax		226,653	8,929,121
Total comprehensive income		322,046,537	307,307,657

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

28 February 2022

	Subscribed and paid in share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total equity
Balance at 1 January 2021	3,464,435,970	103,049,177	(75,372,435)	7,366	12,605,266	212,027,639	35,644,469	296,938,104	4,049,335,556
Comprehensive income									
Profit for the year	-	-	-	-	-	-	-	321,819,884	321,819,884
Other comprehensive income	-	-	-	-	-	-	-	226,653	226,653
Total comprehensive income	-	-	-	-	-	-	-	322,046,537	322,046,537
Transactions with owners of the Company									
Contributions and distributions	-	-	-	-	-	-	-	-	-
Dividends to the owners of the Company	-	-	-	-	-	-	-	(247,873,693)	(247,873,693)
Total transactions with owners of the Company	-	-	-	-	-	-	-	(247,873,693)	(247,873,693)
Other changes in equity									
Set up of legal reserves	-	-	-	-	-	16,128,587	-	(16,128,587)	-
Transfer to other reserves	-	-	-	-	-	-	35,568,893	(35,568,893)	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(207,619)	-	-	207,619	-
Balance at 31 December 2021	3,464,435,970	103,049,177	(75,372,435)	7,366	12,397,647	228,156,226	71,213,362	319,621,087	4,123,508,400

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	Subscribed and paid in share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Gains referring to share issue	Losses referring to share issue	Total equity
Balance at 1 January 2020	3,464,435,970	103,049,177	(75,372,435)	7,366	5,851,829	197,091,689	35,645,456	256,204,946	2,185,519	(963,601)	3,988,135,916
Comprehensive income											
Profit for the year	-	-	-	-	-	-	-	298,378,536	-	-	298,378,536
Other comprehensive income	-	-	-	-	8,841,356	-	-	87,765	-	-	8,929,121
Total comprehensive income	-	-	-	-	8,841,356	-	-	298,466,301	-	-	307,307,657
Transactions with owners of the Company											
Contributions and distributions	-	-	-	-	-	-	-	-	(963,601)	963,601	-
Issue of ordinary shares	-	-	-	-	-	-	(987)	(244,885,112)	(1,221,918)	-	(246,108,017)
Dividends to the owners of the Company	-	-	-	-	-	-	(987)	(244,885,112)	(2,185,519)	963,601	(246,108,017)
Total transactions with owners of the Company	-	-	-	-	-	-	(987)	(244,885,112)	(2,185,519)	963,601	(246,108,017)
Other changes in equity											
Set up of legal reserves	-	-	-	-	-	14,935,950	-	(14,935,950)	-	-	-
Set up of other reserves	-	-	-	-	(2,087,919)	-	-	2,087,919	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	3,464,435,970	103,049,177	(75,372,435)	7,366	12,605,266	212,027,639	35,644,469	296,938,104	-	-	4,049,335,556

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

28 February 2022

	Note	2021	2020
Cash flows from operating activities			
Profit for the year		321,819,884	298,378,536
Adjustments for:			
Depreciation	19	1,114,306	11,133,444
Amortisation	20	1,160,038	1,916,811
(Reversal of impairment)/Impairment of property, plant and equipment, net	19	(3,804,893)	9,979,491
Loss from the disposal of tangible assets	19	3,104,047	629,452
Loss from investments in subsidiaries	21	73	-
Reversal of impairment of trade and other receivables, net	16,17	(70,195)	(98,583,335)
Impairment of assets held for sale		492,336	-
Net finance income	10	(377,420,430)	(260,181,395)
Share of loss of associates	22	3,498	-
Changes in employee benefits obligations	13	5,054,128	(390,301)
Changes in provisions, net	27	(1,580,149)	2,510,794
Income tax benefit	15	(43,172)	(3,076,614)
		(50,170,529)	(37,683,117)
Changes in:			
Trade receivables		(443,724)	103,223,222
Other receivables		2,972,994	4,329,592
Trade payables		(2,874,463)	1,755,495
Other payables		259,359	(419,871)
Employee benefits		(286,961)	1,888,495
Cash flow (used in)/ generated from operating activities		(50,543,324)	73,093,816
Interest paid		(179,011)	(1,983)
Net cash (used in)/from operating activities		(50,722,335)	73,091,833

	Note	2021	2020
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(4,829,850)	(4,024,333)
Payments for purchase of intangible assets		-	(29,175)
Payments for purchase of interests in subsidiaries, net		(124,990)	-
Proceeds from sales of investments in subsidiaries		20	-
Proceeds from the sale of property, plant and equipment		21,001	191,996
Proceeds from loans granted to subsidiaries		60,000,000	-
Payment for acquisition of investment in associate		(25,813,194)	-
Proceeds from deposits with maturity of 3 months or longer		-	66,471,188
Loans granted to subsidiaries		(336,325,000)	-
Cash used by subsidiaries under the cash pooling facility	23,29	(393,576,820)	(132,171,404)
Interest received		42,172,401	41,385,917
Dividends received	10	329,543,644	214,969,717
Restricted cash		320,000,000	-
Net cash (used in)/from investing activities		(8,932,788)	186,793,906
Cash flows from financing activities			
Dividends paid	24	(247,626,657)	(245,779,724)
Payment of lease liabilities		(986,422)	(900,576)
Net cash used in financing activities		(248,613,079)	(246,680,300)
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 January	18	193,484,820	180,279,381
Cash and cash equivalents at 31 December	18	(114,783,382)	193,484,820

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer
 Georgeta Corina Popescu

28 February 2022

Chief Financial Officer
 Stefan Alexandru Frangulea

1 Reporting entity and general information

These financial statements are the separate financial statements of Societatea Energetica Electrica S.A. ("Company" or "Electrica SA") as at and for the year ended 31 December 2021.

Electrica was originally incorporated as a company in 1998 by Government Decision no. 365/1998, following the restructuring of the former National Electricity Company (RENEL). On 1 August 2000, following the restructuring of the former National Electricity Company (CONEL) under the Government Decision no. 627/2000, the Company was allocated a new tax registration number. The registered office of the Company is no 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register number J40/7425/2000.

As at 31 December 2021 and 31 December 2020, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

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

As at 31 December 2021 and 31 December 2020, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2021	% shareholding as at 31 December 2020
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%	100%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998415011992%	99.9998409513906%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%	100%
Electrica Productie Energie S.A.	Electricity generation	44854129	Bucuresti	99.9920%	-
Servicii Energetice Oltenia S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29389861	Craiova	100%	100%

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2021	% shareholding as at 31 December 2020
Servicii Energetice Moldova S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29386768	Bacau	100%	100%
Servicii Energetice Banat S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388211	Timisoara	100%	100%
Servicii Energetice Dobrogea S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388378	Constanta	100%	100%

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

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

As of 31 December 2020, the Company had no investments in associates.

The Company's main activities

Currently, the core business of the Company, according to the Statute is "Activities of business and management consulting", also performing corporate activities at parent company level for its subsidiaries.

Electrica SA is the parent company of one electricity distribution company (set up from merger of three electricity distribution companies), one electricity and natural gas supplier and five companies providing services in the energy sector (out of which four are currently in bankruptcy), two energy production company from renewable sources (Electrica Energie Verde 1 SRL in which Electrica SA has an indirect shareholding of 100% being acquired on 31 August 2020 by the subsidiary Electrica Furnizare S.A.. and Electrica Productie Energie a new set up Company).

On 6 September 2021, is set up a new legal entity, Electrica Productie Energie S.A., organized as a joint stock company, in which Electrica SA holds a percentage of 99.9920% of the share capital and Electrica Serv S.A. holds a percentage of 0.0080% of the share capital. The object of 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 storage solutions that it intends to develop in the near future.

On 28 July 2021, Electrica SA signed, as buyer, with Mr. Emanuel Muntmark and with Mr. Catalin Mrejeru, as sellers, three shares sales and purchase agreements ("SPAs") in three project companies having as main activity the production of energy from renewable sources, as follows:

- i. A SPA regarding the acquisition of 100% of the shares held by the sellers in Crucea Power Park SRL for an estimated total price of EUR 8,470,000. The final price will be determined by adjusting the total estimated price depending on the production capacity, respectively the authorized storage, based on a contractually established calculation formula. Crucea Power Park SRL develops the eolian project "Crucea Est", with a designed installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea commune, Constanta county.
- ii. A SPA regarding the acquisition of 100% of the shares held by the sellers in Sunwind Energy SRL for a total estimated price of EUR 1,485,000. The final price will be determined by adjusting the total estimated price according to the authorized production capacity, based on a contractually established calculation formula. Sunwind Energy SRL is developing the photovoltaic project "Satu Mare 2" with a designed installed capacity of 27 MW, located near Satu Mare.
- iii. A SPA regarding the acquisition of 100% of the shares held by the sellers in New Trend Energy SRL for a total estimated price of EUR 3,245,000. The final price will be determined by adjusting the total estimated price according to the authorized production capacity, based on a contractually established calculation formula.
New Trend Energy SRL develops the photovoltaic project "Satu Mare 3", with a designed capacity of 59 MW, located near Satu Mare.

The total estimated value of the transaction is EUR 13,200 thousand. The sale purchase agreements concluded as of 28 July 2021 stipulate that at the initial stage, the Company acquires 30% of the share capital of the three Companies, and in the subsequent stages the remaining 70% of the share capital provided that certain conditions stipulated in the sale purchase agreements are met.

On 7 December 2021, Electrica SA, signed, as buyer, with Mr. Emanuel Muntmark and with Mr. Catalin Mrejeru, as sellers, a shares sales and purchase agreement ("SPAs") in one project company having as main object of activity the production of energy from renewable sources.

The SPA concerns the acquisition of 100% of the shares of Foton Power Energy S.R.L, wholly owned by the sellers, for an estimated total price of EUR 4,262,500. The final price will be determined by adjusting the total estimated price depending on the production capacity, respectively the authorized storage, based on a contractually established calculation formula.

Foton Power Energy S.R.L. develops the photovoltaic project "Bihor 1", with a designed installed capacity of 77.5 MW, located near Oradea city.

The SPAs stipulate the acquisition by Electrica SA of company's shares and the payment of the corresponding price in four stages, structured according to the development stage of the project and the fulfillment of certain conditions precedent.

As of 31 December 2021, with a 30% shareholding, the Company has a significant influence over the four companies, which are presented as investments in associates. The acquisition value of the 30% shares is RON 25,813,194. (for further details please refer to Note 22).

The establishment of the new subsidiary together with the investments in the four entities 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 capacities with an installed capacity of up to 100 MW.

During 2020, the three distribution subsidiaries, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., merged through absorption, the absorbing entity being Societatea de Distributie a Energiei Electrice Transilvania Nord S.A..

On 14 October 2020, the Cluj Specialized Court admitted the requests of SDEE Transilvania Nord S.A., as absorbing company, and the request of SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as the absorbed companies, approved the merger and ordered the deregistration of the absorbed companies from the Trade Register.

Therefore, the merger produces its effects starting with the effective date, 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities ceased to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities were transferred through the effect of the merger by absorption to SDEE Transilvania Nord S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of SDEE Transilvania Nord S.A. in favour of the shareholder of the absorbed entities, namely Electrica SA.

Thus, on 31 December 2020, Distribuție Energie Electrica Romania S.A., formed by the merger of the three former electricity distribution companies was recorded on the National Trade Register Office.

During 2020, the two energy services subsidiaries, Electrica Serv S.A. and Servicii Energetice Muntenia S.A. merged through absorption, the absorbing entity being Electrica Serv S.A..

On 17 September 2020, the VI Civil Section of the Bucharest Court admitted the request of Electrica Serv S.A., as absorbing company, and the request of Servicii Energetice Muntenia S.A., as the absorbed company, and ascertained the legality of the merger process and approved the registration with the Trade Register of the corresponding merger mentions.

Therefore, the merger produces its effects starting with the effective date, 30 November 2020, when Servicii Energetice Muntenia S.A., as the absorbed entity, ceased to exist, being dissolved without going into liquidation. Consequently, all of its assets and liabilities were transferred through the effect of the merger by absorption to Electrica Serv S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of Electrica Serv S.A. in favour of the shareholder of the absorbed entity, namely Electrica SA.

Thus, starting with 1 December 2020, the merger between the aforementioned companies was finalized and the energy services will be carried out only under the umbrella of Electrica Serv. The registration on the National Trade Register Office took place on 2 December 2020, with effective date 30 November 2020.

COVID-19 impact

On 11 March 2020 the World Health Organization (hereinafter "WHO") declared the COVID-19 outbreak a pandemic and on 16 March 2020 Romania entered into a state of emergency. Measures taken by the Romanian Government included restrictions on the cross-border movement of people, entry restrictions on foreign visitors and lock-down of certain industries. Furthermore, significant key players on the market decided to shut down their operations, especially in the automotive and heavy industries, while some smaller businesses decided to curtail or temporarily suspend their operations. Therefore, on a macroeconomic level, the COVID – 19 pandemic generated a downturn of the economy leading to a decrease in the demand for electricity, especially from non-household consumers. The COVID-19 pandemic has persisted in 2021. The resulting impact of the pandemic measures taken such as movement control and safe-distancing have continued to affect the economy.

In the fight against the COVID-19 pandemic, the Company has adopted all the necessary measures for the activity to continue to be carried out under normal conditions and issued guidelines aimed at preventing and/or mitigating the effects of contagion at the workplace. Most important measures included strict adherence to hygiene and social distancing rules as well as working from home where possible. A resilience plan was developed identifying essential activities and critical roles through scenario analysis and ensuring staff backup. Moreover, Electrica SA promptly and transparently communicates 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 Electrica SA can be established, such information will be included in the future financial statements and will be made available to investors.

Increase in Energy 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. Moreover, the strong increase in energy prices is both the result of external factors, such as the exponential increase in the price of emission allowances, and of internal factors, such as the high share of energy traded on the spot market (DAM). The entire energy sector was affected by the increased energy price.

The aforementioned difficult conditions led to an increase in operating expenses, mainly for the acquisition of energy for network losses and for supplying activity, affecting two of the Company's subsidiaries. For the two subsidiaries the unstable economic environment, led to a decrease in financial performance for 2021, as compared with the previous year but with no significant difficulties in receivables collection and consequently payment of debts being noted.

Moreover, the state, through the adoption of Order no. 118/2021 with subsequent amendments approved by Law no. 259/2021 with subsequent amendments and Order no. 226/2021 implemented measures under the form of capping and compensating scheme in order to mitigate the effect of the price increase. The schemes aim in reducing the liquidity risk by reducing difficulties in receivables collection and improve financial performance during the unstable economic environment.

The Company actively implements strategies and takes measures in order to reduce any liquidity risk which may appear within the Group among which: securing new overdrafts, prolonging the terms for reimbursements of current overdrafts, increasing the limits for current overdrafts, securing the prolonging of the cash pooling facility.

2 Basis of accounting

These separate financial statements have been prepared in accordance with the Ministry of Public Finance Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards ("OMFP no. 2844/2016"). In acceptance of OMFP no. 2844/2016, International Financial Reporting Standards are standards adopted under the procedure provided by the European Commission Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 regarding the application of the international accounting standards.

These separate financial statements were authorized for issue by the Board of Directors on 28 February 2022 and will be submitted for shareholders' approval in the general meeting scheduled on 20 April 2022.

Details of the Company's accounting policies are included in Note 6. The Company has consistently applied the accounting policies to all periods presented in these separate financial statements.

3 Functional and presentation currency

These separate financial statements are presented in Romanian Lei (RON), which is the functional currency of the Company. All amounts are in RON, if not otherwise stated.

4 Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are prospectively recognised.

Judgements, assumptions and estimation uncertainties

Information about judgements made in applying accounting policies and assumptions and estimation uncertainties that have the most significant effects on the amounts recognised in the separate financial statements is included below:

- Note 6 h) – estimates regarding the useful lives of property, plant and equipment;
- Note 19 – assumptions regarding the revalued amount of property, plant and equipment;
- Note 21 – assumptions and estimates regarding the valuation of shareholdings in the subsidiaries;
- Note 15 - assumptions regarding the recognition of deferred tax asset;

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised into different levels of the fair value hierarchy, then the fair value measurement is entirely categorised on the level of the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions used in measuring fair values is included in

- Note 19: Property, plant and equipment.
- Note 28: Financial instruments - fair values and risk management.

5 Basis of measurement

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

6 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these separate financial statements. The new amendments to existing standards that are effective starting with 1 January 2021 do not have a significant impact over the Company separate financial statements.

(a) Going Concern

The standalone financial statements have been prepared on the going concern basis. In making this judgement management considers current trading performance and access to finance resources. The Company depends upon the trading and cash generation of its subsidiaries, which have been included in the Groups consolidated forecast which includes the following assumptions:

- A return to positive operating cash flow from May 2022, following with the assumption that the effects of the law 118/2021 will no longer continue past March 31, 2022. The consequence would be that the price for the end customers will no longer be capped;
- The utilisation of confirmed debt facilities up to a limit of RON 2,537 million, including RON 1,830 million total overdraft limits and RON 707 million long term loans;
- The utilisation of not yet confirmed facilities amounting to RON 840 million which would be drawn down during the forecast period;
- The Group has received the waiver letter from EBRD on 24 February 2022, however this is subject of obtaining the waiver letters also from EIB and BCR for which the Group was non compliant as at 31 December 2021; The management of the Group is of the opinion that based on the discussions with EIB and BCR the waiver letter will be obtained also from these 2 banks;

At the present time the projections are based on the latest assumptions that include the ending of the Law no. 118/2021 regarding the compensation and ceiling scheme in March 2022. At the date of issuance of these separate financial statements the regulatory position is under review and there may be further laws enacted which could adversely impact the Groups operating cash flows beyond the 1st of April 2022. Given the current market uncertainties, the Group has outlined a proposal to be approved in the forthcoming annual shareholders meeting regarding the approval of a total ceiling of short-term financing up to RON 1,500,000 thousand. In light of the importance of the Group as the supplier and distributed of electricity on the Romanian market, having 39.6% (according to the latest ANRE report 2020 for the distribution segment) as market share on the electricity distribution and 18.39% (according to the latest ANRE report November 2021 for the supply segment) as market

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

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

(b) Revenue

The Company recognizes the revenue from contracts with customers in accordance with IFRS 15.

Under the standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Company is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

(c) Commissions

The Company assesses its revenue arrangements based on specific criteria to determine if it is acting as principal or agent. If the Company acts in the capacity of an agent rather than as the principal in a transaction, then the recognised revenue is the net amount of commission earned by the Company.

(d) Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated to the functional currency.

(f) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be reliably estimated.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, by discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Company determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, considering any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(g) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except for the items recognised directly in equity or in other comprehensive income, in which case it will be recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences arising from the initial recognition of assets and liabilities resulting from transactions that are not business combinations and that affect neither accounting nor taxable profit or loss;
- temporary differences resulting from investments in subsidiaries, associates and jointly controlled entities, to the extent that the Company can exercise control over the reversal period of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available to be used for covering them. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured based on the tax rates that are expected to be applicable to temporary differences when they are reversed, using tax rates enacted or substantively enacted at the reporting date.

The measurement of the deferred tax reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it is probable that the future taxable profits will be available against which they can be used.

(h) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are initially recognised at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation.

The Company used the fair value as deemed cost for the tangible assets for the opening of the financial position. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not materially differ from the one which would be determined using the fair value at the end of the reporting period.

When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership right by the end of the lease term. Land and other non-current assets in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives (years)
Buildings	40-60
Equipment	4-12
Vehicles, furniture and office equipment	3-10

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are initially measured at fair value and subsequently at amortized cost in accordance with IFRS 9, as they are held in a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition less the principal reimbursements, plus the cumulative amortization using the effective interest method, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Loans and receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. The amortised cost is reduced by impairment losses.

Loans and receivables comprise trade receivables, cash and cash equivalents and bank deposits.

Trade receivables

Trade receivables include mainly invoices issued or to be issued to the subsidiaries for the rendered services.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and deposits with maturities of three months or less from the transaction date that are subject to an insignificant risk of changes in their fair value, that are used by the Company in the management of its short-term commitments.

(ii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Other financial liabilities include trade payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified and presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(k) Impairment

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Write-off policy

The Company writes off a financial asset when after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(l) Revaluation reserves

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognized as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized and accumulated in equity under the heading of revaluation reserve. However, the increase is recognized in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss, However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

(m) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognized as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(n) Capital contributions in kind from shareholders

These contributions from a shareholder represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. No provisions are provided for future operating losses.

(p) Contingent assets and liabilities

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (b) a present obligation that arises from past events that is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements of the Company. They are presented in case the output of resources incorporating economic benefits is possible and not probable.

A contingent asset is a potential asset that appears as a result of previous events and whose existence will be confirmed only by the occurrence or the non-occurrence of one or more uncertain future events, which are not fully controlled by the Company.

A contingent asset is not recognized in the financial statements of the Company, but it is shown when an input of economic benefits is likely to arise.

(q) Leases

(i) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets (of less than USD 5,000). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the default rate in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

(ii) Rental income

Rental income from property, plant and equipment other than property investment is recognised as Other income. Rental income is recognised on a straight-line basis over the term of the lease.

(r) Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate.

When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate.

(s) Subsequent events

Events occurring after the reporting date 31 December 2021, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the separate financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the separate financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

7 Adoption of new and revised standards and interpretations

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 16 "Leases" - Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021);

The adoption of amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these consolidated financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

Electrica SA has elected not to adopt the amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of these amendments to existing standards will have no material impact on the financial statements of the Company in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these consolidated financial statements (the effective dates stated below is for IFRS as issued by IASB):

- Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

Electrica SA anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Company in the period of initial application.

8 Revenue

	2021	2020
Revenues from services contracts related to the Automatic Meter Reading System	-	3,250,787

In 2020, the revenues earned by the Company are represented by revenues from service contracts related to the AMR system, concluded with the distribution subsidiaries that include services such as automatic meter reading services, communications and monitoring of the quality parameters of electricity.

Starting with July 2020, the Company no longer provides services related to the AMR system as the system was transferred as a contribution in kind to the share capital of its distribution subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A currently Distributie Energie Electrica Romania S.A.), these assets being part of the distribution network (Note 19).

9 Other income and operating expenses

(a) Other operating income

	2021	2020
Revenues from indemnities	-	12,827,435
Rental income	282,214	332,589
Other	525,867	1,356,301
Total	808,081	14,516,325

In 2020, revenues from indemnities consist of the amount of RON 12,827,435 collected by Electrica SA from the National Agency for Fiscal Administration (“NAFA”) as a result of final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions (Note 30). As at 31 December 2020, the amount was entirely collected from the NAFA.

(b) Other operating expenses

	2021	2020
Losses from disposal of assets	3,104,047	629,452
Legal assistance and consulting fees	1,867,407	2,990,741
Insurance premiums	574,058	408,692
Repair and maintenance expenses	487,714	630,721
Other taxes and duties	478,089	885,998
Consumables	399,128	660,017
Travel and transportation expenses	111,330	115,645
Postage and telecommunication	95,976	1,043,024
Donations and sponsorships	50,000	117,305
Other third party services	11,972,370	15,727,097
Other	757,089	662,133
Total	19,897,208	23,870,825

10 Net finance income

	2021	2020
Dividends income	329,543,644	214,969,717
Interest income	47,504,909	44,852,139
Other finance income	634,420	483,502
Total finance income	377,682,973	260,305,358
Interest expense	(179,011)	(1,983)
Interest cost for employee benefits (Note 13)	(48,814)	(80,355)
Foreign exchange losses, net	(34,718)	(41,625)
Total finance costs	(262,543)	(123,963)
Net finance income	377,420,430	260,181,395

In 2021, the Company collected the entire amount of the total income of RON 329,543,644 received as dividends from its subsidiaries (2020: RON 214,969,717).

11 Earnings per share

The calculation of basic and diluted earnings per share is based on the following profit attributable to shareholders and weighted-average number of ordinary shares outstanding:

Profit attributable to shareholders

	2021	2020
Profit for the year attributable to the shareholders of the Company	321,819,884	298,378,536
Profit attributable to the shareholders of the Company	321,819,884	298,378,536

Number of ordinary shares (in number of shares)

	2021	2020
Number of ordinary shares at 31 December	339,553,004	339,553,004

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

	2021	2020
Basic and diluted earnings per share (RON)	0.95	0.88

12 Short-term employee benefits

	31 December 2021	31 December 2020
Personnel payables	5,979,013	6,335,832
Current portion of defined benefit liability and other long-term employee benefits	5,150,498	48,477
Social security charges	787,241	620,934
Tax on salaries	243,969	163,262
Total	12,160,721	7,168,505

Details related to employee benefit expenses are presented in Note 13.

In Romania, all employers and employees, as well as other persons, are contributors to the state social security system. The social security system covers state pensions, child benefit, temporary incapacity for work situations, risks of work accidents and professional diseases and other social assistance services, redundancy payments and incentives granted to employers for creating new jobs.

13 Post-employment and other long-term employee benefits

The Company provides cash benefits to employees depending on seniority in the form of jubilee bonuses and depending on the years of service at retirement in the form of retirement bonuses. The post-employment and other long-term employee benefits are stipulated in the Collective Labour Contract.

On 20 December 2021 the Board of Directors of Electrica SA approved the implementation of a reorganization process of the Company's personnel structure and the initiation of the collective dismissal procedure, formally communicated to all employees on 23 December 2021. On 2 February 2022, the Board of Directors approved the amendment of the Company's organizational structure effective as of 1 March 2022 and the notification of relevant authorities and of the Trade Union regarding the final decision of the Company to implement the reorganization process and to carry out the collective dismissal of the employees who currently occupy the positions to be cancelled, as well as the sending of all data and information provided by art. 72 of the Labour Code, including the result of the process of information and consultation with the Trade Union. The organizational measures provided in the Reorganization Plan have as objectives the resizing and the redefining of the Company's personnel structure, as well as of its organization and functioning mode, for the optimal correlation between the number of employees and the functions performed, in accordance with the current activity conditions on the energy market. As a result of this approach, the number of organizational entities within the Company will be significantly reduced - a decrease of 19%, while the number of management / coordination positions will be reduced even more - a decrease of 25%.

According to the Collective Labour Contracts, based on seniority, the employees who currently occupy the positions to be cancelled are entitled to receive a number of gross average base salary (Note 13 b)). The estimated termination benefit amounts to RON 5,054 thousand.

Starting 1 April 2020, from the Collective Labour Contract of the Company the benefit in kind consisting of free of charge electricity granted to employees who retired was excluded. This benefit was stipulated in the Collective Labour Contract valid until 31 March 2020. In the same time, in order to compensate for the exclusion of the benefit in the form of free of charge electricity, as per the new Collective Labour Contract in force starting 1 April 2020, the retirement bonus increased by 1 gross monthly base salary on all three levels of seniority.

Thus, excluding the free of charge electricity benefit to the retired persons from the Collective Labour Contract generated in 2020 a decrease in Employee benefits costs amounting to RON 574,243. In the same time, the increase in the retirement bonus by 1 gross monthly base salary generated an additional expense in amount of RON 183,942.

In 2021 and 2020, employee benefit obligations were computed by an independent actuary using the projected unit credit method with benefits calculated proportionally to the period of service.

	31 December 2021	31 December 2020
Defined benefit liability	5,599,583	691,940
Other long-term employee benefits	601,214	809,724
Total	6,200,797	1,501,664
- Current portion*	5,150,498	48,477
- Non-current portion	1,050,299	1,453,187

*included in Personnel payables in Note 12

(i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation between the opening balances and the closing balances of the defined benefit liability and other long-term employee benefits and their components. There are no plan assets.

Defined benefit liability	2021	2020
Balance at 1 January	691,940	1,093,812
Included in profit or loss		
Current service cost	107,066	76,681
Past service cost/(gain)	5,054,128	(390,301)
Interest cost	22,832	35,576
	5,184,026	(278,044)
Included in other comprehensive income		
<i>Re-measurements gain</i>		
- Actuarial gain	(269,825)	(104,482)
Other		
Benefits paid	(6,558)	(19,346)
Balance at 31 December	5,599,583	691,940
Other long-term employee benefits		
	2021	2020
Balance at 1 January	809,724	1,078,865
Included in profit or loss		
Current service cost	72,968	112,553
Actuarial gain	(268,743)	(226,090)
Interest cost	25,982	44,779
Other		
Benefits paid	(38,717)	(200,383)
Balance at 31 December	601,214	809,724

Defined benefits refer to the retirement bonuses granted according to the seniority within the Company and other long-term benefits refer to the jubilee bonuses granted for seniority.

(ii) Actuarial assumptions

The following are the main actuarial assumptions at the respective reporting date:

(a) Macroeconomic assumptions:

- inflation. The actuary used information from the National Commission for Strategy and Prognosis:

Year	Valuation date 31 December 2021	Valuation date 31 December 2020
2021	7.5%	2.5%
2022	5.9%	2.5%
2023	3.2%	2.5%
2024	3.0%	2.5%
2025	2.8%	2.5%
2026+	2.5%	2.5%

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 5% for the year 2021 (2020: 3.3%);
- the mortality rate published by the National Institute of Statistics was adjusted to 90% to approximate the mortality rates by generations;
- taxes and social charges are those in force as at the reporting date.

(b) Company specific assumptions:

- Starting with 2022 the gross salaries' growth was forecasted at the inflation level;
- employees' turnover: based on historical data;
- jubilee and retirement bonuses granted based on seniority as per the collective labour contracts, as follows:

Jubilee bonuses based on years of service in the Company

Seniority	No. of gross monthly base salaries	
	31 December 2021	31 December 2020
20 years	1	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

Retirement bonuses based on years of service in the Company

Seniority	No. of gross monthly base salaries	
	31 December 2021	31 December 2020
Between 8 and 10 years	2	2
Between 10 and 25 years	3	2
More than 25 years	4	3

Termination benefits

a. *Termination benefits for individual lay-offs at the Company's initiative*

In accordance with the Collective Labour Contract concluded between the Company and the Union, when individual labour contract is terminated at the Company's initiative, the Company will pay termination benefits to the employees depending on their period of service, as follows:

Seniority	No. of gross monthly average base salary at Company level
1 - 2 years	2
2 - 5 years	3
5 - 10 years	4
10 - 20 years	5
More than 20 years	8

b. *Termination benefits for collective lay-offs at the Company's initiative*

For collective lay-offs, per the Collective labour contract, the Company will pay termination benefits to the employees depending on their period of service, as follows:

Seniority	No. of gross monthly average base salary at Company level
1 - 3 years	3
3 - 5 years	6
5 - 10 years	7
10 - 20 years	11
More than 20 years	16

The above-mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above provisions do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Company's reorganization and restructuring. Employees who are re-employed within the Company after layoff are not entitled to the above-mentioned benefits.

c. *Termination benefits for voluntary redundancies*

In accordance with the Agreements signed between the Company and the Union and the Addendums to the Collective Labour Contract, in case the individual labour contract is terminated as voluntary redundancy from the employee, the Company pays termination benefits depending on the period to reach the standard retirement age, the period of service in the Company and the seniority. The number of gross monthly base salaries paid in 2020 as termination benefits varied between 9 and 23. In 2021, there was no longer an agreement in place for the voluntary redundancies.

14 Employee benefit expenses

	2021	2020
Average number of employees	104	107
Number of employees at 31 December	109	120
	2021	2020
Wages and salaries	31,429,153	29,896,689
Social security contributions	784,372	642,577
Meal tickets	442,500	379,780
Termination benefit for labour/mandate contracts	6,583,625	899,509
Total	39,239,650	31,818,555

The number of employees at 31 December 2021 includes also the 6 employees with mandate agreements.

Termination benefits represent compensation payments in case of employees' voluntary departure (see also Note 13 c) as well as management compensation in case of mandate contracts termination.

Management remuneration is presented within Note 29 – Related parties.

15 Income tax

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Company considers that the accounting records for taxes due are adequate for all open fiscal years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period when such a determination is made.

(i) Amounts recognised in profit or loss

	2021	2020
Deferred tax benefit	(43,172)	(3,076,614)
Total benefit related to income tax	(43,172)	(3,076,614)

(ii) Amounts recognised in other comprehensive income

	2021			2020		
	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
Revaluation of property, plant and equipment	-	-	-	11,901,253	(3,059,897)	8,841,356
Re-measurement of defined benefit liability	269,825	(43,172)	226,653	104,482	(16,717)	87,765
Total	269,825	(43,172)	226,653	12,005,735	(3,076,614)	8,929,121

(iii) Reconciliation of effective tax rate

	2021		2020	
Profit before tax		321,776,712		295,301,922
Tax using Company's domestic tax rate	16%	51,484,274	16%	47,248,308
Non-deductible expenses	3%	9,640,583	2%	5,540,066
Non-taxable income	-17%	(54,761,824)	-13%	(38,303,478)
Deductible legal reserve	-1%	(2,574,214)	-1%	(2,362,415)
Recognition of tax effect of previously unrecognised tax losses	-1%	(3,831,991)	-6%	(18,163,352)
Other tax effects	0%	-	1%	2,964,257
Total benefit related to income tax	0%	(43,172)	-1%	(3,076,614)

Non-taxable income represents dividend income in amount of RON 329,543,644 (2020: RON 214,969,717).

(iv) Movement in deferred tax balances

	Balance at 31 December 2021					
	Net balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	3,681,453	58,089	-	3,739,542	-	3,739,542
Employee benefits	(1,829,942)	(488,804)	43,172	(2,275,574)	(2,275,574)	-
Tax loss carried forward	(1,851,511)	387,543	-	(1,463,968)	(1,463,968)	-
Tax (assets)/ liabilities	-	(43,172)	43,172	-	(3,739,542)	3,739,542

	Balance at 31 December 2020					
	Net balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
2020						
Property, plant and equipment	2,188,192	(1,566,636)	3,059,897	3,681,453	-	3,681,453
Employee benefits	(1,356,886)	(489,773)	16,717	(1,829,942)	(1,829,942)	-
Tax loss carried forward	(831,306)	(1,020,205)	-	(1,851,511)	(1,851,511)	-
Tax (assets)/ liabilities	-	(3,076,614)	3,076,614	-	(3,681,453)	3,681,453

(v) *Unrecognised deferred tax assets*

The Company has not recognized deferred tax assets in respect of the entire cumulated tax losses as it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

	2021	2020
Tax losses	356,623,017	371,426,355

16 Trade receivables

	31 December 2021	31 December 2020
Trade receivables, gross	582,938,825	582,495,101
Loss allowance	(582,012,952)	(582,083,147)
Total trade receivables, net	925,873	411,954

Receivables from related parties are presented in Note 29.

Trade receivables, gross, comprise:

	31 December 2021	31 December 2020
Electricity receivables from clients in litigation, insolvency or bankruptcy (mainly Oltchim, Transenergo)	493,474,169	493,018,184
Late payment penalties from clients in litigation, insolvency or bankruptcy (Oltchim)	88,968,313	88,968,313
Other	496,343	508,604
Total trade receivables, gross	582,938,825	582,495,101

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables is as follows:

Loss allowance	2021	2020
Balance as at 1 January	582,083,147	679,778,904
Loss allowance recognized	2,220	18
Loss allowance used	-	(41,527)
Decrease in loss allowance	(72,415)	(97,654,248)
Balance as at 31 December	582,012,952	582,083,147

The ageing of trade receivables is presented in Note 28.

Oltchim (a state-controlled company) was an important customer of Electrica S.A. until January 2012, when the Company transferred the contract to Electrica Furnizare S.A.. In January 2013, Oltchim entered into insolvency procedures and subsequently in May 2019 started the bankruptcy procedures. Due to the uncertainties regarding the recoverability of the amounts owed by this customer, the Company recognized in prior years a bad debt allowance for the entire amount receivable. During 2020, the Company adjusted the uncollected VAT in amount of RON 95,186,215 related to the doubtful receivables from Oltchim, based on the sentence of starting the bankruptcy procedures and the provisions of art. 287 of the Fiscal Code.

Also during 2020, the Company adjusted the uncollected VAT related to the doubtful receivables from two other clients based on the sentences of starting the bankruptcy procedures and the provisions of art. 287 of the Fiscal Code, as follows: the amount of RON 707,624 related to CET Braila and the amount of RON 1,003,559 related to Electra Management & Supply.

As the entire amount of RON 96,897,398 was recovered during 2020, by offsetting the VAT positions to be recovered with the payment position at the level of the VAT group to which the companies in the Electrica Group belong, the adjustment for impairment was reversed with the same amount.

Loss allowances are determined according to IFRS 9 "Financial instruments" based on "expected credit loss" model. A significant part of the loss allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Company will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. These receivables were treated separately in computing the allowance according to IFRS 9.

17 Other receivables

	31 December 2021	31 December 2020
Cash-pooling receivables	567,621,644	166,281,881
Interest receivable	18,319,302	15,380,004
Other receivables	9,870,962	10,145,826
Bad debt allowance	(11,046,264)	(11,046,264)
Total other receivables, net	584,765,644	180,761,447

Cash-pooling receivables comprises the receivable of Electrica SA as at 31 December 2021 as cash pool leader in the two cash-pooling systems set up at Group level (Note 23 and Note 29).

Interest receivable represents mainly interest to be received from related parties for the loans granted (Note 29).

The reconciliation between the opening balances and the closing balances of the impairment for other receivables is as follows:

Loss allowance	2021	2020
Balance as at 1 January	11,046,264	11,975,369
Loss allowance recognized	-	-
Loss allowance used	-	-
Decrease in loss allowance	-	(929,105)
Balance as at 31 December	11,046,264	11,046,264

18 Cash and cash equivalents

	31 December 2021	31 December 2020
Bank current accounts	3,042,170	18,418,340
Call deposits	2,715,802	175,066,480
Total cash and cash equivalents in the separate statement of financial position	5,757,972	193,484,820
Overdrafts used for cash management purposes	(120,541,354)	-
Total cash and cash equivalents in the separate statement of cash flow	(114,783,382)	193,484,820
Restricted cash – short-term	-	320,000,000

On 16 October 2021, it was released the collateral deposits from BRD – Groupe Societe Generale following the repayments of the long term borrowings received from BRD – Groupe Societe Generale by the Company's distribution subsidiaries (Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A.) in amount of RON 320,000,000.

As at 31 December 2021, the overdraft amount was drawn from ING Bank N.V. overdraft facility to be used in the cash pooling system. The outstanding balance of the overdraft facility as at 31 December 2021 is of RON 120,541,354 (31 December 2020: Nil).

19 Property, plant and equipment

The reconciliation between the initial balance and the final balance of property, plant and equipment in 2021 and 2020: was as follows:

	Land and land improvement	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at 1 January 2020	37,164,672	21,118,592	250,959,169	783,366	4,692,392	314,718,191
Additions	32,235,368	1,905,508	285,216	520,751	54,230	35,001,073
Revaluation recognized in other comprehensive income, net	6,880,612	5,020,641	-	-	-	11,901,253
Revaluation recognized in profit or loss, net	166,490	-	-	-	-	166,490
Gross book value netted off against the accumulated depreciation at revaluation	-	(890,671)	-	-	-	(890,671)
Disposals	(6,764,156)	(147,779)	(224,809,642)	(129,119)	(2,612,179)	(234,462,875)
Balance at 31 December 2020	69,682,986	27,006,291	26,434,743	1,174,998	2,134,443	126,433,461
Additions	-	-	205,413	50,460	4,282,864	4,538,737
Reclassification to assets held to sale	-	-	(1,913,945)	-	-	(1,913,945)
Disposals	(302,732)	-	(7,407,038)	(6,244)	-	(7,716,014)
Balance at 31 December 2021	69,380,254	27,006,291	17,319,173	1,219,214	6,417,307	121,342,239
Accumulated depreciation and impairment losses						
Balance at 1 January 2020	-	615,437	150,041,093	307,601	2,134,443	153,098,574
Depreciation	-	299,307	10,714,327	119,810	-	11,133,444

	Land and land improvement	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Accumulated depreciation of disposals	-	(24,073)	(143,843,969)	(129,120)	-	(143,997,162)
Impairment of property, plant and equipment	-	1,905,508	9,435,994	-	-	11,341,502
Reversal of impairment of property, plant and equipment, net	-	-	(1,195,521)	-	-	(1,195,521)
Accumulated depreciation netted off against gross book value at revaluation	-	(890,671)	-	-	-	(890,671)
Balance at 31 December 2020	-	1,905,508	25,151,924	298,291	2,134,443	29,490,166
Depreciation	-	371,863	595,392	147,051	-	1,114,306
Accumulated depreciation of disposals	-	-	(4,366,733)	(6,133)	-	(4,372,866)
Reversal of impairment of property, plant and equipment	-	-	(3,804,893)	-	-	(3,804,893)
Reclassification to assets held for sale	-	-	(1,141,954)	-	-	(1,141,954)
Balance at 31 December 2021	-	2,277,371	16,433,736	439,209	2,134,443	21,284,759
Net carrying amounts						
At 1 January 2020	37,164,672	20,503,155	100,918,076	475,765	2,557,949	161,619,617
At 31 December 2020	69,682,986	25,100,783	1,282,819	876,707	-	96,943,295
At 31 December 2021	69,380,254	24,728,920	885,437	780,005	4,282,864	100,057,480

As at 31 December 2021, the buildings and land include the administrative headquarter of the Company and the corresponding land, the plots of land over which the Company has obtained title deeds and the land and buildings acquired in 2020 from the subsidiary Servicii Energetice Muntenia S.A..

As at 31 December 2021, additions refer mainly to the refurbishment and modernization of the administrative headquarter of the Company.

In 2021, following the return from producers of reading meters, as well as the repair of reading meters that appeared as faulty at the time when the Automatic Meter Reading was contributed in kind by Electrica SA to the share capital of its distribution subsidiaries in June 2020, it resulted a number of 882 reading meters at a net book value of RON 771,991 and fair value of RON 279,655 which the management of Electrica SA is committed to sell in the following period.

On 28 May 2020, the Company acquired a plot of land and several buildings from Servicii Energetice Muntenia S.A. in the total amount of RON 33,772,570, of which land in amount of RON 31,867,062 and buildings in amount of RON 1,905,508. An additional amount of RON 368,306 representing taxes paid for the acquisition of the land was capitalized in the value of the land.

The plot of land received according to the payment agreement is in surface of 15,844 sqm and the buildings are represented by 22 constructions in various stages of degradation, constructions for which the Company has recognized an impairment amounting to RON 1,905,508.

In 2021, disposals from property, plant and equipment in the net amount of RON 302,732 refers to a plot of land which was contributed in kind by Electrica SA to the share capital of its subsidiary Electrica Furnizare S.A.

In 2020, disposals from property, plant and equipment in the net amount of RON 90,465,713 refer mainly to the AMR system (Automatic Meter Reading) equipment consisting of electricity measuring equipment and 7 plots of land that were contributed in kind by Electrica SA to the share capital of its subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A. and Electrica SERV S.A.), as follows:

Month	Subsidiary	Assets transferred	Net book value (RON)
June 20	SDEE Muntenia Nord S.A.	AMR equipment	16,521,690
June 20	SDEE Muntenia Nord S.A.	2 plots of land in surface of 28,696.79 sqm	1,497,132
June 20	SDEE Transilvania Nord S.A.	AMR equipment	37,014,957
		AMR license intangibles (see Note 21)	2,925,303
		AMR construction in progress	763,741
June 20	SDEE Transilvania Sud S.A.	AMR equipment	27,409,181
		AMR construction in progress	1,803,638
May 20	Electrica Serv S.A.	5 plots of land in surface of 23,474.07 sqm	5,103,471
Total			93,039,113

As at 31 December 2021 the Company reversed an impairment loss in amount of RON 3,804,893 (31 December 2020: 1,195,521) for the equipment part of the AMR system which was written off or reclassified to held for sale.

As at 31 December 2020, the Company performed the revaluation at fair value of tangible assets consisting of land and buildings. The revaluation was performed by an independent authorized valuer Darian DRS S.A.. Following the revaluation performed, the gain from the increase in value on the land and buildings was charged to Other Comprehensive Income in amount of RON 11,901,253 and in Profit or Loss in amount of RON 166,490.

Measurement of fair value

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's land and buildings as at 31 December 2020 were performed by Darian DRS S.A. an independent valuer not related to the Company. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers, and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

There has been no change to the valuation technique during the period between the present revaluation performed as at 31 December 2020 and the previous one, performed as at 31 December 2017. The following table shows the valuation techniques used in measuring fair values (Level 3), as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	<p><i>Market approach</i></p> <p>The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use). The market price is mainly based on recent transactions.</p>	Adjustment for liquidity, location, size.	The estimated fair value would increase/ (decrease) if: Adjustment for liquidity, location or size would be lower/(higher).
Buildings	<p>Market approach and discounted cash-flows (DCF) method</p> <p>Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information:</p> <p><i>Market approach</i></p> <p>The market approach is based on the selling price per square meter for buildings with similar characteristics(i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use)., adjusted liquidity, location, size etc.</p> <p><i>The DCF method</i></p> <p>The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and annual rent. The discount rate estimation considers, inter alia, the quality of a building and its location.</p>	<p>Adjustment for liquidity, location, size.</p> <p>Occupancy rates (90%) Yield rates (between 9% and 10%) Annual rent per sqm (between 2 and 10 EUR/ sqm), depending on location;</p>	<p>Adjustment for liquidity, location or size would be lower/(higher).</p> <p>Occupancy rates were higher/(lower) Yield rates were lower/ (higher) Annual rent per sqm was higher/(lower)</p>

20 Intangible assets

Intangible assets include mainly licenses and costs of implementation of the accounting system SAP and licenses for various software, as follows:

	Software and licenses	Total
Gross carrying amount		
Balance at 1 January 2020	8,886,791	8,886,791
Additions	29,175	29,175
Disposals	(5,093,287)	(5,093,287)
Balance at 31 December 2020	3,822,679	3,822,679
Disposals	(1,023,055)	(1,023,055)
Balance at 31 December 2021	2,799,624	2,799,624
Accumulated depreciation and impairment losses		
Balance at 1 January 2020	4,655,502	4,655,502
Amortisation	1,062,281	1,062,281
Accumulated amortization of disposals	(2,167,984)	(2,167,984)
Balance at 31 December 2020	3,549,799	3,549,799
Amortisation	219,204	219,204
Accumulated amortization of disposals	(1,023,055)	(1,023,055)
Balance at 31 December 2021	2,745,948	2,745,948
Net carrying amounts		
At 1 January 2020	4,231,289	4,231,289
At 31 December 2020	272,880	272,880
At 31 December 2021	53,676	53,676

21 Investments in subsidiaries

The investments in subsidiaries are presented as follows:

	31 December 2021			31 December 2020		
	Gross value	Impairment	Net	Gross value	Impairment	Net
Distributie Energie Electrica Romania S.A.	1,741,663,327	-	1,741,663,327	1,741,663,339	-	1,741,663,339
Electrica Furnizare S.A.	226,001,553	-	226,001,553	225,783,453	-	225,783,453
Electrica Serv S.A.	481,803,770	(164,368,925)	317,434,845	481,803,862	(164,368,956)	317,434,906
Servicii Energetice Oltenia S.A. (in bankruptcy)	82,033,220	(82,033,220)	-	82,033,220	(82,033,220)	-
Servicii Energetice Moldova S.A. (in bankruptcy)	106,162,492	(106,162,492)	-	106,162,492	(106,162,492)	-
Servicii Energetice Banat S.A. (in bankruptcy)	43,761,094	(43,761,094)	-	43,761,094	(43,761,094)	-
Servicii Energetice Dobrogea S.A. (in bankruptcy)	23,822,124	(23,822,124)	-	23,822,124	(23,822,124)	-
Electrica Energie Productie S.A.	124,990	-	124,990	-	-	-
Total	2,705,372,570	(420,147,855)	2,285,224,715	2,705,029,584	(420,147,886)	2,284,881,698

Changes in Company's subsidiaries structure in 2021

Establishment of a new Subsidiary

On 6 September 2021, is set up a new legal entity, Electrica Productie Energie S.A., organized as a joint stock company, in which Electrica SA holds a percentage of 99.9920% of the share capital and Electrica Serv S.A. holds a percentage of 0.0080% of the share capital. The object of 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 storage solutions that it intends to develop in the near future.

Changes in Company's subsidiaries structure in 2020

Merger of the three distribution companies

On 27 May 2020, Electrica SA's Board of Directors approved in principle the merger through absorption between Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A., Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. and Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A., the absorbing entity being Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A..

On 14 October 2020, the Cluj Specialized Court admitted the request of SDEE Transilvania Nord S.A., as absorbing company, and the request of SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as the absorbed companies, approved the merger and ordered the deregistration of the absorbed companies from the Trade Register.

Therefore, the merger produces its effects starting with the effective date, 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities ceased to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities were transferred through the effect of the merger by absorption to SDEE Transilvania Nord S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of SDEE Transilvania Nord S.A. in favour of the shareholder of the absorbed entities, namely Electrica SA.

Thus, on 31 December 2020, Distribuție Energie Electrica Romania SA, formed by the merger of the three former electricity distribution companies was recorded on the National Trade Register Office.

Also, based on the Romanian Energy Regulatory Authority Decision no. 2461 dated 23 December 2020, the electricity distribution licenses granted by the regulator to the absorbed companies for the areas Muntenia Nord and Transilvania Sud were transferred to the absorbing company, Distribuție Energie Electrica Romania, starting with 1 January 2021.

Merger of the two energy services companies

On 27 March 2020, Electrica SA's Board of Directors approved in principle the merger through absorption between Electrica Serv S.A. and Servicii Energetice Muntenia S.A. and the participation of the companies to the merger, with Electrica Serv S.A. as absorbing company.

On 17 September 2020, the VI Civil Section of the Bucharest Court admitted the request of Electrica Serv S.A., as absorbing company, and the request of Servicii Energetice Muntenia S.A., as the absorbed company, and ascertained the legality of the merger process and approved the registration with the Trade Register of the corresponding merger mentions.

Therefore, the merger produces its effects starting with the effective date, 30 November 2020, when Servicii Energetice Muntenia S.A., as the absorbed entity, ceased to exist, being dissolved without going into liquidation. Consequently, all of its assets and liabilities were transferred through the effect of the merger by absorption to Electrica Serv S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of Electrica Serv S.A. in favour of the shareholder of the absorbed entity, namely Electrica SA.

Thus, starting with 1 December 2020, the merger between the aforementioned companies was finalized energy services will be carried out only under the umbrella of Electrica Serv. The registration on the National Trade Register Office took place on 2 December 2020, with effective date 30 November 2020.

Both mergers that took place during 2020 consists only in reorganization of the subsidiaries and have no impact on the Company's ownership, Electrica SA remaining the parent company with the same % of ownership.

Movements in investments

During 2021, Electrica SA has increased, its investments in Electrica Furnizare S.A. subsidiary, by in kind contribution to its share capital with one plot of land in surface of 335.20 mp for which it held property deeds with the amount of RON 218,100. The value of the assets contributed to the share capital of the subsidiary was established according to evaluation reports drawn up by the appointed valuation experts.

On 6 September 2021, is set up a new legal entity, Electrica Productie Energie S.A., organized as a joint stock company, in which Electrica SA, holds a number of 12,499 shares in amount of 124,990 RON representing 99.9920% of the share capital of Electrica Productie Energie S.A..

During 2020, Electrica SA has increased, its investments in its subsidiaries (Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. and Electrica SERV S.A.), by in kind contribution to their share capital with plots of land for which it held property deeds and with the AMR system including AMR license, with the amount of RON 92,525,620. The value of the assets contributed to the share capital of the subsidiaries was established according to evaluation reports drawn up by the appointed valuation experts.

On 18 December 2019, through decision no. 11 of the General Extraordinary Shareholders Meeting of Servicii Energetice Muntenia S.A., was approved the share capital reduction of Servicii Energetice Muntenia S.A. with the amount of RON 24,873,550 through the reduction in the number of shares from 3,687,355 shares to 1,200,000 shares with a nominal value or RON/share 10 and recording a receivable in the same amount by the shareholder, Electrica S.A.. The share capital reduction was approved by the Bucharest Trade Register Office on 18 May 2020. Following the approval, on 28 May 2020, the receivable of Electrica S.A. was compensated with the debt from the acquisition of a plot of land an related buildings from Servicii Energetice Muntenia S.A..

As regard to Electrica Serv S.A., the Company has recognized an impairment in prior years, based on a valuation report prepared by an independent valuator and having as purpose the assessment of the recoverable value of the investment in Electrica Serv S.A..

As of 31 December 2021, the management has reassessed the recoverability of the net book value of the investment in Electrica Serv S.A. and the consistency of the impairment as compared to 31 December 2020, by taking into account the value of the net assets and the assets owned and concluded that there is no indication that the investment may be additionally impaired or that the impairment should be reversed.

Due to the current situation of Electica Furnizare SA, management has assessed the recoverability of the net book value of the investment, by taking into account the cash flow projection and the measures taken to mitigate the risks of liquidity and concluded that there is no indication that the investment may be impaired.

The main economic and financial indicators achieved by the Company's subsidiaries on 31.12.2020

The main economic and financial indicators achieved by the Company's subsidiaries as at 31 December 2020 (the last financial year for which the statutory financial statements were approved) are as follows:

Indicators	Distributie Energie Electrica Romania S.A.	Electrica Serv S.A.	Electrica Furnizare S.A.
Share capital	1,405,204,790	52,495,780	62,873,860
Total equity	4,917,103,286	382,977,290	363,487,366
Non-current assets	8,979,749,495	324,840,831	97,267,046
Current assets	700,915,480	123,188,247	1,117,019,905
Current liabilities	1,101,696,030	35,367,897	787,966,539
Provisions	148,747,621	11,083,379	28,717,184
Deferred revenue	2,085,457,919	18,827,041	1,967,197
Non-current liabilities	1,430,296,551	-	33,873,216

22 Investments in associates

On 28 July 2021 and on 7 December 2021, Electrica SA concluded four agreements for the sale-purchase of shares in four project companies having as main object of activity the production of electricity from renewable sources. The sale-purchase agreements concluded, mention the fact that in the first stage Electrica SA acquires 30% of the share capital of the four companies, remaining that in the following stages, to acquire the remaining 70% of the share capital after the conditions provided in the sale-purchase agreements will be fulfilled.

The four companies are as follows:

- **Crucea Power Park SRL**, develops the wind project "Crucea Est", with a projected installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea area, Constanta County. The estimated purchase price for the "Crucea Est" wind project is 70 thousand EUR/MW for the aforementioned capacity, totalling the amount of 8,470 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 2,541 thousand representing 30% of the project value, respectively 30% of the shares of Crucea Power Park SRL.
- **Sunwind Energy SRL**, develops the photovoltaic project "Satu Mare 2" with a designed installed capacity of 27 MW, located near Satu Mare city. The estimated purchase price for the photovoltaic project "Satu Mare 2" is 55 thousand EUR/MW for the aforementioned capacity, totalling the amount of 1,485 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 445.5 thousand representing 30% of the project value, respectively 30% of the shares of Sunwind Energy SRL.
- **New Trend Energy SRL**, develops the photovoltaic project "Satu Mare 3", with a projected capacity of 59 MW, located near Satu Mare city. The estimated purchase price for the photovoltaic project "Satu Mare 3" is 55 thousand EUR/MW for the aforementioned capacity, totalling the amount of 3,245 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 973.5 thousand representing 30% of the project value, respectively 30% of the shares of New Trend Energy SRL.
- **Foton Power Energy SRL**, develops the photovoltaic project "Bihor 1", with a projected capacity of 77.5 MW, located near Inand city, Bihor County. The estimated purchase price for the photovoltaic project "Bihor 1" is 55 thousand EUR/MW for the aforementioned capacity, totalling the amount of 4,262.5 thousand EUR. On 7 December 2021, Electrica SA paid the amount of EUR 1,279 thousand representing 30% of the project value, respectively 30% of the shares of Foton Power Energy SRL.

Considering the holding percentage of 30%, as at 31 December 2021, the four entities are accounted for using the equity method in these separate financial statements as provided in the Company's accounting policies in note 6.

The cost of the investments at acquisition date, totalling the amount of RON 25,813,194 is detailed as follows:

	Crucea Power Park S.R.L.	New Trend Energy S.R.L.	Sunwind Energy S.R.L.	Foton Power Energy S.R.L.
Acquisition date	31.07.2021	31.07.2021	31.07.2021	31.12.2021
Percentage ownership and voting rights at acquisition date	30%	30%	30%	30%
Net assets at acquisition date	(241,682)	(5,023)	(5,055)	(7,016)
Company's share of net assets	(72,505)	(1,507)	(1,516)	(2,105)
Goodwill	12,572,700	4,790,543	2,193,109	6,334,475
Cost of investment at acquisition date	12,500,195	4,789,036	2,191,593	6,332,370

Summarised financial information in respect of each of the Company's associates is set out below:

	Crucea Power Park S.R.L.	New Trend Energy S.R.L.	Sunwind Energy S.R.L.	Foton Power Energy S.R.L.
	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Non-current assets	7,077,834	248,925	160,968	141,436
Current assets	944,520	47,490	20,987	22,890
Non-current liabilities	(6,904,114)	(302,773)	(190,152)	(167,773)
Current liabilities	(1,364,020)	(2,433)	(650)	(3,569)
Net assets	(245,780)	(8,791)	(8,847)	(7,016)

Reconciliation to carrying amounts:

Opening net assets at acquisition date	(241,682)	(5,023)	(5,055)	-
Loss for the period	(4,098)	(3,768)	(3,792)	-
Closing net assets 31.12.2021	(245,780)	(8,791)	(8,847)	(7,016)

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the separate financial statements:

	Crucea Power Park S.R.L.	New Trend Energy S.R.L.	Sunwind Energy S.R.L.	Foton Power Energy S.R.L.
Closing net assets of associates 31.12.2021	(245,780)	(8,791)	(8,847)	(7,016)
Share in associates %	30%	30%	30%	30%
Company's share of net assets as at 31.12.2021	(73,734)	(2,638)	(2,654)	(2,105)
Goodwill	12,572,700	4,790,543	2,193,109	6,334,475
Carrying amount of interest in associate 31.12.2021	12,498,966	4,787,905	2,190,455	6,332,370

The share loss in amount of RON 3,498 for the period was recognized in the separate statement of profit and loss for the year ended as at 31 December 2021.

23 Loans granted to subsidiaries

(i) Loans granted to subsidiaries – long term

	Loans granted to subsidiaries	
	31 December 2021	31 December 2020
Distributie Energie Electrica Romania S.A.	1,276,325,000	1,030,000,000
Total loans granted to subsidiaries – long term	1,276,325,000	1,030,000,000

The Company has entered into loan agreements as lender, as follows:

• Loans granted in 2017:

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 150,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2021, the outstanding balance is of RON 150,000,000 (31 December 2020: RON 150,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 200,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2021, the outstanding balance is of RON 200,000,000 (31 December 2020: 200,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 160,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2021, the outstanding balance is of RON 160,000,000 (31 December 2020: RON 160,000,000).

• Loans granted in 2018:

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 230,000,000; Purpose of the loan: to finance the investment program of 2018; Interest rate: 4.7% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2021, the outstanding balance is of RON 230,000,000 (31 December 2020: RON 230,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 160,000,000; Purpose of the loan: to finance the investment program of 2018; Interest rate: 4.7% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2021, the outstanding balance is of RON 160,000,000 (31 December 2020: RON 160,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 130,000,000, Purpose of the loan: to finance the investment program of 2018, Interest rate: 4.7% per annum, Maturity: 84 months, Period allowed for disbursements: 12 months, Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2021, the outstanding balance is of RON 130,000,000 (31 December 2020: RON 130,000,000).

• **Loans granted in 2021:**

- Intragroup loan agreement with Distribuție Energie Electrica Romania S.A. concluded in October 2021. Main provisions are: maximum loan amount: RON 246,325,000, The purpose of granting this loan is the partial repayment of loans contracted from BRD in 2016 to finance the investment plan for the year 2016 which reached the maturity in October 2021, Interest rate: 3.51% per annum, Maturity: 96 months until 12.10.2029, Period allowed for disbursements: 12 months, Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2021, the outstanding balance is of RON 246,325,000.

(ii) Loans granted to subsidiaries – short term

	Loans granted to subsidiaries	
	31 December 2021	31 December 2020
ELectrica Furnizare S.A.	30,000,000	-
Total loans granted to subsidiaries – short term	30,000,000	-

On 23.12.2021 was concluded an intragroup loan agreement with Electrica Furnizare S.A.. Main provisions are: maximum loan amount: RON 130,000,000, The purpose of granting this loan represents the financing of the short term working capital needs, Interest rate: ROBOR 1M + 0.23 % per annum, Maturity: 30 days until 23.01.2022 with possibility of extension. The total amount drawn was of RON 90,000,000 out of which on 28.12.2021 it was repaid the amount of RON 60,000,000. As at 31 December 2021, the outstanding balance is of RON 30,000,000.

(iii) Multi-borrower credit agreements

On 1 April 2019, between Banca Comerciala Romana, as lender and Societatea Energetica Electrica SA, as guarantor and borrower, together with its distribution subsidiaries (SDEE Muntenia Nord S.A., SDEE Transilvania Nord S.A. and SDEE Transilvania Sud S.A., currently Distribuție Energie Electrica Romania S.A.) as borrowers, was concluded a contract for a multi-product revolving facility, as follows: Maximum loan amount: RON 125,000,000; Purpose of the loan: financing the current activity; Interest rate: 0.77% + ROBOR 1M p.a.; Initial maturity: 16 March 2020 and was extended with 1 year, until 16 March 2021 under the same terms and conditions. Repayment: in full, at maturity. At the maturity date the revolving facility has not been extended.

On 16 April 2019, between BNP PARIBAS, as lender and Societatea Energetica Electrica SA, as guarantor and borrower, together with its subsidiaries, Electrica Furnizare S.A. and Electrica Serv S.A. as borrowers, was concluded a contract for a credit facility in the form of a credit line from the current accounts opened by borrowers to the lender, as follows: Maximum loan amount: RON 160,000,000 (maximum amount for Electrica SA is RON 10,000,000); Purpose of the loan: financing the current activity; Interest rate: 0.60% + ROBOR 1M p.a.; Initial maturity: 16 March 2020 and was extended, until 16 March 2022 under the same terms and conditions. Repayment: in full, at maturity. As at 31 December 2021, the outstanding balance of the facility for the Company is null.

(iv) Cash pooling system at Group level

On 20 December 2019, between ING Bank N.V., Electrica SA and its subsidiaries were concluded two agreements for the implementation of two cash pooling schemes, as follows:

- a first system involving Electrica SA, as cash pool leader and its distribution subsidiaries (Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A., Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. and Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A., currently Distribuție Energie Electrica Romania S.A.), as participants;

The credit facility offered by the pool leader to each participant is up to the amount of RON 180,000,000 RON; The credit facility offered by each participant to the pool leader is up to the amount of RON 50,000,000; Interest rate: ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the internal liquidity of Electrica SA, and by drawing from the credit line granted to Electrica SA, the amount of interest due by the participants to Electrica SA will be calculated using a weighted interest rate, calculated on the basis of the ROBOR Internal Rate 1M +0.07% p.a. and the ROBOR Bank Rate 1M + 0.8% p.a. The initial due date was 20.12.2020, the convention being automatically extended at the maturity of the bank facility agreement 28.01.2022;

- a second system involving Electrica SA, as cash pool leader and its subsidiaries, Electrica Furnizare S.A., Electrica Serv S.A., Servicii Energetice Muntenia S.A (currently absorbed by Electrica Serv S.A.), Electrica Energie Verde 1 SRL (starting with 30 December 2020) as participants;

The credit facility offered by the participants to the pool leader is up to the amount of RON 180,000,000 for Electrica Furnizare S.A.; RON 10,000,000 for Electrica Energie Verde 1 SRL; RON 50,000,000 for Electrica Serv S.A.. As at 30 November 2020 was in place the convention in amount to RON 2,000,000 with Servicii Energetice Muntenia S.A. which was absorbed by Electrica Serv S.A. being integrated in the conventions limits applicable for Electrica SERV S.A..

The credit facility offered by the pool leader to the participants is up to the amount of RON 245.000.000 (31 December 2020: 30,000,000 RON) for Electrica Furnizare S.A.; RON 15,000,000 (31 December 2020: RON 15,000,000) for Electrica Energie Verde 1 SRL; RON 12,000,000 (31 December 2020: RON 10,000,000) in the case of Electrica Serv S.A.. As at 30 November 2020 was in place the convention in amount to RON 2,000,000 with Servicii Energetice Muntenia S.A. which was absorbed by Electrica Serv S.A. being integrated in the conventions limits applicable for Electrica SERV S.A.

Interest rate: ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the internal liquidity of Electrica SA, and by drawing from the credit line granted to Electrica SA, the amount of interest due by the participants to Electrica SA will be calculated using a weighted interest rate, calculated on the basis of the ROBOR Internal Rate 1M +0.07% p.a. and the ROBOR Bank Rate 1M + 0.8% p.a. The initial due date was 20.12.2020, the convention being automatically extended at the maturity of the bank facility agreement 28.01.2022;

through which the bank will automatically transfer all available amounts existing at the end of each day in the current bank accounts of the participants to the master bank account of Electrica SA. In case the current bank accounts of the participants have a negative balance at the end of the day, the bank will transfer the necessary amounts from the master bank account of Electrica SA to the current bank accounts of the participants, so as at the end of each day the balance of the current bank accounts of the participants is nil. In case the balance of the master bank account of Electrica SA is not sufficient to cover the negative balance of the current bank accounts of the participants, the bank will make available the necessary funds from the overdraft facility that will be signed between the bank and Electrica SA.

As of 31 December 2021, the credit facility has an outstanding balance of RON 120,541,354 (31 December 2020:0 RON). For the amounts drawn/transferred to the cash pooling systems between Electrica SA and the other participants, please refer to Note 29.

24 Capital and reserves

(a) Share capital, share premium, gains and losses referring to share issue

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2021 (31 December 2020: 346,443,597) with a nominal value of RON 10 per share. As of 4 July 2014, after the Initial Public Offering ("IPO"), the Company's shares are listed on the Bucharest Stock Exchange and the Global Depository Receipts are listed on the London Stock Exchange.

The shares owned by the Company's shareholders that are traded on the London Stock Exchange are the global depository receipts (GDRs). A global depository receipt represents four shares. The Bank of New York Mellon is the depository bank for these securities. The GDRs' weight in Electrica's total share capital diminished following the Initial Public Offering, reaching a level of 0.7842% at the end of 2021 as compared to 10.17% at 4 July 2014.

The holders of ordinary shares are entitled to receive dividends as declared, and are entitled to one vote per share in the shareholders' meetings of the Company, except for the 6,890,593 shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equal and confer equal rights to the net assets of the Company, except for treasury shares.

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders.

After IPO privatization, the Company recognized an increase of share capital of RON 1,771,887,440 and a share premium of RON 171,128,062. The transaction costs of RON 68,078,885 were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in

kind and cash contribution, with the amount of RON 5,036,680, from the amount of RON 3,459,399,290 to the amount of RON 3,464,435,970, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering are in amount of RON 963,601. Also, the Company recorded gains referring to share issue of RON 2,185,519, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

(b) Treasury shares reserve

In July 2014, the Company purchased 5,206,593 ordinary shares and 421,000 Global Depository Receipts, equivalent to 1,684,000 shares (totaling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depository Receipts was RON 75,372,435.

(c) Revaluation reserves

The reconciliation between opening and closing balance of the revaluation reserve is as follows:

	2021	2020
Balance at 1 January	12,605,266	5,851,829
Revaluation of property, plant and equipment	-	11,901,253
Deferred tax liability arising on revaluation of property, plant and equipment	-	(3,059,897)
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(207,619)	(2,087,919)
Balance at 31 December	12,397,647	12,605,266

(d) Legal reserves

The Legal reserves are set up as 5% of the gross profit for the year, until the total legal reserves reach 20% of the paid-up nominal share capital of the Company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

As at 31 December 2021, the legal reserves were in amount of RON 228,156,226 (31 December 2020: RON 212,027,639).

(e) Dividends

The dividends distributed by the Company in 2021 and 2020 (from the statutory profits of preceding years) were as follows:

	2021	2020
Distributed dividends	247,873,693	246,108,017

On 28 April 2021, the General Shareholders Meeting of the Company approved the net distributable profit of 2020 as follows:

- Dividends to be distributed to shareholders: RON 247,873,693;
- Legal reserve (5% from 2020 pre-tax profit): RON 14,935,950;
- Other reserves: RON 35,568,893.

On 29 April 2020, the General Shareholders Meeting of the Company approved the distribution of dividends as follows:

- Dividends to be distributed to shareholders from the net distributable profit for the financial year ended as of 31 December 2019 (100%): RON 244,885,112;
- Dividends to be distributed to shareholders from the net gain obtained from the Secondary Public Offering, after covering the loss associated with the Secondary Public Offering costs: RON 1,221,918;
- Dividends to be distributed from "Other reserves": RON 987.

The total amount of dividends to be distributed to shareholders in 2021 was of RON 247,873,693 (2020: RON 246,108,017). The value of dividends per share distributed to the shareholders of the Company were: RON 0.73 per share (2020: RON 0.7248 per share). When calculating the dividend per share, the Company's repurchased own shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 247,873,693 (2020: RON 246,108,017), the dividends paid were RON 247,258,353 (2020: RON 245,779,724), the remaining difference represents dividends uncollected by the shareholders.

25 Trade payables

	31 December 2021	31 December 2020
Suppliers of goods and services	3,402,954	7,028,982
Capital expenditure suppliers	464,293	103,421
Suppliers – related parties (Note 29)	167,109	67,529
Total	4,034,356	7,199,932

Payables to related parties are detailed in Note 29.

26 Other payables

	31 December 2021		31 December 2020	
	Current	Non-current	Current	Non-current
Cash-pooling payables	41,885,081	-	34,110,477	-
Dividends payable	1,715,724	-	1,705,199	-
VAT under settlement	18,302	-	14,391	-
Other payables to the state budget	6,659	-	6,782	-
Other liabilities	396,702	-	197,565	-
Total	44,022,468	-	36,034,414	-

Cash-pooling payables comprises the payable of Electrica as at 31 December 2021 as cash pool leader in the two cash-pooling systems set up at Group level (Note 23 and Note 29).

Other liabilities include mainly guarantees and sundry creditors. Dividends payable represent the dividends uncollected by the shareholders.

In August 2020, the VAT group was established at the Electrica level in accordance with the provisions of Article 269 (9) of the Tax Code and the rules for its application, National Agency for Fiscal Administration ("NAFA") Order No. 3006/2016 on the approval of the Procedure for the implementation and administration of the single tax group. The members of the VAT group are Electrica SA and its subsidiaries. The representative of the group is Electrica Furnizare S.A., having all the reporting and VAT record obligations stipulated by the legal regulations in force for the whole group.

27 Provisions

	Litigations and other risks
Balance at 1 January 2021	5,818,263
Provisions recognized	81,627
Provisions utilized	(1,126,255)
Provisions reversed	(535,521)
Balance at 31 December 2021	4,238,114

The provisions in amount of RON 2,568,765 as at 31 December 2020 (31 December 2020: RON 4,140,732) refer to the benefits granted upon the termination of executive directors' and management key personnel contracts in the form of a non-compete clause.

28 Financial instruments - fair values and risk management

(a) Accounting classifications and fair values

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

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

(b) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These risks are further explained and detailed.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company's receivables from customers, cash-pooling debtors, cash and cash equivalents, restricted cash and bank deposits.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Company had a high credit risk mainly from State-owned companies. Until 2012, the Company had a concentration of credit risk with Oltchim, company that went into bankruptcy procedures during 2019 (see Note 16).

Cash and bank deposits are placed in financial institutions, which are considered to have good creditworthiness. The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Company establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

Impairment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2021:

	31 December 2021				
	Expected loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	0%	843,715	-	843,715	No
Past due 1-30 days	0%	78,107	-	78,107	No
Past due 31-60 days	0%	-	-	-	No
Past due 61-90 days	0%	-	-	-	No
Past due more than 90 days	100%	582,017,003	(582,012,952)	4,051	Yes
Total		582,938,825	(582,012,952)	925,873	

Allowances for impairment are referring mainly to Oltchim in amount of RON 518,938,151 (31 December 2020: RON 518,938,151), Transenergo Com in amount of RON 37,088,264 (31 December 2020: RON 37,088,830) and to Fidelis Energy in amount of RON 11,220,386 (31 December 2020: RON 11,220,386). Please see Note 16.

An analysis of trade receivables from the point of view of the credit risk and expected credit losses for trade receivables for customers as at 31 December 2020, is as follows:

	31 December 2020				
	Expected loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	0%	411,954	-	411,954	No
Past due 1-30 days	0%	-	-	-	No
Past due 31-60 days	0%	-	-	-	No
Past due 61-90 days	0%	-	-	-	No
Past due more than 90 days	100%	582,083,147	(582,083,147)	-	Yes
Total		582,495,101	(582,083,147)	411,954	

(ii) Liquidity risk

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has significant cash and cash equivalents so that no liquidity risk is experienced.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The following table presents the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest accrued.

Financial liabilities	Carrying amount	Contractual cash flows			
		Total	less than 1 year	1-2 years	2-5 years
31 December 2021					
Bank overdrafts	120,541,354	120,541,354	120,541,354	-	-
Trade payables	4,034,356	4,034,356	4,034,356	-	-
Lease liability	513,274	513,274	394,818	62,647	55,809
Total	125,088,984	125,088,984	124,970,528	62,647	55,809
31 December 2020					
Trade payables	7,199,932	7,199,932	7,199,932	-	-
Lease liability	1,454,297	1,454,297	968,556	365,389	120,352
Total	8,654,229	8,654,229	8,168,488	365,389	120,352

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Company. The functional currency of the Company is the Romanian Leu (RON).

The currencies in which these transactions are primarily denominated are RON and EUR. The Company also has deposits and bank accounts denominated in foreign currency (EUR). The Company's policy is to use the local currency in its transactions as far as practically possible. The Company does not use derivative or hedging instruments.

Exposure to currency risk

The summary of the quantitative data about the Company's exposure to currency risk is as follows:

	31 December 2021	31 December 2020
In RON	denominated in EUR	denominated in EUR
Cash and cash equivalents	262,918	898,585
Lease liability	(509,598)	(1,454,297)
Net statement of financial position exposure	(246,680)	(555,712)

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
	2021	2020	2021	2020
RON				
EUR 1	4,9204	4,8371	4,9481	4,8694

Sensitivity analysis

A reasonable possible appreciation (depreciation) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency, the profit before tax and the equity, respectively, by the amounts shown below. The analysis assumes that all other variables, in especially the interest rates, remain constant and ignores the impact of forecasted sales and purchases.

Effect	Profit before tax	
	Appreciation	Depreciation
31 December 2021		
EUR (5% movement)	(12,334)	12,334
31 December 2020		
EUR (5% movement)	(27,786)	27,786

Interest rate risk

The Company exposures to interest rates on financial assets and financial liabilities are detailed below. The Company is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market. The Company does not have in place hedging contracts for interest rate.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	31 December 2021	31 December 2020
Fixed-rate instruments		
Financial assets		
Call deposits	2,715,802	175,066,480
Restricted cash	-	320,000,000
	2,715,802	495,066,480

	31 December 2021	31 December 2020
Variable-rate instruments		
Financial assets		
Cash pooling receivables (Note 23, Note 29)	567,621,644	166,281,881
Financial liabilities		
Cash pooling payables (Note 23, Note 29)	(41,885,081)	(34,110,477)
Bank overdrafts (Note 18)	(120,541,354)	-
Lease liability	(513,274)	(1,454,297)
Total	404,681,935	130,717,107

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	50 bp decrease
31 December 2021		
Variable-rate instruments	2,023,410	(2,023,410)
31 December 2020		
Variable-rate instruments	653,586	(653,586)

29 Related parties

(a) Main shareholders

As at 31 December 2021 and 31 December 2020, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

(b) Management and administrators' compensation

	2021	2020
Management compensation	6,833,228	6,042,695

Executive management compensation refers to both the managers with mandate contract and those with labour contract, concluded with Electrica SA. This also includes the benefits in the event of the termination of mandate contracts for executive directors. The benefits paid for the termination of mandate contracts in 2021 was in amount of RON 3,136,800 (2020: Nil).

Compensations granted to the members of the Board of Directors were as follows:

	2021	2020
Members of Board of Directors	3,887,254	2,468,177

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Meeting of Shareholders that took place 28 April 2021, the annual number of paid sessions is limited to twelve for Board of Directors meetings and to six for each of the committees. Additional committee meetings can be organized only in exceptional situations, upon the Chairs' decision, who are responsible to efficiently organize the agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.

No loans were granted to managers and administrators in 2021 and 2020.

(c) Transactions with the Group companies

(i) Balance of receivables and payables from/ to Group companies:

Trade Receivables/Trade Payables

	Receivables from		Payables to	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Distributie Energie Electrica Romania S.A.	474,458	449,299	62,709	-
Electrica Serv S.A.	7,828	29,515	-	-
Electrica Furnizare S.A.	1,767	29,790	104,400	67,529
Total	484,053	508,604	167,109	67,529

As at 31 December 2021 and 31 December 2020, receivables from electricity distribution subsidiaries include mainly other services invoiced.

Loans granted/interest receivable:

	Loans granted to		Interest receivable from	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Distributie Energie Electrica Romania S.A.	1,276,325,000	1,030,000,000	15,439,712	13,518,378
Electrica Furnizare S.A.	30,000,000	-	30,400	-
Total	1,306,325,000	1,030,000,000	15,470,112	13,518,378

Cash-pooling system 31 December 2021:

	Amount drawn by participants	Amount contributed to by participants	Net position	Interest receivable
	31 December 2021	31 December 2021	31 December 2021	31 December 2021
Distributie Energie Electrica Romania S.A.	311,620,794	-	311,620,794	602,305
Electrica Furnizare S.A.	245,000,000	-	245,000,000	540,414
Electrica Energie Verde 1 S.R.L.	11,000,850	-	11,000,850	24,345
Electrica Serv S.A.	-	(41,873,420)	(41,873,420)	(105,541)
Total	567,621,644	(41,873,420)	525,748,224	1,061,523

Cash-pooling system 31 December 2020:

	Amount drawn by participants	Amount contributed to by participants	Net position	Interest receivable/ (payable)
	31 December 2020	31 December 2020	31 December 2020	31 December 2020
Distributie Energie Electrica Romania S.A.	151,282,223	-	151,282,223	304,831
Electrica Furnizare S.A.	-	(200,121)	(200,121)	(171,143)
Electrica Energie Verde 1 S.R.L.	14,999,506	-	14,999,506	862
Electrica Serv S.A.	152	(33,910,356)	(33,910,204)	(60,591)
Total	166,281,881	(34,110,477)	132,171,404	73,959

(ii) Transactions with subsidiaries

Sales/Purchases

	Sales in 2021	Sales in 2020	Purchases in 2021	Purchases in 2020
Distributie Energie Electrica Romania S.A.	740,664	-	131,742	-
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (**)	-	3,457,185	-	27,736
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (**)	-	670,475	-	26,494

	Sales in 2021	Sales in 2020	Purchases in 2021	Purchases in 2020
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (**)	-	273,181	-	-
Electrica Furnizare S.A.	14,471	448,821	434,915	407,020
Electrica Serv S.A.	16,909	264,591	-	-
Total	772,044	5,114,253	566,657	461,250

Starting with July 2020, the Company no longer provides services related to the AMR system as the system was transferred as a contribution in kind to the share capital of its distribution subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A.).

(**) On 31 December 2020, Distributie Energie Electrica Romania SA was formed by the merger of the three former electricity distribution companies (Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.; Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.; Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.). (Note 21)

Reimbursements / Borrowings

	Borrowings granted in 2021	Borrowings granted in 2020	Reimbursements in 2021	Reimbursements in 2020
Distributie Energie Electrica Romania S.A.	246,325,000	-	-	-
Electrica Furnizare S.A.	90,000,000	-	60,000,000	-
Servicii Energetice Muntenia S.A. (*)	-	-	-	5,500,000
Total	336,325,000	-	60,000,000	5,500,000

*Transactions presented are carried out with Servicii Energetice Muntenia S.A. for the period 01.01.2020-30.11.2020, until the effective date of merger by absorption with Electrica Serv S.A..

On 28 May 2020, the Company signed an agreement with Servicii Energetice Muntenia S.A. in which the Company acquired a plot of land in amount of RON 31,867,062 and buildings in amount of RON 1,905,508, the amounts being compensated, among others, with the settlement of the loan granted to subsidiary in amount of RON 5,500,000.

Interest income for loans

	Interest income 2021	Interest income 2020
Distributie Energie Electrica Romania S.A.	41,127,404	-
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (**)	-	15,244,917
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (**)	-	13,318,333
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (**)	-	10,750,233

	Interest income 2021	Interest income 2020
Electrica Furnizare S.A.	30,400	-
Servicii Energetice Muntenia S.A.(*)	-	101,750
Total	41,157,804	39,415,233

(*) Transactions presented are carried out with Servicii Energetice Muntenia S.A. for the period 01.01.2020-30.11.2020, until the effective date of merger by absorption with Electrica Serv S.A..

(**) On 31 December 2020, Distributie Energie Electrica Romania SA was formed by the merger of the three former electricity distribution companies (Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.; Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.; Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.). (Note 21)

Dividends income

	Dividends income 2021	Dividends income 2020
Electrica Furnizare S.A.	233,293,563	124,015,481
Distributie Energie Electrica Romania S.A.	96,250,081	-
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (**)	-	54,065,512
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (**)	-	6,935,492
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (**)	-	2,705,803
Electrica Serv S.A.	-	27,247,429
Total	329,543,644	214,969,717

(**) On 31 December 2020, Distributie Energie Electrica Romania SA was formed by the merger of the three former electricity distribution companies (Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.; Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.; Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.). (Note 21)

Cash pooling system – interest income/(expense)

	Interest income/ (expense) 2021	Interest income/ (expense) 2020
Distributie Energie Electrica Romania S.A.	3,344,942	-
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (**)	-	2,132,479
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (**)	-	1,256,996

	Interest income/ (expense)	Interest income/ (expense)
	2021	2020
Electrica Energie Verde 1 S.R.L.	223,675	862
Electrica Serv S.A.	(808,125)	(673,516)
Servicii Energetice Muntenia S.A.(*)	-	14
Electrica Furnizare S.A.	1,193,403	(1,282,859)
Total	3,953,895	2,002,706

* Transactions presented are carried out with Servicii Energetice Muntenia S.A. for the period 01.01.2020-30.11.2020, until the effective date of merger by absorption with Electrica Serv S.A..

** On 31 December 2020, Distributie Energie Electrica Romania SA was formed by the merger of the three former electricity distribution companies (Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.; Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.; Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.). (Note 21)

(d) Transactions with companies in which the state has control or significant influence

The Company had sale and purchase transactions mainly with the following companies:

Supplier	Purchases (without VAT)		Balance (including VAT)	
	2021	2020	31 December 2021	31 December 2020
ANCOM	605,644	542,560	139,758	90,871
Others	42,062	30,877	910	860
Total	647,706	573,437	140,668	91,731

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2021	31 December 2021		
Oltchim	-	518,938,151	(518,938,151)	-
CET Braila	-	3,118,411	(3,118,411)	-
Total	-	522,056,562	(522,056,562)	-

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2020	31 December 2020		
Oltchim	-	518,938,151	(518,938,151)	-
CET Braila	-	3,118,411	(3,118,411)	-
Total	-	522,056,562	(522,056,562)	-

30 Contingencies

(a) Contingent Assets

Litigation with National Agency of Fiscal Administration (“NAFA”)

In May 2017, after the revision of Electrica's tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,248,818 as a result of certain tax record allocations for prior periods. Electrica SA filed a complaint with the tax authorities against the enforcement order and also filed a legal action to suspend the enforced payment by the resolution of the above mentioned complaint. These additional interest and penalties are related to the prior enforcement orders received by Electrica SA in the prior years of RON 72,460,387.

In February 2018, Electrica SA has obtained a favourable Supreme Court ruling in one of the litigations with NAFA, which essentially maintains into force a prior Court of Appeal decision, which is favourable for the Company. Based on this Court ruling and in conjunction with all other litigations with NAFA on the same historical amounts, for taxes including penalties and interest, as well as based on analysis with internal and external lawyers, the management best estimate is that Electrica SA shall be able to obtain favourable Court rulings with the end result of no future cash outflows.

Also, in April 2019, Electrica SA obtained another favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to correct the evidence of the tax receivables so that it reflects the extinction by prescription of the amount of RON 16,915,950 representing income tax as well as all the related accessories. This decision forms the object of the appeal declared by NAFA, with the Court term on 17 November 2021, at the High Court of Cassation and Justice.

Moreover, in November 2019, Electrica SA obtained one more favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to cancel the administrative documents issued regarding the accessory fiscal obligations in the amount of RON 39,248,818 and ordered the refund/ compensation of the amount and the correction of the tax record. Against this decision, NAFA filed an appeal, registered to the High Court of Cassation and Justice, with the Court term on 23 March 2022.

Thus, as at 31 December 2019 Company did not recognize a provision in this respect, taking into account that management's best estimate is that the Company shall be able to obtain a favourable final Court decision in this case.

During 2020, the Company recognized revenues from indemnities in the amount of RON 12,827,435 (Note 9) related to the amounts collected during the year by Electrica SA from NAFA as a result of the final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions.

Moreover, as at 31 December 2020, the Company no longer has a contingent liability of RON 39,248,818 in respect to the additional interest and penalties to be paid by Electrica SA to NAFA, as it applied for the cancellation of ancillary fiscal obligations stipulated by the Government Emergency Ordinance no. 69/2020. Through NAFA's decision no. 2738/22.12.2020, the cancellation of the ancillary fiscal obligations mentioned above was approved, based in articles IX-XI of the Government Emergency Ordinance no. 69/2020.

In April 2021, Electrica SA filed a new action in contradiction with NAFA - file no. 2444/2/2021, pending before the Bucharest Court of Appeal, trial term 16.03.2022, having as object the obligation of NAFA to: correct Electrica SA's tax record in order to reflect the right to a refund for the amount of RON 5,860,080, amount paid by Electrica SA in 2020 for the purpose of applying for the cancellation of ancillary fiscal obligations stipulated by the Government Emergency Ordinance no. 69/2020, of an additional amount of RON 817,521 which was not reflected in the payment made by NAFA in 2020, and payment of legal interest in amount of RON 5,161,492 computed for the amount returned by NAFA in 2020.

(b) Contingent Liabilities

Other litigations and claims

The Company is involved in a series of litigations and claims (ie. with SAPE, ANRE, NAFA, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 27, the Company set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Company does not present information in the financial statements

and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

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

(c) Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of taxpayers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities sometimes demonstrate inconsistency in interpretation of the law. Income tax statements may be subject to revision and corrections made by tax authorities, generally for a five-year period after they are filled in. The company was the subject of fiscal inspections until 31 March 2013.

The Company may incur expenses related to tax adjustments related to previous years as a result of tax authorities inspections and disputes. The Company's management considers that adequate reserves were established in the separate financial statements for all the significant fiscal obligations, however a risk that the tax authorities could take different positions still persists.

(d) Transfer prices

According to the fiscal legislation, the fiscal assessment for a transaction with affiliates is based on the market price concept for that transaction. Based on this concept, the transfer prices must be adjusted in order to reflect the market prices that would have been established between the entities having no affiliation relation and are acting independently, based on "normal market conditions".

Likely, verifications of the transfer prices may be done in the future by the fiscal authorities, in order to establish if these prices are respecting the principle of the "normal market conditions" and that the tax base for Romanian taxpayer is not distorted.

31 Commitments

(a) Contractual commitments

Contractual commitments as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Purchase of property, plant and equipment, intangible assets and other maintenance and repairs services	22,568	4,859,511
Purchase of investments	60,484,337	-
Total	60,506,905	4,859,511

(b) Investment program

The investment program approved for the year 2022 is as follows:

	2022
Investment program	10,633,000

The capital expenditures actually incurred may differ from the ones planned.

(c) Guarantees and pledges

The Company has a facility for issuing bank guarantee letters in the amount of RON 200,000,000 contracted from Unicredit Bank and which is used at Group level, out of which the used amount as of 31 December 2021 is RON 161,394,730 (31 December 2020: RON 171,870,774). The maturity of the facility is on 31 December 2029. Also, the Company issued parenting guarantees for Electrica Furnizare S.A. in total amount of 203,464,672.

32 Subsequent events

Overdraft facility granted by ING Bank N.V

On 28 January 2022, the credit facility contract signed between Electrica SA and ING Bank N.V. for an overdraft facility of up to RON 210,000,000 thousand for financing the current activity, in the context of the liquidity concentration operations set-up within the Group and having the following characteristics: Interest rate: ROBOR 1M+0.8% p.a., was extended until 27.01.2023.

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 this report, management is unable to reliably estimate the effects on the Groups financial outlook and cannot exclude adverse consequence on the business, operations, and financial condition. 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 the judgements taken in these financial statements remain appropriate.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

28 February 2022



A photograph of a business meeting with a blue overlay. A person in a suit is typing on a laptop, while another person in a suit holds a pen over a document. A cup of coffee is visible in the bottom left corner.

STANDALONE AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
SOCIETATEA ENERGETICA ELECTRICA S.A.

Report on the Audit of the Separate Financial Statements

Opinion

- We have audited the separate financial statements of Societatea Energetica Electrica S.A. ("the Company"), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the separate statement of financial position as at December 31, 2021, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.
- The separate financial statements as at December 31, 2020 are identified as follows:

☒ Net assets/ Equity	RON 4,123,508,400
☒ Net profit for the financial year	RON 321,819,884
- In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

- We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

- Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matters	How our audit addressed the key audit matter
<p><i>Going Concern</i></p> <p>As presented in Note 6 the separate financial statements have been prepared on the going concern basis. The key judgements leading to this conclusion are set out in that note.</p> <p>In particular the subsidiaries of the Company operate in the electricity distribution and supply industry which is currently affected by the compensation and ceiling laws on sales to end customers. The Romanian authorities regulatory position is under review and there may be further laws enacted which could adversely impact the subsidiaries of the Group's operating cash flows beyond April 2022 when the pricing restrictions in the existing laws are due to end. In the forthcoming twelve months the subsidiaries will need to obtain additional financing and given the position of the Group and its significance to the Romanian economy management expect that all necessary financing will be made available.</p> <p>The ability of the subsidiaries of the Group to continue as a going concern is dependent on successful completion of the new financing and on stabilizing of the regulatory regime on energy prices as described in note 6, which provides an appropriate margin to support servicing of the subsidiaries of the Group and Company's short and long term financings. In view of the significant judgements the application and disclosures of the basis of the going concern assumption are considered a Key Audit Matter.</p>	<p>We have assessed managements valuation of the going concern assumption by performing the following procedures:</p> <ul style="list-style-type: none"> • We have obtained the cash flow forecasts and critically challenged the management and the Board of Directors and Audit Committee on the assumptions used; • We considered whether at the date of this report additional information exist from the Romanian authorities with respect to the prolongation of the capping and ceiling mechanism; • We have assessed the Group's subsidiaries and Company's position on the existing debt facilities, covenant waivers and newly negotiated debt facilities, during 2022 until the date of this report; • We considered the Group's subsidiaries and Company's requirements to secure additional financing in light of its position in the Romanian market; • We assessed the adequacy of the disclosure of the basis of going concern assumption, including the key judgements adopted;

Other information - Administrator's Report

6. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report and the Remuneration Report, but does not include the consolidated and separate financial statements and our auditor's report thereon, nor the non-financial information declaration being presented in a separate report.

Our opinion on the separate financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements for the year ended December 31, 2021, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

On the sole basis of the procedures performed within the audit of the separate financial statements, in our opinion:

- a) the information included in the administrators' report for the financial year for which the separate financial statements have been prepared is consistent, in all material respects, with these separate financial statements;
- b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20;
- c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2021, we are required to report if we have identified a material misstatement of this Administrator's report and Remuneration Report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

7. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- ☒ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - ☒ Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
 14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 28, 2021 to audit the separate financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2021. The uninterrupted total duration of our commitment is 4 years, covering the financial years ended December 31, 2018 and December 31, 2021.

We confirm that:

- ☒ Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- ☒ No **non-audit services** referred to in Article 5 (1) of EU Regulation No. 537 / 2014 were provided.

The engagement statutory auditor on the audit resulting in this independent auditor's report is Razvan Ungureanu.

Razvan Ungureanu, Statutory Auditor

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 4866

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
March 1, 2022



Consolidated Financial Statements

**as at and for the year ended
31 December 2021**

**prepared in accordance with
International Financial Reporting
Standards as adopted by the European Union**

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	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements	24	5,514,557	5,455,185
Other intangible assets	24	8,983	7,213
Property, plant and equipment	23	505,419	508,130
Investments in associates	25	25,810	-
Deferred tax assets	17	83,531	19,666
Other non-current assets		1,661	1,173
Right of use assets		20,945	27,091
Total non-current assets		6,160,906	6,018,458
Current assets			
Trade receivables 18		1,344,619	1,029,775
Other receivables 19		48,600	32,460
Cash and cash equivalents	20	221,830	570,929
Restricted cash	20	-	320,000
Inventories	22	72,958	70,066
Prepayments		5,034	2,817
Current income tax receivable		23,777	1,837
Assets held for sale	21	5,412	15,476
Total current assets		1,722,230	2,043,360
Total assets		7,883,136	8,061,818

	Note	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	26	3,464,436	3,464,436
Share premium	26	103,049	103,049
Treasury shares reserve	26	(75,372)	(75,372)
Pre-paid capital contributions in kind from shareholders	26	7	7
Revaluation reserve	26	102,829	116,372
Legal reserves	26	408,405	392,276
Retained earnings		950,228	1,759,506
Total equity attributable to the owners of the Company		4,953,582	5,760,274
Total equity		4,953,582	5,760,274

	Note	31 December 2021	31 December 2020
Liabilities			
Non-current liabilities			
Lease liability – long term		12,102	16,875
Deferred tax liabilities	17	161,926	177,787
Employee benefits	15	149,177	143,876
Other payables	28	32,732	33,873
Long-term bank borrowings	30	118,756	400,296
Total non-current liabilities		474,693	772,707
Current liabilities			
Lease liability – short term		9,442	10,747
Bank overdrafts	20	627,402	164,966
Trade payables	27	891,335	607,195
Other payables	28	271,263	240,946
Deferred revenue		9,662	5,629
Employee benefits	14,15	101,102	92,292
Provisions	29	34,922	19,238
Current income tax liability		-	9,211
Current portion of long-term bank borrowings	30	509,733	378,613
Total current liabilities		2,454,861	1,528,837
Total liabilities		2,929,554	2,301,544
Total equity and liabilities		7,883,136	8,061,818

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

Chief Executive Officer
 Georgeta Corina Popescu

Chief Financial Officer
 Stefan Alexandru Frangulea

28 February 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2021	2020
Revenue	9	7,178,864	6,501,100
Other income	11	195,771	165,422
Electricity and natural gas purchased	10	(5,694,724)	(3,905,705)
Construction costs related to concession agreements	24	(485,813)	(675,967)
Employee benefits	16	(802,676)	(774,501)
Repairs, maintenance and materials		(102,356)	(104,577)
Depreciation and amortization	23,24	(480,830)	(490,918)
(Impairment)/ Reversal of impairment for trade and other receivables, net	18,19	(70,616)	62,167
Other operating expenses 11		(343,147)	(325,104)
Operating (loss)/ profit		(605,527)	451,917
Gain from bargain purchase of subsidiaries	32	-	7,477
Finance income	12	2,647	9,651
Finance costs	12	(29,528)	(26,736)
Net finance cost		(26,881)	(17,085)
Share of results of associates	25	(3)	-
(Loss)/ Profit before tax		(632,411)	442,309
Income tax benefit/(expense)	17	79,529	(54,766)
(Loss)/ Profit for the year		(552,882)	387,543
(Loss)/ Profit for the year attributable to: - owners of the Company		(552,882)	387,543
(Loss)/ Profit for the year		(552,882)	387,543
(Loss)/Earnings per share			
Basic and diluted (loss)/earnings per share (RON)	13	(1.63)	1.14

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

Chief Executive Officer
Georgeta Corina Popescua

Chief Financial Officer
Stefan Alexandru Frangulea

28 February 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2021	2020
(Loss)/ Profit for the year		(552,882)	387,543
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit liability	15	(5,891)	(7,152)
Tax related to re-measurements of the defined benefit liability	17	(45)	572
Revaluation of property, plant and equipment	23	-	43,823
Tax related to revaluation of property, plant and equipment	17	-	(7,931)
Other comprehensive (loss)/income, net of tax		(5,936)	29,312
Total comprehensive (loss)/income		(558,818)	416,855
Total comprehensive (loss)/income attributable to:			
- owners of the Company		(558,818)	416,855
Total comprehensive (loss)/income		(558,818)	416,855

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

28 February 2022

Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity
Balance at 1 January 2021	3,464,436	103,049	(75,372)	7	116,372	392,276	1,759,506	5,760,274
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(552,882)	(552,882)
Other comprehensive loss	-	-	-	-	-	-	(5,936)	(5,936)
Total comprehensive loss	-	-	-	-	-	-	(558,818)	(558,818)
Transactions with owners of the Company								
Contributions and distributions								
Dividends to the owners of the Company	-	-	-	-	-	-	(247,874)	(247,874)
Total transactions with owners of the Company	-	-	-	-	-	-	(247,874)	(247,874)
Other changes in equity								
Set up of legal reserves	-	-	-	-	-	16,129	(16,129)	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(13,543)	-	13,543	-
Balance at 31 December 2021	3,464,436	103,049	(75,372)	7	102,829	408,405	950,228	4,953,582

Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity
Balance at 1 January 2020	3,464,436	103,049	(75,372)	7	87,665	371,833	1,637,909	5,589,527
Comprehensive income								
Loss for the year	-	-	-	-	-	-	387,543	387,543
Other comprehensive loss	-	-	-	-	35,892	-	(6,580)	29,312
Total comprehensive loss	-	-	-	-	35,892	-	380,963	416,855
Transactions with owners of the Company								
Contributions and distributions								
Dividends to the owners of the Company	-	-	-	-	-	-	(246,108)	(246,108)
Total transactions with owners of the Company	-	-	-	-	-	-	(246,108)	(246,108)
Other changes in equity								
Set up of legal reserves	-	-	-	-	-	20,443	(20,443)	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(7,185)	-	7,185	-
Balance at 31 December 2020	3,464,436	103,049	(75,372)	7	116,372	392,276	1,759,506	5,760,274

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

28 February 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2021	2020
Cash flows from operating activities			
(Loss)/Profit for the year		(552,882)	387,543
Adjustments for:			
Depreciation	23	21,118	27,850
Amortisation	24	459,712	463,068
(Reversal of impairment)/Impairment of property, plant and equipment and intangible assets, net	23,24	(3,942)	3,025
Loss/(Gain) on disposal of property, plant and equipment and intangible assets	23,24	2,651	(285)
Impairment/(Reversal of impairment) of trade and other receivables, net	18,19	70,616	(62,167)
Impairment/(Reversal of impairment) of assets held for sale	21	646	(188)
Change in provisions, net	29	15,684	(320)
Net finance cost	12	26,881	17,085
Changes due to employee benefits	14	5,054	-
Gain from bargain acquisition of subsidiaries	32	-	(7,477)
Share of loss of associates	25	3	-
Income tax (benefit)/expense	17	(79,529)	54,766
		(33,988)	882,900
Changes in:			
Trade receivables		(391,401)	(87,249)
Other receivables		(22,904)	3,837
Prepayments		(2,217)	593
Inventories		(2,892)	4,307
Trade payables		274,825	(76,010)
Other payables		32,504	(2,331)
Employee benefits		3,166	14,735
Deferred revenue		4,033	(1,289)
Cash (used in)/generated from operating activities		(138,874)	739,493
Interest paid		(24,110)	(19,953)
Income tax paid		(31,366)	(51,672)
Net cash flow (used in)/generated from operating activities		(194,350)	667,868

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2021	2020
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(10,490)	(6,730)
Payments for network construction related to concession agreements	24	(483,808)	(637,996)
Payments for purchase of other intangible assets		(6,306)	(2,226)
Proceeds from sale of property, plant and equipment		1,469	5,012
Proceeds from deposits with maturity of 3 months or longer		-	66,471
Interest received		1,765	8,962
Net cash effect from gain of control over the acquired subsidiary	32	-	5,577
Payment for acquisition of investment in associate	25	(25,813)	-
Payment for acquisition of subsidiaries	32	-	(8,006)
Restricted cash	20	320,000	-
Net cash flow used in investing activities		(203,183)	(568,936)
Cash flows from financing activities			
Proceeds from long-term bank borrowings	30	234,690	354,383
Repayment of long-term bank loans	30	(385,851)	(29,130)
Payment of lease liabilities		(15,226)	(29,324)
Dividends paid	26	(247,615)	(245,780)
Net cash (used in)/ generated from financing activities		(414,002)	50,149
Net (decrease)/ increase in cash and cash equivalents		(811,535)	149,081
Cash and cash equivalents at 1 January	20	405,963	256,882
Cash and cash equivalents at 31 December	20	(405,572)	405,963

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

The non-cash transactions are disclosed in Note 20.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

28 February 2022

1 Reporting entity and general information

(a) General information about the Group

These financial statements are the consolidated financial statements of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the year ended 31 December 2021.

The registered office of the Company is no. 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register registration number J40/7425/2000.

As at 31 December 2021 and 31 December 2020, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

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

As at 31 December 2021 and 31 December 2020, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2021	% shareholding as at 31 December 2020
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	C l u j - Napoca	99.99999929%	100%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998415011992%	99.9998409513906%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%	100%
Electrica Producție Energie S.A.	Electricity generation	44854129	Bucuresti	99.9920%	-
Electrica Energie Verde 1 SRL* ("EEV1" – formerly Long Bridge Milenium SRL)	Electricity generation	19157481	Bucuresti	100%*	100%*

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

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

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

As of December 31, 2020, the Company had no investments in associates.

Changes in Group structure during 2021

Establishment of a new Group's subsidiary

On 6 September 2021, the Group set up a new legal entity, Electrica Productie Energie S.A., organized as a joint stock company, in which Electrica SA holds a percentage of 99.9920% of the share capital and Electrica Serv S.A. holds a percentage of 0.0080% of the share capital. 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, alongside with the development and operation of independent storage solutions that it intends to develop in the near future.

Investment in associates

On 28 July 2021, Electrica SA signed, as buyer, with Mr. Emanuel Muntmark and with Mr. Catalin Mrejeru, as sellers, three share sale and purchase agreements ("SPAs") in three project companies having as their main activity the production of energy from renewable sources, as follows:

- i. A SPA regarding the acquisition of 100% of the shares held by the sellers in Crucea Power Park SRL for an estimated total price of EUR 8,470,000. The final price will be determined by adjusting the total estimated price depending on the production capacity, respectively the authorized storage, based on a contractually established calculation formula. Crucea Power Park SRL develops the wind project "Crucea Est", with a designed installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea commune, Constanta county.
- ii. A SPA regarding the acquisition of 100% of the shares held by the sellers in Sunwind Energy SRL for a total estimated price of EUR 1,485,000. The final price will be determined by adjusting the total estimated price according to the authorized production capacity, based on a contractually established calculation formula. Sunwind Energy SRL is developing the photovoltaic project „Satu Mare 2" with a designed installed capacity of 27 MW, located near Satu Mare.
- iii. A SPA regarding the acquisition of 100% of the shares held by the sellers in New Trend Energy SRL for a total estimated price of EUR 3,245,000. The final price will be determined by adjusting the total estimated price according to the authorized production capacity, based on a contractually established calculation formula. New Trend Energy SRL develops the photovoltaic project „Satu Mare 3", with a designed capacity of 59 MW, located near Satu Mare

The SPAs stipulate the acquisition by Electrica SA of shares in the three companies and the payment of the corresponding price in four stages, structured according to the development stage of the project and the fulfilment of certain conditions precedent.

The total estimated value of the transaction is EUR 13,200 thousand. The sale purchase agreements concluded as of 28 July 2021 stipulate that at the initial stage, the Group acquires 30% of the share capital of the three Companies, and in the subsequent stages the remaining 70% of the share capital provided that certain conditions stipulated in the sale purchase agreements are met.

On 7 December 2021, Electrica SA, signed, as buyer, with Mr. Emanuel Muntmark and with Mr. Catalin Mrejeru, as sellers, a share sales and purchase agreement ("SPAs") in one project company having as their main activity the production of energy from renewable sources.

The SPA concerns the acquisition of 100% of the shares of Foton Power Energy S.R.L, wholly owned by the sellers, for an estimated total price of EUR 4,262,500. The final price will be determined by adjusting the total estimated price depending on the production capacity, respectively the authorized storage, based on a contractually established calculation formula.

Foton Power Energy S.R.L. develops the photovoltaic project "Bihor 1", with a designed installed capacity of 77.5 MW, located near Oradea city.

The SPAs stipulate the acquisition by Electrica SA of company's shares and the payment of the corresponding price in four stages, structured according to the development stage of the project and the fulfilment of certain conditions.

As of 31 December 2021, with a 30% shareholding in each company, the Group has a significant influence over the four companies, which are presented as investments in associates. The acquisition value of the 30% shares is RON 25,813 thousand. (for further details please refer to Note 25).

The establishment of the new subsidiary together with the investments in the four entities 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 capacities with an installed capacity of up to 100 MW.

Changes in Group structure during 2020

Merger of the three distribution companies within the Group

On 27 May 2020, Electrica SA's Board of Directors approved in principle the merger through absorption between Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A., Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. and Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A., the absorbing entity being Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A..

Therefore, the merger produces its effects starting with the effective date, 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities ceased to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities were transferred through the effect of the merger by absorption to SDEE Transilvania Nord S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of SDEE Transilvania Nord S.A. in favour of the shareholder of the absorbed entities, namely Electrica SA.

Thus, on 31 December 2020, Distribuție Energie Electrica Romania SA, formed by the merger of the three former electricity distribution companies was recorded on the National Trade Register Office.

Also, based on the Romanian Energy Regulatory Authority decision no. 2461 dated 23 December 2020, the electricity distribution licenses granted by the regulator to the absorbed companies for the areas Muntenia Nord and Transilvania Sud were transferred to the absorbing company, Distribuție Energie Electrica Romania S.A., starting with 1 January 2021.

Merger of the two energy services companies within the Group

On 27 March 2020, Electrica SA's Board of Directors approved in principle the merger through absorption between Electrica Serv S.A. and Servicii Energetice Muntenia S.A. and the participation of the companies to the merger, with Electrica Serv S.A. as absorbing company.

Therefore, the merger produces its effects starting with the effective date, 30 November 2020, when Servicii Energetice Muntenia S.A., as the absorbed entity, ceased to exist, being dissolved without going into liquidation. Consequently, all of its assets and liabilities were transferred through the effect of the merger by absorption to Electrica Serv S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of Electrica Serv S.A. in favour of the shareholder of the absorbed entity, namely Electrica SA.

Thus, starting with 1 December 2020, the merger between the aforementioned companies was finalised and the Group's energy services will be carried out only under the umbrella of Electrica Serv. The registration on the National Trade Register Office took place on 2 December 2020, with effective date 30 November 2020.

Both mergers that took place within the Group during 2020 consist only in reorganization of the subsidiaries and have no impact on the consolidated financial statements, Electrica SA remaining the parent company with the same % of ownership.

Acquisition of a photovoltaic park

On 23 June 2020, Electrica Furnizare S.A. signed a sale purchase agreement for the acquisition of 100% of the share capital of Long Bridge Milenium SRL, a company that owns a photovoltaic park located in Stanesti, Giurgiu County, with an installed capacity of MW 7.5 (operational power limited at MW 6.8). The photovoltaic park was built between October 2012 and January 2013 and has been delivering electricity into the national grid since February 2013. Closing of the transaction and the transfer of shares' ownership to Electrica Furnizare S.A. took place on 31 August 2020.

On 24 November 2020, the company Long Bridge Milenium SRL changed its name to Electrica Energie Verde 1 SRL.

Group's main activities

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

The Company's distribution subsidiary, Distributie Energie Electrica Romania S.A. which resulted from the merger through absorption of the three distribution subsidiaries Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. now operates electric lines in 18 counties, from three geographical areas of the country, representing 40.7% of the Romanian territory, and serves over 3.8 million users. It invoices the electricity distribution service to electricity suppliers (mainly to Electrica Furnizare S.A. subsidiary) which further invoices the electricity consumption to final consumers.

Electrica Furnizare S.A. is active on both the competitive market and as the supplier of last resort for aprox. 3.1 million clients (defined as supplier designated by the regulatory authority to deliver the universal service of electricity supply under specific regulated conditions) in Muntenia Nord, Transilvania Nord and Transilvania Sud areas.

According to the regulations issued by the National Authority for Energy Regulation ("ANRE"), the suppliers of last resort have the obligation to ensure electricity supply to final consumers which have not exercised their eligibility right – the right to choose their electricity supplier (hereinafter named captive consumers). Starting from 1 January 2021, as a result of the changes in the regulatory framework, Electrica Furnizare S.A. is designated as supplier of last resort ("SoLR") at national level, continuing to supply the existing consumers in the universal service regime, but also with the possibility to take over in the supply of last resort regime the consumers who are left without a supplier from any network area on the Romanian territory.

At the same time, Electrica Furnizare S.A. is also designated as SoLR for natural gas at national level, but only with the possibility of taking over the consumers left without a supplier.

Through the acquisition of the new subsidiary Electrica Energie Verde 1 S.R.L. (formerly Long Bridge Milenium S.R.L.) as of 31 August 2020, establishment of a new legal entity Electrica Productie Energie S.A. and also the four shares sales and purchase agreements in four project companies having as main activity the production of energy from renewable sources the Group entered on the electricity generation segment, in particular from renewable sources.

Electrica Energie Verde 1 S.R.L. is a producer of electricity from renewable sources, operating a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of MW 7.5 (operating capacity limited MW to 6.8). In 2021 the operation of the plant was continuous, with no significant events leading to production shutdowns,

producing in total MWh 9,767 (2020: MWh 10,131). According to Law no. 220/2008 and based on the accreditation issued by ANRE, Stanesti park receives a number of 6 green certificates ("GC") for each MWh produced and delivered, of which until 2020, 4 GC were issued for trading and 2 GC were postponed (the amendment is introduced by Law no. 184/2018). The postponed green certificates will be reinserted starting from 1 January 2021, in equal monthly tranches until 31 December 2030.

(b) Regulations in the energy sector

Regulatory environment

The activity in the energy sector is regulated by the Romanian Energy Regulatory Authority. Some of the main responsibilities of ANRE are to approve prices and tariffs and to issue substantiation methodologies used to set regulated prices and tariffs.

Electricity distribution

Electricity distribution is a monopoly activity. Distribution tariffs are established through a "tariff basket-price cap" mechanism. The methodology for setting the electricity distribution tariffs applicable for the years ended 2020 and 2021 was approved by ANRE Order no. 169/2018 with subsequent amendments (Orders no. 193/2018, no. 60/2019, no. 203/2019, no. 207/2020, no. 3/2021, no. 101/2021).

The specific distribution tariffs applicable for the three voltage levels (high, medium and low) by regions, for the years 2020 and 2021, were approved by ANRE orders as follows (RON/MWh, presented cumulatively for medium and low voltage levels):

	Order 228,229,227/16.12.2019		
	1 January-15 January 2020		
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.11	65.48	171.98
SDEE Transilvania Sud S.A.	20.69	62.49	169.01
SDEE Muntenia Nord S.A.	16.97	54.09	180.15

	Order 8,9,7/15.01.2020		
	16 January-31 December 2020		
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.77	64.31	168.91
SDEE Transilvania Sud S.A.	20.31	61.34	165.90
SDEE Muntenia Nord S.A.	16.68	53.16	177.06

Order 220,221,222/09.12.2020

	1 January 2021-31 December 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

In 2019, a new regulatory period began, governed by the provisions of ANRE Order no. 169/2018 for the approval of the Methodology for establishing the tariffs for the electricity distribution service (IV regulatory period: 2019-2023).

The following items are considered by ANRE when setting the target revenue for one year of the regulatory period: controllable and non-controllable operating and maintenance costs; costs of electricity purchased for own technological consumption (distribution network losses); regulated depreciation charge; the return on the regulated assets base ("RAB"); revenues from reactive energy and revenues from other activities, as well as corrections from previous periods.

Starting with 2019, the regulated rate of return ("RRR") on RAB was 5.66%, according to ANRE Order no. 168/2018. For the investments in the electricity distribution networks commissioned during the period 2019-2023, an incentive of 1 percentage point is granted over the regulated rate of return approved by the ANRE Order no. 168/2018. Subsequently, according to Government Emergency Ordinance no. 19/2019, the approved regulated rate of return was 6.9%.

On 9 January 2020 was issued the Government Emergency Ordinance no. 1 which modified:

- The Energy Law regarding the cancellation of the article approving the regulated rate of return of 6.9% starting with 30 April 2020;
- ANRE functioning law, imposing the establishment of the value of the contribution charged by ANRE (thus by ANRE Order no. 1/2020, the contribution has changed from 2% to 0.2%).

ANRE Order no. 75/2020 for establishing the regulated rate of return for the electricity and natural gas distribution and transport tariffs until the end of the fourth regulatory period entered into force on 13 May 2020.

Thus, for the year 2020, the regulated rate of return is as follow:

- For the period 1 January 2020 – 29 April 2020: 6.9%;
- For the period 30 April 2020 – 12 May 2020: 5.66% plus an incentive of 1% for new investments;
- For the period 13 May 2020 – 31 December 2020: 6.39% plus an incentive of 1% for new investments.

The Methodology for establishing the distribution tariffs approved by ANRE Order no. 169/2018 was modified by ANRE Orders no. 207/2020 and no. 3/2021 as follows:

- granting a 2% RRR incentive for investments in the electricity distribution network financed from own funds in projects in which European non-reimbursable funds are also attracted, if the investments are performed and put into function by operators after 1 February 2021;
- in cases where, for certain categories of tangible/intangible assets, the regulated legislation establishes other regulated useful lives than those provided by the Methodology or in the Catalogue on the classification and normal operating useful lives of fixed assets, approved by Government decision, the annual regulated depreciation of those assets is calculated on the basis of the regulated useful lives established by the primary legislation.

ANRE approved Order no. 101 / 30.09.2021 for changes of the Methodology for establishing the distribution tariffs approved by ANRE Order no. 169/2018 with the date of entry into force 1 October 2021. Regarding the network losses prices, ANRE has the right to correct the projection of distribution tariffs for a regulatory period or for one year, if there have been significant variations in prices on the electricity market, which lead to a significant change in distribution service costs; at the justified request of the Distribution Operator, the adjusted revenue of year t + 1 may include a cost adjustment with the regulated network losses forecast for year t + 1, by changing the reference price, depending on the evolution of prices on the electricity market and the result of the analysis of the evolution of tariffs for the current regulatory period;

Energy law no. 123/2012 was amended by Order no. 143/2021, in force starting with 31 December 2021 stipulating among others the followings:

- household connections - In the case of household consumers, upon commissioning of the connection works performed, Distribution Operator will reimburse the applicant the effective value of the connection design and execution works, 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 consumer, being recognized by ANRE as part of the regulated assets base.
- non-household connections - In the case of non-household consumer, the value of the connection works, including those for the design of the connection / connection made, is fully borne by the consumers. The assets resulting from the connection works enter the patrimony of the Distribution Operator 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.

Starting with 16 March 2021, it was approved, by ANRE Order no. 17/2021, the Connection to the Electrical Distribution Network Procedure regarding the connection of the consumption places belonging to the non-household final consumers through connection installations with lengths up to 2,500 meters and household consumers, through which the distribution operators have the obligation to finance and carry out the design and execution works of the connection installation for household consumers with lengths up to 2,500 meters. By referring to the Connection to the Electrical Distribution Network Procedure, ANRE approved the ANRE Order no. 19/20.01.2021, in force on 19 March 2021, by which it modified the Investment Procedure approved by the ANRE Order no. 204/2019 and established the obligation of distribution operators, to carry out the connection works to the final consumers, in addition to the annual investment plan.

Regulatory asset base ("RAB")

In accordance with the old tariff methodology for electricity distribution approved by ANRE Order no. 72/2013 with subsequent amendments (Orders no. 112/2014, no. 146/2014 and no. 165/2015), and the new tariff methodology of electricity distribution approved by ANRE Order no. 169/2018 with subsequent amendments (ANRE Orders no. 193/2018, no. 60/2019, no. 203/2019, no. 207/2020, no. 3/2021 and no. 101/2021), hereinafter referred to as Methodology, the determination of the distribution tariffs is based on, inter alia, the RAB. The RAB calculation is based on capital expenditure.

The regulatory asset base at the beginning of the first regulatory period (1 January 2005) ("initial RAB") includes the net book value of the property, plant and equipment and intangible assets as approved by ANRE and used only for regulated electricity distribution.

The subsequently calculated RAB includes besides the initial RAB, as a net value, the net value of the tangible and intangible assets subsequently acquired through investments approved by ANRE. The RAB does not include the fixed assets financed from donations or other non-reimbursable funds, including the connection fee received from the new users of the electricity distribution network.

Tariff adjustments

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

In regulated activities, the regulator establishes through the tariff adjustment mechanism (as presented above), the criteria to recognise over or under recoveries of one period in future periods. The Group does not recognise regulatory assets and liabilities in respect of these under or over recoveries, as these differences are recovered or returned through the tariffs charged in subsequent periods.

Electricity supply

Regulated market

Starting with the 1 January 2018, the total liberalization of the energy market was achieved and conditions were created for the transition to eligibility of a larger number of household consumers. There were significant migrations of domestic consumers between suppliers, which led to a change in the structure of their portfolio. Furthermore, in 2019 there was an increase in the number of products offered by suppliers to final consumers and consumers options for offers that combine electricity, natural gas and/or telecommunications services.

However, after the total aforementioned liberalization from 1 January 2018, the regulatory framework for the supply activity has been modified starting with 1 March 2019, in accordance with the provisions of the Government Emergency Ordinance (GEO) no. 114/2018. The new secondary legislation approved by ANRE has reintroduced the regulated contracts with the electricity producers and modified the pricing methodology for the household consumers in the regulated segment. Subsequently, by Government Emergency Ordinance no. 1/2020, the period of application of regulated tariffs to household consumers was shortened, respectively until 31 December 2020. The secondary legislation issued by ANRE approved a series of rules and conditions for the liberalization of the electricity market with regards to the manner and frequency of informing and offering the final consumers beneficiaries of universal service, the supply in last resort regime, the applicable framework contracts and the possibility to grant a commercial discount to the domestic clients, at least until 30 June 2021.

The abovementioned regulatory changes are applicable for consumers in the regulated market. Taking into account the provisions of the Electricity Law and the European Directive no. 54/2003, the electricity market is fully liberalised starting with 1 July 2007 and all consumers were declared eligible. The eligible consumers are free to choose their electricity supplier from which they purchase electricity at negotiated prices. For the other consumers (including those that did not exert their eligibility right), as mentioned before, the tariffs/prices have been regulated/approved on the basis of ANRE orders, until 31 December 2019 for non-household consumers and 31 December 2020 for household consumers.

Through ANRE Order no. 188/2020 for the approval of the Regulation for the designation of suppliers of last resort, the notion of obligatory SoLR and optional SoLR disappears. The designation of a supplier as SoLR is made at national level and not on network areas, as previously provided. SoLRs are designated for an indefinite period, starting with 1 January 2021, and in the designation process the eligibility criterion based on serving a number of at least 2,000 consumption places at national level is no longer applied, so that any supplier can become SoLR.

Through ANRE Decision no. 2123/2020, Electrica Furnizare S.A. was designated as a supplier of last resort for an indefinite period, starting with 1 January 2021, for all network areas in Romania. The criterion for taking over a consumer as a last resort supplier will be the "lowest cost", regardless of whether they are domestic or non-domestic consumer. The lowest cost is established by ANRE monthly, for each network area, by consulting the offers published by SoLR on their own web pages.

As of 1 January 2021, regulated end-user prices for electricity had been removed and the market fully liberalized for all types of consumers. Therefore, both universal service prices and competitive prices are set freely by suppliers.

Also, for 2021, ANRE had set a series of specific obligations concerning notification of consumers and the offers sent to them for the suppliers of last resort which had regulated consumers at the end of 2020.

Competitive market

Transactions on the competitive wholesale market are transparent, public, centralised and non-discriminatory. Participants to the wholesale market can trade electricity based on the bilateral contracts concluded on the dedicated markets.

The supply of electricity to consumers on the competitive market is based on negotiated contracts (within the limits of the regulations in force). Electricity consumption is invoiced, according to the contractual provisions, at negotiated tariffs with the final consumer.

Changes in legislation

Over 2021, several changes have been brought to the legislation, having a significant impact on the supply of electricity, as follows:

- Enforcement of Order 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 consumer 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 consumer 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 of the annual turnover;
- Implementation, from 1 November 2021 to 31 March 2022, due to the increase in energy price on the

international and national markets and the impact thereof on Romanian consumers, of the consumers support schemes approved by Order no. 118/2021, as approved with amendments 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 costs borne with 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 amounts compensated will be received from the the National Agency for Payments and Social Inspection for household consumers and a 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. (for further details please refer to Note 18)

Green certificates

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final consumers. The cost of green certificates is invoiced to final consumers separately from the tariffs for electricity.

For 2021, the mandatory estimated annual quota for green certificates was established by ANRE through Order no. 237/2020 (0.4505 GC/MWh) following that until 1 March 2022, ANRE will establish also through another order, the annual mandatory quota for the acquisition of green certificates related to 2021, based on the quantities of electricity from renewable sources and the final consumption of electricity of the previous year. For 2020, the mandatory quota of green certificates was established by ANRE through Order no. 9/2021, at the value of 0.45074 GC/MWh.

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 6 GC for each MWh produced and delivered, of which by 2020 4 GC were issued for trading and 2 GC postponed (the postponement is introduced by Law no. 184/2018).

The green certificates can be sold on the spot market, term market or a combination of both. The selling price must fall between the minimum and maximum values set by Law no. 220/2008 for establishing the system for promoting the production of electricity from renewable energy sources, republished, with subsequent amendments.

The trading value of green certificates on the markets in accordance with the provisions of Law no. 220/2008, republished, with subsequent amendments and additions from Order no 24/2017, falls between:

- (a) a minimum trading value of EUR 29.4/GC and
- (b) a maximum trading value of EUR 35/GC.

For the year 2021 and 2020, the trading of green certificates was carried out at the minimum price on all markets, as a result of the excess GC offered for sale compared to the suppliers' purchasing obligations.

COVID-19 impact

On 11 March 2020 the World Health Organization (hereinafter "WHO") declared the COVID-19 outbreak a pandemic and on 16 March 2020 Romania entered into a state of emergency. Measures taken by the Romanian Government included restrictions on the cross-border movement of people, entry restrictions on foreign visitors and lock-down of certain industries. Furthermore, significant key players on the market decided to shut down their operations, especially in the automotive and heavy industries, while some smaller businesses decided to curtail or temporarily suspend their operations. Therefore, on a macroeconomic level, the COVID-19 pandemic generated a downturn of the economy leading to a decrease in the demand for electricity, especially from non-household consumers.

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 to be carried out under normal conditions and issued guidelines aimed at preventing and/or mitigating the effects of contagion at the workplace. Most important measures

included strict adherence to hygiene and social distancing rules as well as working from home where possible. In addition, technicians who perform field work received special equipment in order to minimize the risk of infection. A resilience plan was developed for each company within the Group, identifying essential activities and critical roles through scenario analysis and ensuring staff backup. All the aforementioned resilience plans were integrated at Group level in order to ensure that actions taken were appropriate for each company individually as well as for the Group overall. As a result all key functions of the Group were maintained, enabling the Group to provide secure energy distribution and supply services while maintaining the safety of employees and consumer.

Moreover, the Group will build on its policy to promptly and transparently communicate 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 future financial statements and will be made available to investors.

Increase in Energy 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. Moreover, the strong increase in energy prices is both the result of external factors, such as the exponential increase in the price of emission allowances, and of internal factors, such as the high share of energy traded on the spot market (DAM). The entire energy sector was affected by the increased energy price.

The aforementioned difficult conditions led to an increase in operating expenses, mainly for the acquisition of energy for network losses and for supplying activity. The unstable economic environment, led to a decrease in financial performance for 2021, as compared with the previous year but with no significant difficulties in receivables collection and consequently payment of debts being noted.

The Group actively reviews and implements policies and strategies to recover from the loss generated by the increase in energy price, strategies which mainly aim in revising the method of generating the selling price for final consumers, concluding agreements with specific clauses ensuring new financing facilities, closely monitoring suppliers and consumers payment terms, monitoring daily cash flow and forecasted cash flow. Therefore, considering the actions already implemented and the strategies which will be applied, the Group anticipate a recovery on its financial performance and its operations in the foreseeable future. The Group continues to closely monitor the macroeconomic outlook and as additional information will be available, their effects on the activity of Group companies and over the financial results will be analyzed.

2 Basis of accounting

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-EU"). The consolidated financial statements were authorized for issue by the Board of Directors on 28 February 2022 and will be submitted for shareholders' approval in the meeting scheduled on 20 April 2022.

The Company also issues an original version of the consolidated financial statements prepared in accordance with IFRS-EU in Romanian language, that will be used for submitting to the Bucharest Stock Exchange, which is the original binding version.

Details of the Group's accounting policies are included in Note 6. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

3 Functional and presentation currency

These consolidated financial statements are presented in Romanian Lei (RON), which is the functional currency of all Group companies. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below.

Revenue recognition

The Group assesses its revenue arrangements based on specific criteria to determine if it is acting as a principal or an agent. In applying IFRS 15, the Group has identified that it acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP") and thus recognises revenue as the net amount of the commission earned by the Group. The Group concluded that it is acting as a principal in all other revenue arrangements.

Service Concession Arrangements

The distribution subsidiaries (as operators) that merged into one single distribution operator as of 31 December 2020 concluded concession contracts with the Ministry of Economy (as grantor) in 2005, updated by subsequent addendums. These contracts concern the operation of electricity distribution service in the established territory (Transilvania Nord, Transilvania Sud, Muntenia Nord), on the risk and responsibility of the operators and taking into account the regulations applicable to the operation, modernization, rehabilitation and development of energy distribution networks specified in the Electricity Law, the terms and conditions of the licenses for electricity distribution and the regulations issued by ANRE. The distribution operator resulting from the merger of the three distribution operators within the Group, Distribuție Energie Electrica Romania concluded addendums to the concession agreements signed with the Ministry of Economy for the operation of electricity distribution service in all three areas.

IFRIC 12 "Service Concession Arrangements" deals with public-to-private service concession arrangements. IFRIC 12 applies to public-to-private service concession arrangements if:

- (a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

The control or regulation referred to in condition (a) could be by contract or otherwise (such as through a regulator). The activities of the electricity distribution operators, including distribution tariffs, are regulated by ANRE.

The concession contracts are concluded for a period of 49 years and may be extended for a period equal to no more than half of that period. As a price for the concession, the operators pay an annual royalty fee recognized in the distribution tariff of 1/1000 of the revenues from electricity distribution. According to the concession contracts, the operators use the assets representing the distribution network owned by them located in the above-mentioned territory for electricity distribution. According to the concession contracts, the grantor will buy at the end of the term of concession contract the ownership right of the "relevant assets", that are mainly the electricity distribution networks, at a price equal to the value of the regulated assets base at the end of the concession.

Within the arrangements, the Group incurs significant expenditure in relation to the development and maintenance of the infrastructure. The construction works are either outsourced by the Group to sub-contractors, or performed internally. Significant management judgment is involved in accounting for the concession arrangements under IFRIC 12, including those in respect of the recognition of revenue based on the separation of construction or upgrade services from operation services.

The concessionaires act as service suppliers (they build, modernize and maintain the distribution network) and the revenues related to the construction or improvement of infrastructure is recorded according to IFRS 15. This results in revenues and expenditures being recognized in the profit and loss account (related to the construction and modernization of infrastructure), as well as of a margin resulting from rendering the construction services established by the Group. The 3% margin applied is determined based on the Group's experience in working with external contractors.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve month period is included in the following notes:

- Note 6 l) – assumptions regarding the useful life of the intangible assets related to concession arrangements;
- Nota 6 c) – assumptions regarding recognition of revenue from supply and distribution of electricity to consumers based on estimates for electricity delivered and for which no reading was performed yet;
- Notes 18 and 31 – assumptions and estimates about measurement of the allowance for trade receivables at the level of expected credit losses (ECL), respectively in determining the loss rates;
- Note 23 – assumptions regarding the revalued amount of property, plant and equipment;
- Notes 29 and 34 – recognition and measurement of provisions and contingencies;
- Notes 17 – recognition of deferred tax asset;
- Note 18 – assumptions and estimates of amounts to be received from the state following the application of the compensation and capping scheme.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 31 – Financial instruments;
- Note 23 – Property, plant and equipment.

5 Basis of measurement

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

6 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. The new amendments to existing standards that are effective starting with 1 January 2021 do not have a significant impact over the Group's consolidated financial statements.

(a) Going concern

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

- A return to positive operating cash flow from May 2022, following with the assumption that the effects of the law 118/2021 will no longer continue past March 31, 2022. The consequence would be that the price for the end customers will no longer be capped;
- The utilisation of confirmed debt facilities up to a limit of RON 2,537,223 thousand, including RON 1,830,000 thousand total overdraft limits (please see Note 20 and 36) and RON 707,223 thousand long term loans (please see Note 30);
- The utilisation of not yet confirmed facilities amounting to RON 840,000 thousand which would be drawn down during the forecast period;
- The Group has received the waiver letter from EBRD on 24 February 2022 (Note 36), however this is subject of obtaining the waiver letters also from EIB and BCR for which the Group was non compliant as at 31 December 2021; The management of the Group is of the opinion that based on the discussions with EIB and BCR the waiver letter will be obtained also from these 2 banks;

At the present time the projections are based on the latest assumptions that include the ending of the Law no. 118/2021 regarding the compensation and ceiling scheme in March 2022. At the date of issuance of these consolidated financial statements the regulatory position is under review and there may be further laws enacted which could adversely impact the Groups operating cash flows beyond the 1st of April 2022. Given the current market uncertainties, the Group has outlined a proposal to be approved in the forthcoming annual shareholders meeting regarding the approval of a total ceiling of short-term financing up to RON 1,500,000 thousand. In light of the importance of the Group as the supplier and distributed of electricity on the Romanian market, having 39.6% (according to the latest ANRE report 2020 for the distribution segment) as market share on the electricity distribution and 18.39% (according to the latest ANRE report November 2021 for the supply segment) as market share on the electricity supply market and having as main shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from this uncertainty and Group will be able to meet its obligations as they fall due.

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

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidation perimeter from the date that control commences until the date on which control ceases.

(ii) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Non-controlling interests

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Revenue

The Group recognize the revenues from contracts with customers in accordance with IFRS 15.

Under the standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Group is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

Supply and distribution of electricity

The revenue from supply and distribution of electricity to consumers is recognized when electricity is delivered to consumers (consumed by consumers), based on meter readings and based on estimates for electricity delivered and for which no reading was performed yet. The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on meter readings or on estimated consumptions based on the historical data of each consumer. Electricity supplied to consumers which is not yet billed as at the reporting date is accrued on the basis of recent average consumption or based on subsequent meter readings. Differences between estimated and actual amounts are recorded in subsequent periods.

Revenues from electricity distribution and supply also include the cost of green certificates recharged by the Group to final consumers (see paragraph (k)).

The Group acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP"). Thus, in its quality as an agent, the Group recognizes revenue for the commission earned in exchange for facilitating the transfer of goods or services. Any holder of a production/supply/distribution license must be established as a Balancing Responsible Party or must delegate this responsibility to a Balancing Responsible Party. By delegating this responsibility to a BRP, there is the benefit of imbalance aggregation in the meaning of Balancing Market cost reduction by comparison with the case where the producer/supplier/distributor would act itself as a Balancing Responsible Party.

Electrica Furnizare S.A. acts as BRP for a large number of participants, electricity producers as well as electricity suppliers and distribution operators. For the settlement of imbalances, BRP Electrica is using the "method of internal redistribution of payments", ensuring benefits of imbalance aggregation for all the participants included in the BRP. BRP Electrica provides the transmission of physical notifications to CNTEE Transelectrica SA and its role is to balance the differences between the electricity contracted and the electricity measured at the level of the entire BRP.

Generation and sale of electricity

The electricity produced by the Group is mainly sold on the Day Ahead Market and the revenue is recognized when the electricity is injected into the network and is being sold on the market.

Sale of green certificates

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. Cost of green certificates is invoiced to final customers separately from the tariffs for electricity.

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWH of electricity produced from renewable sources and injected into the network. The green certificates can be sold on the spot market, term market or a combination of both. The selling price must fall between the minimum and maximum values set by Law no. 220/2008 for establishing the system for promoting the production of electricity from renewable energy sources, republished, with subsequent amendments. Revenue from green certificates is recognized in the profit or loss statement when the green certificates are sold on the trading market.

Rendering of services

Revenues related to services rendered are recognised in the period in which the services were rendered based on statements of work performed, regardless of when paid or received, in accordance with the accrual basis.

Sales of goods

Revenue from sale of goods is recognized when the control of the goods has been transferred to a customer. Control refers to the customer's ability to direct the use of and obtain substantially all of the remaining benefits from, an asset.

Service concession arrangement

Revenue related to construction or upgrade services under service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the accounting policy on recognising revenue on construction contracts, as follows:

- Revenue in respect of variations to contracts and incentive payments is recognised when there is an enforceable right to payment and it is highly probable it will be agreed by the customer. Variable consideration is assessed on a contract by contract basis according to the facts, circumstances and terms of each project and only recognised to the extent that it is highly probable not to significantly reverse in the future. Revenue in respect of claims is recognised only if it is highly probable not to reverse in future periods.
- If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.
- Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately as expense.

(d) Commissions

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for the transactions acting as Balancing Responsible Party. If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the income recognised is the net amount of commission earned by the Group.

(e) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- foreign currency gains or losses on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

(f) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated to the functional currency.

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(h) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that the future taxable profits will be available against which they can be used.

The Group applies IFRIC 23 „Uncertainty over Income Tax Treatments”. IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, the Group shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation.

The Group assesses whether it is probable (more than 50% chances) that a tax authority will accept an uncertain tax treatment.

Thus, the Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

- (a) the most likely amount - the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.
- (b) the expected value - the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

(i) Green certificates

Electricity supply

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers.

The cost of green certificates is accrued in the profit or loss based on the quantitative quota determined by the regulator representing the quantity of the green certificates that the Group has to purchase for the year and based on the price of green certificates acquired on the centralized market. The obligation for covering the annual acquisition quota is accrued in profit or loss.

Electricity generation

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWH of electricity produced from renewable sources and injected into the network. Green certificates are recognized as inventories when the producer has the right to receive as a result of energy produced and delivered into the network, at nil nominal value. Recognition in the profit and loss account is done at the time of their sale.

(j) Inventories

Inventories consist mainly of spare parts that do not meet the recognition criteria for property, plant and equipment, consumables, goods for resale, other inventories and the natural gas storage.

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average cost method. The cost of inventories includes all the acquisition costs and other expenses related to bringing the inventories to their current place and condition. Consumables used for the repairs and maintenance of the electricity network are included in profit and loss when consumed and presented in “Repairs, maintenance and materials”.

(k) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation. The other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Revaluations of land and buildings are made with sufficient regularity to ensure that the carrying amount does not differ materially from the one that would be determined using the fair value at the end of the reporting period.

When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives (years)
Buildings	45-70
Equipment	3-25
Motor vehicles and office equipment	3-10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Intangible asset in a service concession arrangement

(i) Recognition and measurement

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses.

(ii) Amortization

The amortization method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset, and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. The Group determined that the amortization method that reflects appropriately the expected pattern of consumption of the expected future economic benefits is correlated with the amortisation of the regulated asset base "RAB".

(m) Connection fees

According to art. 25 paragraph (1) of Law no. 123/2012 on electricity and natural gas, as subsequently amended and supplemented, access to power grids of public interest is a mandatory service provided under regulatory conditions, which the transmission and system operator as well as the distribution operators must ensure.

At the request of a new or pre-existing customer, the distribution operators are obliged to communicate the technical and economic conditions for the connection network and to cooperate with the applicant to choose the most advantageous technical and economic solution. Afterwards, a connection contract is concluded between the distribution operator and the customer at a regulated tariff. The actual construction of the connection installation is carried out by a construction supplier certified by ANRE.

The Group collects cash from customers, which is used only to pay for the construction of the connection station, and the Group must then use this asset to connect customers to the network. According to ANRE Order no. 59/2013, with subsequent amendments, these assets remain in the ownership of the network operator.

The Group recognizes the assets at nil value, net of the amount of the deferred income representing the contributions from customers. The assets financed from connection fees received from the new users of the distribution network are not included in the RAB. At the end of the concession contract, the assets built from the connection tariff will be transferred to the concessionaire free of charge together with the assets part of RAB.

Starting with 2021, according to ANRE Order no. 160/2020 amending ANRE Order no.59/2013, the connection installations that are financed by the customers will remain in their ownership and are being exploited by the network operator. However, according to ANRE Order no. 17/2021 for the connection installations of all household consumers and of the non-household with lengths less than 2.5 km, the distribution operator has the obligation to finance them and these will remain in the ownership of the network operator.

(n) Other intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(p) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are initially measured at fair value and subsequently at amortized cost in accordance with IFRS 9, as they are held in a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal reimbursements, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Loans and receivables comprise trade receivables, cash and cash equivalents and deposits.

Trade receivables

Trade receivables include mainly unsettled invoices issued until reporting date for supply and distribution of electricity and services, late payment penalties and accrued revenue for electricity delivered and services rendered until the end of the year, but invoiced after the end of the year.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturities of three months or less from the set-up date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) valued as at fair value, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Other financial liabilities include bank borrowings, bank overdrafts, financing for network construction related to concession agreements and trade payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(iv) Impairment

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Write-off policy

The Group writes off a financial asset after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(q) Revaluation reserve

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognised as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

(r) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(s) Pre-paid capital contributions in kind from shareholders

These contributions from a shareholder represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

(t) Provisions

A provision is recognised if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(u) Contingent assets and liabilities

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events that is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the Group's financial statements, but disclosed when an inflow of economic benefits is probable.

(v) Leases

The Group applies IFRS 16 „Leases”.

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets (of less than USD 5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the default rate in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

(ii) Rental income

Rental income from property, plant and equipment other than investment property is recognised as Other income. Rental income is recognised on a straight-line basis over the term of the lease.

(w) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate.

(x) Segment reporting

Segment results that are reported to the Company's Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(y) Subsequent events

Events occurring after the reporting date 31 December 2021, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

7 Adoption of new and revised standards and interpretations

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 16 "Leases" – Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),

- Amendments to IFRS 4 Insurance Contracts “Extension of the Temporary Exemption from Applying IFRS 9” adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of amendments to the existing standards has not led to any material changes in the Group's consolidated financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these consolidated financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- Amendments to IAS 16 “Property, Plant and Equipment” – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 “Business Combinations” – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- IFRS 17 “Insurance Contracts” including amendments to IFRS 17 issued by IASB on 25 June 2020 – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The Group has elected not to adopt the amendments to existing standards in advance of their effective dates. The Group anticipates that the adoption of these amendments to existing standards will have no material impact on the financial statements of the Group in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these consolidated financial statements (the effective dates stated below is for IFRS as issued by IASB):

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- Amendments to IAS 1 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Group in the period of initial application.

8 Operating segments

(a) Basis for segmentation

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Electricity and natural gas supply	Buying and supplying electricity and natural gas to final consumers (includes Electrica Furnizare S.A.)
Electricity distribution	<p>Until 31 December 2020, the electricity distribution service included the former Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A., Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. and Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A., currently Distribuție Energie Electrica Romania S.A. (that covers the all three distribution areas: Transilvania Sud, Transilvania Nord and Muntenia Nord), Electrica Serv S.A. and the activity performed by Societatea Energetica Electrica S.A. within the distribution network until June 2020. Starting with 2021, the electricity distribution service includes the activity of Societatea de Distribuție Energie Electrica Romania S.A. and the activity performed by Electrica Serv S.A. within the distribution network.</p>
Electricity generation	Production of electricity from renewable sources (photovoltaic panels) (includes Electrica Energie Verde 1 SRL and starting with September 2021 includes Electrica Productie Energie S.A.).
External electricity network maintenance	<p>Repairs, maintenance and other services for electricity networks owned by other distributors. Until 31 December 2020, included the activity of Servicii Energetice Muntenia S.A. (until 30 November 2020) and a part of Electrica Serv S.A.. Starting with 2021, includes the activity of Electrica Serv S.A., without the activity performed in the distribution network.</p>

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 segments. This integration includes electricity distribution and shared electricity network maintenance services. Inter-segment pricing policy is determined on an arm's length basis. All assets are allocated to reportable segments, except for investments in associates and deferred tax assets.

(b) Information about reportable segments

Year ended 31 December 2021	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
External revenues	5,741,460	1,389,389	6,024	41,991	7,178,864	-	-	7,178,864
Inter-segment revenue	30,907	1,341,456	2,949	26,127	1,401,439	-	(1,401,439)	-
Segment revenue	5,772,367	2,730,845	8,973	68,118	8,580,303	-	(1,401,439)	7,178,864
Segment (loss)/ profit before tax	(453,610)	(153,003)	1,544	(17,868)	(622,937)	321,779	(331,253)	(632,411)
Net finance income/(cost)	336	(73,498)	(738)	850	(73,050)	377,419	(331,250)	(26,881)
Amortization and depreciation	(14,228)	(451,945)	(2,290)	(10,092)	(478,555)	(2,275)	-	(480,830)
Reversal of impairment of property, plant and equipment and intangible assets, net	-	-	-	137	137	3,805	-	3,942
Impairment of assets held for sale	-	-	-	(154)	(154)	(492)	-	(646)
Adjusted EBITDA*	(439,718)	372,440	4,572	(8,609)	(71,315)	(56,678)	(3)	(127,996)
(Impairment)/ Reversal of impairment of trade and other receivables, net	(37,767)	(32,707)	-	(212)	(70,686)	70	-	(70,616)
Segment (loss)/ profit after tax	(389,678)	(139,040)	1,300	(16,033)	(543,451)	321,822	(331,253)	(552,882)
Employee benefits	(106,107)	(622,492)	(47)	(34,790)	(763,436)	(39,240)	-	(802,676)
Capital expenditure	9,374	500,387	8	1,552	511,321	4,539	-	515,860
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

Year ended 31 December 2021	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
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 or namely EBITDA) for operating segments is defined and calculated as segment profit/(loss) before tax of a given operating segment adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets in the operating segment, ii) impairment of assets held for sale and iii) net finance income in the operating segment. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

Year ended 31 December 2020	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	4,980,587	1,486,629	3,736	30,148	6,501,100	-	-	6,501,100
Inter-segment revenue	34,553	1,264,197	-	159	1,298,909	-	(1,298,909)	-
Segment revenue	5,015,140	2,750,826	3,736	30,307	7,800,009	-	(1,298,909)	6,501,100
Segment profit/(loss) before tax	255,862	95,094	(705)	(5,186)	345,065	304,737	(207,493)	442,309
Net finance income/ (cost)	4,228	(65,090)	(1,318)	(118)	(62,298)	260,183	(214,970)	(17,085)
Amortization and depreciation	(12,827)	(465,793)	(717)	(1,065)	(480,402)	(10,516)	-	(490,918)

Year ended 31 December 2020	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
(Impairment)/Reversal of impairment of property, plant and equipment and intangible assets, net	(1,037)	1,785	(1,500)	(537)	(1,289)	(1,736)	-	(3,025)
Reversal of impairment of assets held for sale	-	188	-	-	188	-	-	188
Adjusted EBITDA*	265,498	624,004	2,830	(3,466)	888,866	56,806	7,477	953,149
Reversal of impairment/ (Impairment) of trade and other receivables, net	(31,880)	(4,126)	(237)	(173)	(36,416)	98,583	-	62,167
Segment profit/(loss) after tax	214,152	77,099	(617)	(3,412)	287,222	307,814	(207,493)	387,543
Employee benefits	(112,603)	(612,326)	-	(17,752)	(742,681)	(31,820)	-	(774,501)
Capital expenditure	4,564	601,756	24	236	606,580	1,060	-	607,640
Segment assets	1,203,027	7,531,380	44,658	98,432	8,877,497	768,206	(1,583,885)	8,061,818
Trade and other receivables	893,180	529,842	109	7,797	1,430,928	165,323	(534,016)	1,062,235
Cash and cash equivalents	185,423	185,498	4,808	1,715	377,444	193,485	-	570,929
Restricted cash (short term)	-	-	-	-	-	320,000	-	320,000
Trade and other payables and short term employee benefits	821,440	625,335	27,786	3,579	1,478,140	11,615	(515,449)	974,306
Bank overdrafts	-	164,966	-	-	164,966	-	-	164,966
Lease liability	2,782	23,032	-	354	26,168	1,454	-	27,622
Bank borrowings	-	778,909	-	-	778,909	-	-	778,909

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

(c) Reconciliation of information on reportable segments to consolidated amounts

	31 December 2021	31 December 2020
Total assets		
Total assets for reportable segments	10,149,577	9,645,703
Elimination of inter-segment assets	(2,375,782)	(1,603,551)
Unallocated amounts	109,341	19,666
Consolidated total assets	7,883,136	8,061,818
Trade and other receivables		
Trade and other receivables for reportable segments	2,436,080	1,596,251
Elimination of inter-segment trade and other receivables	(1,042,861)	(534,016)
Consolidated trade and other receivables	1,393,219	1,062,235
Trade and other payables and short term employee benefits		
Trade and other payables and short term employee benefits for reportable segments	2,312,761	1,489,755
Elimination of inter-segment trade and other payables and short term employee benefits	(1,016,329)	(515,449)
Consolidated trade and other payables and short term employee benefits	1,296,432	974,306

9 Revenue

	2021	2020
Electricity distribution and supply	6,517,777	5,697,668
Supply of natural gas	98,503	42,362
Construction revenue related to concession agreements (Note 24)	500,387	696,246
Repairs, maintenance and other services rendered	59,854	54,472
Proceeds from sale of green certificates	1,138	3,163
Re-connection fees	1,205	2,673
Sales of merchandise	-	4,516
Total	7,178,864	6,501,100

In respect to the timing of the revenue recognition, most of the Group's services provided are transferred to the customer over time, only a small part amounting to RON 2,081 thousand (2020: RON 2,131 thousand) being transferred at a point in time (e.g. metering services provided by the distribution companies, providing periodic data analysis to the customer for certain taxes collected on behalf of them).

10 Electricity and natural gas purchased

	2021	2020
Electricity purchased	4,967,315	3,298,325
Green certificates purchased	581,729	557,222
Natural gas purchased	145,680	50,158
Total	5,694,724	3,905,705

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

11 Other income and expenses

(a) Other operating income

	2021	2020
Rental income	93,143	93,753
Late payment penalties from customers	28,356	26,872
Revenues from indemnities and compensations	47,499	17,153
Revenue from notices	5,943	6,018
Other	20,830	21,626
Total	195,771	165,422

Rental income refers mainly to the rental of the electricity poles by the distribution subsidiary to telecom operators.

In 2021 revenues from indemnities and compensations consists mainly of compensations invoiced, following the early termination of energy contracts by suppliers.

(b) Other operating expenses

	2021	2020
Other taxes and duties	43,211	42,388
Utilities	39,697	40,753
Printing and distribution of invoices services	36,960	38,720
IT services	30,411	29,106
Security services	26,718	27,012
Meters reading expenses	22,219	19,514
Cash collection services	15,819	16,079
Rent	12,205	4,992
Postage and telecommunication services	11,680	7,307
Call centre services	11,011	10,678
Marketing expenses for the supply activity	7,836	4,859
Cleaning expenses	5,078	5,145
Expenses with clients notified	2,197	1,224
Sponsorships and donations	1,039	3,611
Expenses with services from subcontractors	-	7,989
Cost of merchandise sold	733	4,994
Other	76,333	60,733
Total	343,147	325,104

12 Net finance result

	2021	2020
Interest income	1,765	8,962
Other finance income	882	689
Total finance income	2,647	9,651
Interest expense	(24,110)	(20,710)
Interest cost for employee benefits (Note 15)	(5,007)	(5,883)
Foreign exchange losses, net	(411)	(143)
Total finance costs	(29,528)	(26,736)
Net finance cost	(26,881)	(17,085)

13 (Loss)/Earnings per share

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

(Loss)/Profit attributable to shareholders

	2021	2020
(Loss)/Profit for the year attributable to the owners of the Company	(552,882)	387,543
Profit attributable to shareholders of the Company	(552,882)	387,543

Number of ordinary shares (in number of shares)

	2021	2020
Number of ordinary shares at 31 December	339,553,004	339,553,004

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

	2021	2020
(Loss)/Earnings per share		
Basic and diluted (loss)/earnings per share (RON)	(1.63)	1.14

14 Short-term employee benefits

	31 December 2021	31 December 2020
Personnel payables	52,419	52,573
Current portion of defined benefit liability and other employee benefits	18,257	10,420
Social security charges	25,342	24,531
Tax on salaries	5,084	4,768
Total	101,102	92,292

For details of the related employee benefit expenses, see Notes 15 and 16.

In Romania, all employers and employees, as well as other persons, are contributors to the State social security system. The social security system covers pensions, child benefit, temporary inability to work situations, risks of work accidents and professional diseases and other social assistance services, redundancy payments and incentives granted to employers for creating new jobs.

15 Post-employment and other long-term employee benefits

The Group provides cash benefits to employees depending on seniority in the form of jubilee bonuses and depending on the years of service at retirement in the form of retirement bonuses. The post-employment and other long-term employee benefits are stipulated in the Collective Labour Contracts.

Also, in accordance with Government Decisions no. 1041/2003 and no. 1461/2003, the Group provides also, as benefit in kind, free of charge electricity in quantity of KWh 1,200 per year to employees who retired before 30 September 2000 from the companies that belonged to the former Minister of Energy.

From all the Collective Labour Contracts of the Group companies the benefit in kind consisting of free of charge electricity granted to employees who retired was excluded. This benefit was stipulated in the Collective Labour Contracts valid until 31 December 2019 for all subsidiaries and until 31 March 2020 for Electrica SA. Thus, the Group management considers that legally, the companies belonging to the Electrica Group have the obligation to continue to grant the free quota of electricity to the persons retired before 30 September 2000 and who fulfil the conditions stipulated in the Government Decision no. 1041/2003, this right resulting from the stipulations of the Government Decision no. 1041/2003. The free of charge electricity benefit granted to employees who retired from the Group after 30 September 2000 or who will retire in the future from the Group is no longer granted starting with 1 January 2020 in case of all subsidiaries and 1 April 2020 in case of Electrica SA, due to the fact that the aforementioned benefit was expressly excluded from the Collective Labour Contracts.

In the same time, in order to compensate for the exclusion of the benefit in the form of free of charge electricity, as per the new Collective Labour Contracts in force starting 1 January 2020, respectively 1 April 2020, the retirement bonus increased by 1 gross monthly base salary on all three levels of seniority.

On 20 December 2021 the Board of Directors of Electrica SA approved the implementation of a reorganization process of the Headquarters' personnel structure and the initiation of the collective dismissal procedure, formally communicated to all employees on 23 December 2021. On 2 February 2022, the Board of Directors approved the amendment of the Headquarters' organizational structure effective as of 1 March 2022 and the notification of relevant authorities and of the Trade Union regarding the final decision to implement the reorganization process and to carry out the collective dismissal of the employees who currently occupy the positions to be cancelled. According to the Collective Labour Contract, based on seniority, the employees who currently occupy the positions to be cancelled are entitled to receive a number of gross average base salary (Note 15 b)). The estimated termination benefit amounts to RON 5,054 thousand.

In 2021 and 2020, employee benefit obligations were computed by an independent actuary using the projected unit credit method with benefits calculated proportionally to the period of service.

	31 December 2021	31 December 2020
Defined benefit liability	79,078	68,101
Other long-term employee benefits	88,356	86,195
Total	167,434	154,296
- Current portion*	18,257	10,420
- Non-current portion	149,177	143,876

*included in Personnel payables in Note 14

(i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation from the opening balances to the closing balances for the defined benefit liability and other long-term employee benefits and its components. There are no plan assets.

Defined benefit liability	2021	2020
Balance at 1 January	68,101	59,698
Included in profit or loss		
Current service cost	5,158	4,519
Past service cost	5,054	(346)
Interest cost	2,194	2,493
Included in other comprehensive income		
Remeasurements loss		
- Actuarial loss	5,891	7,152
Other		
Benefits paid	(7,320)	(5,415)
Balance at 31 December	79,078	68,101

Other long-term employee benefits	2021	2020
Balance at 1 January	86,195	80,547
Included in profit or loss		
Current service cost	8,285	8,482

	2021	2020
Other long-term employee benefits		
Past service cost	-	767
Actuarial (gain)/ loss	(1,859)	1,645
Interest cost	2,814	3,390
Other		
Benefits paid	(7,079)	(8,636)
Balance at 31 December	88,356	86,195

Defined benefits refer to the retirement bonuses granted according to the seniority within the Group and other long-term benefits refer to the jubilee bonuses granted for seniority.

(ii) Actuarial assumptions

The following were the main actuarial assumptions at each reporting date:

(a) Macroeconomic assumptions:

- inflation. The actuary used information from the National Commission for Strategy and Prognosis:

Year	Valuation date 31 December 2021	Valuation date 31 December 2020
2021	7.5%	2.5%
2022	5.9%	2.5%
2023	3.2%	2.5%
2024	3.0%	2.5%
2025	2.8%	2.5%
2026+	2.5%	2.5%

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 5% for the year 2021 (2020: 3.3%);
- the electricity price per KWh used for 2022 is RON 1.129673, for 2023 it was considered a tendency to recover from the energy crisis, and starting with 2024 is adjusted with inflation (2020: RON/KWh 0.525110);
- the mortality rate published by the National Institute of Statistics was adjusted to 90% to approximate the mortality rates by generations;
- taxes and social charges are those in force as at the reporting date.

(b) Group specific assumptions:

- For the year 2022 were taken into consideration the salaries' growth rates budgeted by the Group. Starting with the year 2023, salaries' growth is forecasted at the inflation rate;
- Employees' turnover: based on historical data;
- Jubilee and retirement bonuses granted based on seniority as per the collective labour contracts, as follows:

Jubilee bonus based on years of service in the Group

Seniority	No of gross monthly base salaries	
	31 December 2021	31 December 2020
	20 years	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

Retirement bonus based on years of service in the Group

Seniority	No of gross monthly base salaries	
	31 December 2021	31 December 2020
	Between 8 and 10 years	2
Between 10 and 25 years	3	3
More than 25 years	4	4

The Group provides also as benefit free of charge electricity in quantity of kWh 1,200 per year to employees who retired before 30 September 2000 who fulfill the conditions stipulated in the Government Decision no. 1041/2003. In the event of pensioner's death, the husband/wife is entitled to receive the same benefit until he/she will marry again.

Termination benefits

(a) Termination benefits for individual lay-offs at the Group's initiative

In accordance with the Collective Labour Contracts concluded between the Group and the Unions, when individual labour contract are terminated at the Group's initiative, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries	No of gross monthly base salaries
	31 December 2021	31 December 2020
	1 - 2 years	2
2 - 5 years	3	3
5 - 10 years	4	4
10 - 20 years	5	5
More than 20 years	8	8

(b) Termination benefits for collective lay-offs at the Group's initiative

For collective lay-offs, according to the Collective Labour Contracts, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries	No of gross monthly base salaries
	31 December 2021	31 December 2020
1 - 3 years	3	3
3 - 5 years	6	6
5 - 10 years	7	7
10 - 20 years	11	11
More than 20 years	16	16

The above mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above stipulations do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Group's reorganization and restructuring. Employees who are re-employed within the Group after lay-off are not entitled to the above-mentioned benefits.

(c) Termination benefits for voluntary redundancies

In accordance with the Agreements signed between the Group and the Unions and the Addendums to Collective Labour Contracts, in case the individual labour contract is terminated as voluntary redundancy from the employee, the Group pays termination benefits depending on the period to reach the standard retirement age, the period of service in the Group and the seniority. The number of gross monthly base salaries paid as termination benefits vary between 5 and 23.

(iii) Sensitivity analysis

Significant actuarial assumptions for the determination of the benefit obligation are the discount rate, expected salary increase and retirement age. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Increase by 1%		Decrease by 1%	
	2021	2020	2021	2020
Discount rate	(12,489)	(13,216)	12,489	13,216
Salary growth	12,957	13,561	(12,957)	(13,561)

	Increase by 1 year		Decrease by 1 year	
	2021	2020	2021	2020
Retirement age	3,677	3,367	(3,677)	(3,367)

The sensitivity analysis presented above may not be representative of the actual change in the benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the benefit obligation liability recognized in the statement of financial position.

16 Employee benefit expenses

	2021	2020
Average number of employees	7,919	8,053
Number of employees at 31 December	8,020	8,126
	2021	2020
Wages and salaries*	796,137	738,009
Social security contributions	19,486	17,133
Meal tickets	33,585	27,080
Termination benefits	6,135	25,751
Total employees benefits for the year	855,343	807,973
Capitalised employee benefit expenses	(52,667)	(33,472)
Total employees benefits in the statement of profit or loss	802,676	774,501

*Wages and salaries includes also current service cost, defined benefits and other long-term employee benefits. Management remuneration is disclosed in Note 33 b) Related parties.

17 Income taxes

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Group considers that the accounting records for taxes due are adequate for all open tax years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period when such a determination is made.

(i) Amounts recognised in profit or loss

	2021	2020
Current tax expense	242	53,928
Deferred tax (benefit)/expense	(79,771)	838
Total (benefit)/expense related to income tax	(79,529)	54,766

(ii) Amounts recognised in other comprehensive income

	2021			2020		
	Before tax	Tax expense	Net of tax	Before tax	Tax (expense)/benefit	Net of tax
Revaluation of land, land improvements and buildings	-	-	-	43,823	(7,931)	35,892
Remeasurement of defined benefit liability	(5,891)	(45)	(5,936)	(7,152)	572	(6,580)
Total	(5,891)	(45)	(5,936)	36,671	(7,359)	29,312

(iii) Reconciliation of effective tax rate

	2021		2020	
(Loss)/Profit before tax		(632,411)		442,309
(Benefit)/Tax using Company's domestic tax rate	16%	(101,186)	16%	70,769
Non-deductible expenses	-7%	45,558	6%	27,453
Non-taxable income	3%	(15,878)	-5%	(20,537)
Deduction of legal reserves	0%	(2,574)	-1%	(3,244)
Other tax effects	0%	(1,607)	0%	(402)
Recognition of tax effect of previously unrecognised tax losses	1%	(3,842)	-4%	(19,273)
Income tax (benefit)/expense	13%	(79,529)	12%	54,766

(iv) Movement in deferred tax balances

2021	Balance at 31 December 2021					
	Net balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	41,757	(1,919)	-	39,838	-	39,838
Intangible assets related to concession agreements	171,712	15,788	-	187,500	-	187,500
Employee benefits	(22,603)	(1,382)	45	(23,940)	(23,940)	-

2021	Balance at 31 December 2021					
	Net balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
Tax loss carried forward	(7,765)	(88,207)	-	(95,972)	(95,972)	-
Other items	(4,121)	(178)	-	(4,299)	(4,299)	-
Tax liabilities/ (assets) before set-off	158,121	(79,771)	45	78,395	(148,943)	227,338
Set off of tax					65,412	(65,412)
Net tax liabilities/ (assets)					(83,531)	161,926

The Group recognised a deferred tax asset in amount of RON 88,207 thousand in relation to the suffered loss from 2021. The recognition was based on the latest management assumptions and judgements in which the subsidiaries for which a deferred tax asset was recognised, will generate future taxable profit in the next 7 years will, against which the subsidiaries can use the benefits therefrom. The 7-year period is the maximum period in which the Group is allowed to use the benefit in the current tax jurisdiction.

2020	Balance at 31 December 2020						
	Net balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Acquisition of subsidiaries*	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	35,828	(4,876)	7,931	2,874	41,757	-	41,757
Intangible assets related to concession agreements	162,923	8,789	-	-	171,712	-	171,712
Employee benefits	(20,203)	(1,828)	(572)	-	(22,603)	(22,603)	-
Impairment of trade receivables	(19,402)	(1,457)	-	-	(20,859)	(20,859)	-
Tax loss carried forward	(6,959)	395	-	(1,201)	(7,765)	(7,765)	-
Other items	(3,936)	(185)	-	-	(4,121)	(4,121)	-
Tax liabilities/ (assets) before set-off	148,251	838	7,359	1,673	158,121	(55,348)	213,469
Set off of tax						35,682	(35,682)

Net tax liabilities/ (assets)	(19,666)	177,787
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*see Note 32

(v) *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the certain tax losses generated by the Company, because it is not probable that future taxable profit will be available against which the entity generating it can use the benefits therefrom.

	2021	2020
Tax losses	356,623	371,426

18 Trade receivables

	31 December 2021	31 December 2020
Trade receivables, gross	2,325,477	1,979,348
Bad debt allowance	(980,858)	(949,573)
Total trade receivables, net	1,344,619	1,029,775

Trade receivables from related parties are presented in Note 33.

Trade receivables, gross, comprise:

	31 December 2021	31 December 2020
Electricity distribution and supply	1,323,732	1,026,525
Late payment penalties receivable	81,311	84,729
Customers with judicial execution titles	766,109	760,229
Repairs, maintenance and other services	17,700	12,624
Other	136,625	95,241
Total trade receivables, gross	2,325,477	1,979,348

Following the adoption of the Order no. 118/2021 with subsequent amendments approved by Law no. 259/2021 with subsequent amendments and Order no. 226/2021 concerning the capping and compensation mechanism, part of the receivables due to the subsidiary Electrica Frunizare S.A. for the sale of electricity and gas are against the Romanian State through National Agency for Payments and Social Inspection and Ministry of Energy. The amounts estimated to be received are of RON 59,271 thousand from the National Agency for Payments and Social Inspection for household consumers and of 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, depending on the case. The receivables are booked under the caption "Electricity distribution and supply".

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables in the form of lifetime expected credit losses is as follows:

Lifetime expected credit losses

	2021	2020
Balance as at 1 January	949,573	1,022,140
Loss allowance recognized	94,400	60,773
Decrease in loss allowance	(22,944)	(121,176)
Amounts written off	(40,171)	(12,164)
Balance as at 31 December	980,858	949,573

The aging of trade receivables is presented in Note 31.

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

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

Amounts written off refer mainly to clients for which the bankruptcy procedure was finalized.

Oltchim (a state-controlled company) was an important customer of Electrica S.A. until January 2012, when the Company transferred the contract to Electrica Furnizare S.A.. In January 2013, Oltchim entered into insolvency procedures and subsequently in May 2019 started the bankruptcy procedures. Due to the uncertainties regarding the recoverability of the amounts owed by this customer, the Group recognized in prior years a bad debt allowance for the entire amount receivable. During 2020, the Group adjusted the uncollected VAT in amount of RON 105,042 thousand related to the doubtful receivables from Oltchim, based on the sentence of starting the bankruptcy procedures and the provisions of art. 287 of the Fiscal Code. As the entire amount was recovered during 2020, by offsetting the VAT positions to be recovered with the payment position at the level of the VAT group to which the companies in the Electrica Group belong, the bad debt allowance was reversed with the same amount. During 2021, receivable for Oltchim in amount of RON 29,329 thousand was written off as it was not recognised in the final bankruptcy table. The bad debt allowance was also adjusted with the same amount.

In the light of the impact generated by COVID-19 pandemic, the Group has identified the probability of default, taking into account a number of factors to ensure that the classification to default is done not only based on the historical expected credit loss but also based on circumstances according to which economic losses are likely to occur. IFRS 9 is based on a set of principles that, by nature are not mechanical and require the application of a certain degree of professional judgement. In applying IFRS 9 as of 31 December 2021, the Group has considered all the information available without undue costs (including forward looking information) that may affect the credit risk of its receivables since original recognition, thus recording a bad debt allowance in amount of RON 94,400 thousand.

19 Other receivables

	31 December 2021	31 December 2020
VAT receivable	12,566	12,565
Interest receivable	18	77
Other receivables	56,140	40,782
Lifetime expected credit losses	(20,124)	(20,964)
Total other receivables, net	48,600	32,460

Other receivables include mainly guarantees and receivables to be recovered from state authorities in respect to medical leave indemnities.

The reconciliation between the opening balances and the closing balances of the impairment for other receivables is as follows:

Loss allowance	2021	2020
Balance as at 1 January	20,964	22,728
Loss allowance recognized	-	237
Decrease in loss allowance	(840)	(2,001)
Balance as at 31 December	20,124	20,964

20 Cash and cash equivalents

	31 December 2021	31 December 2020
Bank current accounts	167,859	179,362
Call deposits	53,897	391,514
Cash in hand	74	53
Total cash and cash equivalents in the consolidated statement of financial position	221,830	570,929
Overdrafts used for cash management purposes	(627,402)	(164,966)
Total cash and cash equivalents in the consolidated statement of cash flows	(405,572)	405,963

	31 December 2021	31 December 2020
Restricted cash – short-term	-	320,000

On 16 October 2021 the long term borrowings from BRD – Groupe Societe Generale were repaid, so the amount of the collateral deposits in amount of RON 320,000 thousand presented in the consolidated statement of financial position as short-term restricted cash as at 31 December 2020, were released.

Until the authorization for issue of these Consolidated Financial Statements by the Board of Directors, the Group has overdrafts from various banks (ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, BNP Paribas, Intesa Sanpaolo Bank and BRD – Groupe Societe Generale S.A.) with a total overdraft limit of up to RON 1,830,000 thousand and maturities ranging from January 2022 to December 2023 out of which overdrafts in amount of RON 760,000 thousand were signed subsequently in the period between 31 December 2021 and 28 February 2022. (for further details please see Note 36)

The overdraft facilities are used for cash management purposes and are not financial in nature from the perspective of presenting in the consolidated statement of cash flows. The outstanding balance of the overdraft facilities as at 31 December 2021 is of RON 627,402 thousand (31 December 2020: RON 164,966).

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 5,941 thousand in 2021 (2020: RON 9,734 thousand).

21 Assets held for sale

Electrica Serv S.A.'s Board of Directors approved the selling plan of part of their available assets and accordingly, those assets were presented as Assets held for sale, being expected to be sold in the following period. During 2021 were sold a number of 4 assets (8 in 2020) in amount RON 478 thousand (RON 1,735 thousand in 2020).

In November 2021, due to the fact that Electrica Serv S.A. did not managed to sell some of the assets approved in the initial selling plan in 2019, the market conditions for selling being limited by the COVID pandemic resulting in difficulties in finding an active buyer, a new plan was approved with the assets for which the sale is highly probably, offers being received and are available for immediate sale in current conditions; the rest of the assets in amount of RON 10,190 were reclassified to Property Plant and Equipment (Note 23).

The assets held for sale comprise:

	31 December 2021	31 December 2020
Land and buildings	5,132	15,476
Equipment	280	-
Total assets held for sale	5,412	15,476

22 Inventories

As at 31 December 2021 and 31 December 2020, inventories are as follows:

	31 December 2021	31 December 2020
Spare parts	28,569	40,582
Consumables and other materials	33,399	22,672
Natural gas	5,367	1,725

	31 December 2021	31 December 2020
Other inventories	13,938	23,868
Allowance for impairment of inventories	(8,315)	(18,781)
Total inventories	72,958	70,066

Inventories include mainly spare parts, consumables and the natural gas storage (applicable only for the supply subsidiary) that was set up according to ANRE's regulations. Spare parts refer mainly to items such as cables, conductors, sockets, switches which are used for the distribution network.

As at 31 December 2021, the remaining quantity of natural gas stored is of MWh 12,186 (31 December 2020: MWh 20,307), amounting to RON 5,367 thousand (31 December 2020: RON 1,725 thousand).

With the acquisition of Electrica Energie Verde 1 (former Long Bridge Milenium S.R.L) (please refer to Note 32), the Group took over the balance of green certificates existing at the acquisition date, respectively 31 August 2020.

The photovoltaic park receives 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, following to be recovered in equal tranches from 1 January 2021 to 31 December 2030.

Green certificates are recognized in the caption "Other inventories" when they energy is produced and injected into the network, at Nil nominal value.

On 31 December 2021, Electrica Energie Verde 1 SRL holds a total of 181,850 green certificates (31 December 2020: 148,581), out of which 125,825 are postponed for trading (31 December 2020: 139,805) and the remaining 56,025 are tradeable green certificates (31 December 2020: 8,776). Starting with January 2021, the recovery of the postponed green certificates began, in equal tranches of 1,165 green certificates on a monthly basis, for ten years.

23 Property, plant and equipment

The movements in property, plant and equipment in 2021 and 2020 are as follows:

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at 1 January 2020	232,386	192,728	287,174	93,424	27,742	833,454
Additions	85	157	1,997	1,259	2,986	6,484
Transfer from construction in progress	-	1,269	-	622	(1,891)	-
Transfer to intangible assets related to concession agreements	(1,442)	-	(213,590)	-	(2,567)	(217,599)

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Disposals	(920)	(1,471)	(11,419)	(1,048)	(45)	(14,903)
Revaluation recognized in other comprehensive income	15,834	27,989	-	-	-	43,823
Revaluation recognized in profit or loss	(126)	(2,294)	-	-	-	(2,420)
Gross book value netted off against the accumulated depreciation at revaluation	-	(26,563)	-	-	-	(26,563)
Acquisition of subsidiary (Note 32)	258	5,333	34,734	1,079	-	41,404
Balance at 31 December 2020	246,075	197,148	98,896	95,336	26,225	663,680
Additions	-	167	482	150	8,368	9,167
Transfer from construction in progress	-	1,257	2,001	1,967	(5,225)	-
Disposals	(46)	(383)	(7,664)	(503)	(180)	(8,776)
Reclassification from/(to) assets held for sale (Note 21)	6,769	4,368	(1,914)	-	-	9,223
Balance at 31 December 2021	252,798	202,557	91,801	96,950	29,188	673,294

Accumulated depreciation and impairment losses

Balance at 1 January 2020	-	24,152	163,883	82,446	18,875	289,356
Depreciation	-	5,922	17,058	4,870	-	27,850

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Accumulated depreciation of disposals	-	(403)	(11,321)	(766)	-	(12,490)
Impairment loss	-	1,905	-	-	-	1,905
Reversal of impairment loss	-	-	(1,196)	-	(104)	(1,300)
Accumulated depreciation netted off against gross book value at revaluation	-	(26,563)	-	-	-	(26,563)
Transfer to intangible assets related to concession agreements	-	-	(123,208)	-	-	(123,208)
Balance at 31 December 2020	-	5,013	45,216	86,550	18,771	155,550
Depreciation	-	7,532	8,865	4,721	-	21,118
Accumulated depreciation of disposals	-	(14)	(4,546)	(96)	-	(4,656)
Reversal of impairment loss	-	-	(3,805)	-	(137)	(3,942)
Reclassification from/(to) assets held for sale (Note 21)	-	947	(1,142)	-	-	(195)
Balance at 31 December 2021	-	13,478	44,588	91,175	18,634	167,875
Net carrying amounts						
At 1 January 2020	232,386	168,576	123,291	10,978	8,867	544,098
At 31 December 2020	246,075	192,135	53,680	8,786	7,454	508,130
At 31 December 2021	252,798	189,079	47,213	5,775	10,554	505,419

Tangible assets include mainly land, buildings and equipment.

In 2021, following the changes made in the in the selling plan for Electrica SERV there were reclassified from assets held for sale to Property Plant and Equipment, land and buildings having as net book value RON 10,190 thousand. (see further details in Note 21).

In 2020 transfers to intangible assets related to concession agreements in the net amount of RON 94,391 thousand refer to:

- the AMR system (Automatic Meter Reading) equipment consisting of electricity measuring equipment in amount of RON 92,949 thousand;
- 2 plots of land in the total surface of 28,696.79 sqm in amount of RON 1,442 thousand

that were contributed in kind by Electrica SA to the share capital of its distribution subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A.), these assets being part of the distribution network (see Note 24).

As at 31 December 2020, the Group performed the revaluation at fair value of tangible assets consisting of land, land improvements and buildings. The revaluation was performed by an independent authorized evaluator Darian DRS S.A.. Following the revaluation the gain charged to other comprehensive income was in amount of RON 43,823 thousand and the loss recognized in profit or loss was in amount of RON 2,420 thousand.

Measurement of fair value

The Group's land, land improvements and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's land, land improvements and buildings as at 31 December 2020 were performed by Darian DRS S.A., an independent valuer not related to the Group. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

There has been no change to the valuation technique during the period between the present revaluation performed as at 31 December 2020 and the previous one, performed as at 31 December 2017.

The following table shows the valuation techniques used in measuring fair values (Level 3), as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land and land improvements	<i>Market approach</i> The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties and best use). The market price is mainly based on recent transactions.	Adjustment for liquidity, location, size.	The estimated fair value would increase/ (decrease) if: Adjustment for liquidity, location or size would be lower/(higher)

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Buildings	<p><i>Market approach and discounted cash-flows (DCF) method</i></p> <p>Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information:</p>		
	<p><i>Market approach</i></p> <p>The market approach is based on the selling price per square meter for buildings with similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use), adjusted for liquidity, location, size etc.</p>	<p>Adjustment for liquidity, location, size.</p>	<p>Adjustment for liquidity, location or size would be lower/(higher)</p>
	<p><i>The DCF method</i></p> <p>The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and annual rent. The discount rate estimation considers, inter alia, the quality of a building and its location.</p>	<p><i>Office space rent</i></p> <p>Occupancy rates (between 80% and 90%) Yield rates (between 7% and 10%) Annual rent per sqm (between 9 and 19 EUR/sqm), depending on location;</p> <p><i>Commercial space rent</i></p> <p>Occupancy rates (between 85% and 90%) Yield rates (between 7.25% and 11.5%) Annual rent per sqm (between 10 and 60 EUR/sqm), depending on location;</p>	<p>Occupancy rates were higher/(lower) Yield rates were lower/(higher) Annual rent per sqm was higher/(lower)</p>

24 Intangible assets

Intangible assets include mainly intangible assets related to distribution service concession agreements recorded in accordance with IFRIC 12 "Service Concession Arrangements", as well as licenses and costs of SAP ERP implementation, customer management and billing system and other software, as follows:

	Intangible assets related to concession agreements	Software and licenses	Intangible assets in progress	Total
Gross book value				
Balance at 1 January 2020	8,934,136	191,424	1,669	9,127,229
Additions	598,930	2,226	-	601,156

SOCIETATEA ENERGETICA ELECTRICA S.A.
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Transfers from property, plant and equipment	91,824	-	-	91,824
Transfers from intangible assets in progress	-	302	(302)	-
Transfers from property, plant and equipment in progress	2,567	-	-	2,567
Reclassification to intangible assets related to concession agreements	4,503	(4,503)	-	-
Disposals	-	(770)	-	(770)
Balance at 31 December 2020	9,631,960	188,679	1,367	9,822,006
Additions	500,387	5,730	576	506,693
Transfers from intangible assets in progress	-	34	(34)	-
Disposals	-	(1,042)	-	(1,042)
Balance at 31 December 2021	10,132,347	193,401	1,909	10,327,657
Accumulated amortization and impairment losses				
Balance at 1 January 2020	3,745,981	179,683	-	3,925,664
Amortization	429,216	5,498	-	434,714

Reclassification to intangible assets related to concession agreements	1,578	(1,578)	-	-
Accumulated amortization of disposals	-	(770)	-	(770)
Balance at 31 December 2020	4,176,775	182,833	-	4,359,608
Amortization	441,015	4,536	-	445,551
Accumulated amortization of disposals	-	(1,042)	-	(1,042)
Balance at 31 December 2021	4,617,790	186,327	-	4,804,117
Net carrying amounts				
At 1 January 2020	5,188,155	11,741	1,669	5,201,565
At 31 December 2020	5,455,185	5,846	1,367	5,462,398
At 31 December 2021	5,514,557	7,074	1,909	5,523,540

The distribution subsidiaries (as operators) that merged into one single distribution operator as of 31 December 2020 concluded concession contracts with the Ministry of Economy concerning the operation of electricity distribution service in the established territory (Transilvania Nord, Transilvania Sud, Muntenia Nord), on the risk and responsibility of the operator and taking into account the technical regulations applicable to the operation, modernization, rehabilitation and development of energy distribution networks specified in the Electricity Law, the terms and conditions of the licenses for electricity distribution and the regulations issued by ANRE.

The distribution operator resulting from the merger of the three distribution operators within the Group, Distribuție Energie Electrica Romania concluded addendums to the concession agreements signed with the Ministry of Economy for the operation of electricity distribution service in all three areas starting with 1 January 2021, taking over all the rights and obligations from the three former electricity distribution companies.

The Group applies IFRIC 12 for the accounting of the transactions under these concession contracts. (See further details in Notes 4, 6(c) and 6(l)).

For the year ended 31 December 2021, the Group has recognized construction revenue related to the concession agreements of RON 500,387 thousand (2020: RON 696,246 thousand) and construction costs of RON 485,813 thousand (2020: RON 675,967 thousand).

The main information related to the current concession contracts agreements and the intangible assets amounts recognized for each network distribution area is summarized below:

Network distribution areas	Contract date	Concession period (years)	Contract expiry date	Concession period remaining (years)	Renewal option	Net carrying amount at 31 December 2021	Net carrying amount at 31 December 2020
Muntenia Nord area	2005	49	2054	33	Yes	1,915,567	1,893,208
Transilvania Nord area	2005	49	2054	33	Yes	1,836,161	1,810,611
Transilvania Sud area	2005	49	2054	33	Yes	1,762,829	1,751,366
Total						5,514,557	5,455,185

The concession contracts can be prolonged for a period up to half of the initial established period of 49 years.

The investments in relation to the development and modernization of the infrastructure incurred in 2021 refers mainly to:

- Modernization of the current transformer points and stations, current underground and overhead power lines in amount of RON 164,465 thousand (2020: RON 165,480 thousand);
- Investments related to improvements for electricity distribution network in amount of RON 143,965 thousand (2020: RON 51,190 thousand).
- Significant construction works of new transformer stations, new underground and overhead power lines in amount of 2020: RON 97,449 thousand (2020: RON 36,470 thousand);
- Acquisition of own car fleet, including utilities vehicles and specialized vehicles in amount of RON 63,009 thousand; (2020: RON 56,220 thousand);
- Modernization and inclusion in SCADA (which is an automatic control system which monitors the equipment) of transformers points and stations, in amount of RON 2,430 thousand (2020: RON 78,980 thousand);

25 Investments in associates

On 28 July 2021 and on 7 December 2021, Electrica SA concluded four agreements for the sale-purchase of shares in four project companies having as main activity the production of electricity from renewable sources. The sale-purchase agreements concluded, mention the fact that in the first stage the Group acquires 30% of the share capital of the four companies, remaining that in the following stages, to acquire the remaining 70% of the share capital after the conditions provided in the sale-purchase agreements will be fulfilled.

The four companies are as follows:

- **Crucea Power Park SRL**, develops the wind project "Crucea Est", with a projected installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea area, Constanta County. The estimated purchase price for the "Crucea Est" wind project is 70 thousand EUR/MW for the aforementioned capacity, totalling the amount of 8,470 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 2,541 thousand representing 30% of the project value, respectively 30% of the shares of Crucea Power Park SRL.
- **Sunwind Energy SRL**, develops the photovoltaic project "Satu Mare 2" with a designed installed capacity of 27 MW, located near Satu Mare city. The estimated purchase price for the photovoltaic project "Satu Mare 2" is 55 thousand EUR/MW for the aforementioned capacity, totalling the amount of 1,485 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 445.5 thousand representing 30% of the project value, respectively 30% of the shares of Sunwind Energy SRL.

- **New Trend Energy SRL**, develops the photovoltaic project "Satu Mare 3", with a projected capacity of 59 MW, located near Satu Mare city. The estimated purchase price for the photovoltaic project "Satu Mare 3" is 55 thousand EUR/MW for the aforementioned capacity, totalling the amount of 3,245 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 973.5 thousand representing 30% of the project value, respectively 30% of the shares of New Trend Energy SRL.

- **Foton Power Energy SRL**, develops the photovoltaic project "Bihor 1", with a projected capacity of 77.5 MW, located near Inand city, Bihor County. The estimated purchase price for the photovoltaic project "Bihor 1" is 55 thousand EUR/MW for the aforementioned capacity, totalling the amount of 4,262.5 thousand EUR. On 7 December 2021, Electrica SA paid the amount of EUR 1,279 thousand representing 30% of the project value, respectively 30% of the shares of Foton Power Energy SRL.

Considering the holding percentage of 30%, as at 31 December 2021, the 4 entities are accounted for using the equity method in these consolidated financial statements as provided in the Group's accounting policies in note 6.

The cost of the investments at acquisition date, totalling the amount of RON 25,813 thousand, is detailed as follows:

	Crucea Power Park S.R.L.	New Trend Energy S.R.L.	Sunwind Energy S.R.L.	Foton Power Energy S.R.L.
Acquisition date	31.07.2021	31.07.2021	31.07.2021	31.12.2021
Percentage ownership and voting rights at acquisition date	30%	30%	30%	30%
Net assets at acquisition date	(242)	(5)	(5)	(7)
Group's share of net assets	(73)	(2)	(2)	(2)
Goodwill	12,573	4,791	2,194	6,334
Cost of investment at acquisition date	12,500	4,789	2,192	6,332

Summarised financial information in respect of each of the Group's associates is set out below:

	Crucea Power Park S.R.L.	New Trend Energy S.R.L.	Sunwind Energy S.R.L.	Foton Power Energy S.R.L.
	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Non-current assets	7,078	249	161	142
Current assets	945	47	21	23
Non-current liabilities	(6,904)	(303)	(190)	(168)
Current liabilities	(1,364)	(2)	(1)	(4)
Net assets	(245)	(9)	(9)	(7)
Reconciliation to carrying amounts:				
Opening net assets at acquisition date	(242)	(5)	(7)	(7)

	Crucea Power Park S.R.L.	New Trend Energy S.R.L.	Sunwind Energy S.R.L.	Foton Power Energy S.R.L.
Loss for the period	(3)	(4)	(4)	-
Closing net assets 31.12.2021	(245)	(9)	(11)	(7)

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements:

	Crucea Power Park S.R.L.	New Trend Energy S.R.L.	Sunwind Energy S.R.L.	Foton Power Energy S.R.L.
Closing net assets of associates 31.12.2021	(245)	(9)	(11)	(7)
Group's share in associates %	30%	30%	30%	30%
Group's share of net assets as at 31.12.2021	(74)	(3)	(3)	(2)
Goodwill	12,573	4,791	2,194	6,334
Carrying amount of interest in associate 31.12.2021	12,499	4,788	2,191	6,332

The share loss in amount of RON 3 thousand for the period was recognized in the consolidated statement of profit and loss for the year ended as at 31 December 2021.

26 Capital and reserves

(a) Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2021 (31 December 2020: 346,443,597) with a nominal value of RON 10 per share. As of 4 July 2014, after the Initial Public Offering ("IPO"), the Company's shares are listed on the Bucharest Stock Exchange and the Global Depository Receipts are listed on the London Stock Exchange.

The shares owned by the Company's shareholders that are traded on the London Stock Exchange are the global depository receipts (GDRs). A global depository receipt represents four shares. The Bank of New York Mellon is the depository bank for these securities. The GDRs' weight in Electrica's total share capital diminished following the Initial Public Offering, reaching a level of 0.7842% at the end of 2021 as compared to 10.17% at 4 July 2014.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share in the shareholders' meetings of the Company, except for the 6,890,593 treasury shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equally and confer equal rights to the net assets of the Company's, except for treasury shares.

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders.

The share premium resulted at IPO was RON 171,128 thousand. The transaction costs of RON 68,079 thousand were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in kind and in cash contribution, with the amount of RON 5,037 thousand, from the amount of RON 3,459,399 thousand to the amount of RON 3,464,436 thousand, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering were in amount of RON 964 thousand. Also, the Company recorded gains referring to share issue of RON 2,186 thousand, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

(b) Treasury shares reserve

In July 2014, the Company purchased 5,206,593 ordinary shares and 421,000 Global Depository Receipts, equivalent to 1,684,000 shares (totalling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depository Receipts was RON 75,372 thousand.

(c) Revaluation reserve

The reconciliation between opening and closing balance of revaluation reserve is as follows:

	2021	2020
Balance at 1 January	116,372	87,665
Revaluation surplus of land, land improvements and buildings	-	43,823
Deferred tax liability arising on revaluation of land, land improvements and buildings	-	(7,931)
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(13,543)	(7,185)
Balance as at 31 December	102,829	116,372

As at 31 December 2020, the Group performed the revaluation of land, land improvements and buildings at fair value. The previous revaluation was performed as at 31 December 2017 (please see Note 23).

(d) Legal reserves

Legal reserves are set up as 5% of the gross profit for the year in the statutory individual financial statements of the companies within the Group, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

	Legal reserves
Balance at 1 January 2020	371,833
Set-up of legal reserves	20,443
Balance at 31 December 2020	392,276
Set-up of legal reserves	16,129
Balance at 31 December 2021	408,405

(e) Dividends

Romanian companies may distribute dividends from statutory profits, according to the separate financial statements prepared in accordance with Romanian accounting regulations.

The dividends declared by the Company in 2021 and 2020 (from the statutory profits of previous years) are as follows:

	Distribution of dividends	
	2021	2020
To the owners of the Company	247,874	246,108
Total	247,874	246,108

On 28 April 2021 the General Shareholders Meeting of the Company approved dividend distribution of RON 247,874 thousand (2020: RON 246,108 thousand). The dividend per share distributed is RON 0.73 per share (2020: RON 0.7248 per share).

When calculating the dividend per share, the Company's repurchased own shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 247,874 thousand (2020: RON 246,108 thousand), the dividends paid were of RON 247,258 thousand (2020: RON 245,780 thousand) the remaining difference represents dividends uncollected by the shareholders.

27 Trade payables

	31 December 2021	31 December 2020
Electricity suppliers	619,653	373,563
Capital expenditure suppliers	156,546	138,391
Other suppliers	115,136	95,241
Total	891,335	607,195

Electricity suppliers are mainly state-owned electricity producers, as detailed in Note 33, but also other participants to the electricity market.

Other suppliers include suppliers of services, materials, consumables, etc.

28 Other payables

	31 December 2021		31 December 2020	
	Current	Non-current	Current	Non-current
VAT payable	133,833	-	128,450	-
Liabilities towards the State	7,148	-	6,820	-
Other liabilities	130,282	32,732	105,676	33,873
Total	271,263	32,732	240,946	33,873

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

29 Provisions

	Tax related	Other	Total
Balance at 1 January 2021	1,200	18,038	19,238
Provisions recognized	-	22,933	22,933
Provisions utilised	-	(2,286)	(2,286)
Provisions reversed	(116)	(4,847)	(4,963)
Balance at 31 December 2021	1,084	33,838	34,922

As at 31 December 2021, provisions refer mainly to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause amounting to RON 3,971 thousand (31 December 2020: RON 6,139 thousand) and for various claims and litigations involving the Group companies in amount of RON 30,951 thousand (31 December 2020: RON 13,099 thousand).

During 2021, the Group set up a provision in connection with the supply subsidiary obligations in amount of RON 10,584 thousand representing compensations arising from the application of the Performance Standard for the electricity supply activity stipulated in the ANRE Order 6/2017, and of the Regulation for the supply of electricity to final customers, approved by ANRE Order no. 235/2019 as a result of the total liberalization process of the market which began on 1 January 2021.

30 Long-term bank borrowings

Drawings and repayments of borrowings during the year ended 31 December 2021 were as follows:

	Currency	Interest rate	Maturity year	Amount (RON thousand)
Balance at 1 January 2021				778,909
Drawings of borrowings during the period, out of which:				
EBRD	RON	Floating rate (1.15% + interbank rate + ROBOR spread)	2031	81,685
BCR	RON	ROBOR 3M+1%	2028	82,793
BRD	RON	3.85%	2028	70,212
Total drawings				234,690
Accumulated interest				1,536
Payment of interest				(795)

	Currency	Interest rate	Maturity year	Amount (RON thousand)
Reimbursements, out of which:				
BRD	RON	0,02%	2021	(320,000)
BRD	RON	3,99%	2026	(20,800)
BRD	RON	3,85%	2026	(12,857)
Banca Transilvania	RON	4.59%	2027	(17,857)
UniCredit Bank	RON	3.85%	2026	(9,600)
BCR	RON	ROBOR 3M+1%	2026	(4,737)
Balance at 31 December 2021				628,489

As at 31 December 2021, respectively 31 December 2020, the bank borrowings is as follows:

Lender	Borrower	Balance at 31 December 2021	Balance at 31 December 2020
BRD	Distributie Energie Electrica Romania - (former SDEE Muntenia Nord S.A.)	-	80,000
BRD	Distributie Energie Electrica Romania - (former SDEE Transilvania Nord S.A.)	-	114,000
BRD	Distributie Energie Electrica Romania - (former SDEE Transilvania Sud S.A.)	-	126,000
Banca Transilvania	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	98,227	116,086
UniCredit Bank	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	48,498	58,201
BRD	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	104,000	124,800
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	92,857	69,584
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	74,342	40,289
BCR	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	128,243	49,949
EBRD	Distributie Energie Electrica Romania	82,322	-
Total		628,489	778,909
Less: current portion of the long-term bank borrowings		(508,197)	(377,818)
Less: accumulated interest		(1,536)	(795)

Lender	Borrower	Balance at 31 December 2021	Balance at 31 December 2020
Total long-term borrowings, net of current portion		118,756	400,296

Bank Borrowings description

(a) Investment loans granted by BRD – Groupe Societe Generale

On 17 October 2016, the Company's distribution subsidiaries (Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A.) concluded long term loan contracts with BRD – Groupe Societe Generale, for which Electrica SA is the guarantor. The loan was fully reimbursed at maturity (16 October 2021). The loans were subject to a fixed interest rate of 0.02% per annum. As at 31 December 2021, the outstanding balance is Nil (31 December 2020: RON 320,000 thousand) (see also see Note 20).

(b) Investment loan granted by Banca Transilvania

On 18 July 2019, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with Banca Transilvania an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 125,000 thousand; Interest rate: fixed, 4.59% per annum; Reimbursements: quarterly instalments until 30.06.2027; Grace period: 12 months. As at 31 December 2021, the outstanding balance is of RON 98,227 thousand, of which RON 98,214 thousand principal and RON 13 thousand accrued interest. (Outstanding balance as at 31 December 2020: RON 116,086 thousand)

(c) Investment loan granted by Unicredit Bank

On 13 November 2019, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with Unicredit Bank an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 60,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 13.11.2026; Grace period: 12 months. As at 31 December 2021, the outstanding balance is of RON 48,498 thousand, of which RON 48,000 thousand principal and RON 498 thousand accrued interest. (Outstanding balance as at 31 December 2020: RON 58,201 thousand)

(d) Investment loan granted by BRD – Groupe Societe Generale

On 29 October 2019, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 130,000 thousand; Interest rate: fixed, 3.99% per annum; Reimbursements: quarterly instalments until 28.10.2026; Grace period: 12 months. As at 31 December 2021, the outstanding balance is of RON 104,000 thousand. (Outstanding balance as at 31 December 2020: RON 124,800 thousand)

(e) Investment loan granted by BRD – Groupe Societe Generale

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 100,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2021, the outstanding balance is of RON 92,857 thousand. (Outstanding balance as at 31 December 2020: RON 69,584 thousand)

(f) Investment loan granted by BRD – Groupe Societe Generale

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A. as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 80,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at

31 December 2021, the outstanding balance is RON 74,342 thousand, of which RON 74,286 thousand principal and RON 56 thousand accrued interest. (Outstanding balance as at 31 December 2020: RON 40,289 thousand)

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

On 17 September 2020, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower and Electrica SA as a guarantor, concluded with Banca Comerciala Romana S.A. an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: Ron 155,000 thousand; Interest rate: ROBOR3M+1% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2021, the outstanding balance is RON 128,243 thousand, of which RON 127,911 thousand principal and RON 332 thousand accrued interest. (Outstanding balance as at 31 December 2020: RON 49,949 thousand)

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

On 2 July 2021, Societatea de Distributie Energie Electrica Romania SA, as a borrower, concluded with the European Bank for Reconstruction and Development a credit agreement for investments in order to finance investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: The maximum value of the loan RON 195,136 thousand; Interest rate: agreed individually for each tranche drawn; Repayments: 17 half-yearly installments until 31.07.2031; Grace period: 24 months. As at 31 December 2021, the outstanding balance is RON 82,322 thousand, of which RON 81,685 thousand principal and RON 637 thousand accrued interest. The loan agreement is guaranteed by Electrica SA.

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

On 14 July 2021, Societatea de Distributie Energie Electrica Romania SA, as a borrower, concluded with the European Investment Bank an investment credit contract for the purpose of financing investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: Maximum value of the loan: EUR 120,000 thousand; Interest rate and Repayments will be agreed individually for each tranche drawn. On 31 December 2021, the outstanding balance is Nil as no withdraw was made from the loan. The loan agreement is guaranteed by Electrica SA.

Financial Covenants

The financial covenants specified in the agreements with BRD – Groupe Societe Generale and Unicredit Bank have been fulfilled as at 31 December 2021, respectively as at 31 December 2020.

In the agreement with Banca Comerciala Romana there is stipulated 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 not more than 3:1, which should be fulfilled by the Borrower. As at 31 December 2021 due to the breach in the covenant, the Group reclassified the amount of RON 108.961 thousand from "Long term bank borrowings" to "Current portion of long-term bank borrowings" on the Consolidated Statement of Financial Position. The Group started the procedures of obtaining a waiver for the loan to not be repayable on demand.

In the agreement with European Bank for Reconstruction and Development there are stipulated 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 a repayment of the loan on demand. As at 31 December 2021 due to the breach in the covenant related to the Guarantor, the Group presented the amount of RON 82,322 thousand in "Current portion of long-term bank borrowings" on the Consolidated Statement of Financial Position. On 24 February 2022, the Group obtained a waiver letter for the loan to not be repayable on demand but it is subject to obtaining the waiver letters for the other loans for which the Group is in non-compliance BCR and BEI. (Note 36)

In the agreement with European Investment Bank there are stipulated two financial covenants: interest coverage ratio: means the ratio of EBITDA to Net Finance Charges which shall not be less than 3x and net leverage ratio - means the ratio of total Net Debt to EBITDA which shall not be more than 3x which must be fulfilled by the guarantor Electrica SA. As at 31 December 2021 the Group is in breach with both covenants, bearing the risk to not be able to make drawings from the loan. The Group has started the procedures of obtaining a waiver in order to be able to draw from the loan.

In the loan agreement 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 repayment effect. On request, the Group reclassified the amount of RON 224,629 thousand from "Long-term bank loans" to "Current portion of long-term bank loans" in the consolidated statement of financial position. When the Group obtains letters of exception for loans for which it has not complied with the contractual terms regarding the fulfillment of the financial indications, it will reclassify the amount.

31 Financial instruments - fair values and risk management

(a) Accounting classifications and fair values

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

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

(b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These risks are further explained and detailed.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, restricted cash and bank deposits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Group had a high credit risk mainly from State-owned companies.

Cash and bank deposits are placed in financial institutions which are considered to have low risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Group's credit risk in respect of receivables was concentrated in the past around state-controlled companies and in the recent years refers to clients that are facing financial difficulties in their industries due to specific changes in circumstances in their industry sector. The Group has implemented a policy on credit risk management and is also considering securing trade receivables. Also, the electricity supply contracts include termination clauses in certain circumstances.

The Group establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

Impairment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2021:

31 December 2021					
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	1,080,179	(16,615)	1,063,564	No
Past due 1-30 days	5%	228,537	(10,598)	217,939	No
Past due 31-60 days	15%	36,646	(5,317)	31,329	No
Past due 61-90 days	38%	15,428	(5,930)	9,498	No
Past due more than 90 days	98%	964,687	(942,398)	22,289	Yes
Total		2,325,477	(980,858)	1,344,619	

The Group performed a sensitivity analysis and a 5% increase in the expected credit loss rates would not lead a material impact on the results of the Group.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2020:

31 December 2020					
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	812,855	(13,053)	799,802	No
Past due 1-30 days	1%	163,436	(2,285)	161,151	No
Past due 31-60 days	12%	48,993	(5,822)	43,171	No
Past due 61-90 days	33%	17,450	(5,679)	11,771	No
Past due more than 90 days	99%	936,614	(922,734)	13,880	Yes
Total		1,979,348	(949,573)	1,029,775	

Details of the main movements in the allowances for doubtful debts are disclosed in Note 18.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts (refer to Note 20).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

Financial liabilities	Carrying amount	Contractual cash flows				
		Total	less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2021						
Bank overdrafts	627,402	627,402	627,402	-	-	-
Lease liability	21,544	21,544	9,442	4,874	5,071	2,157
Long term bank borrowings	628,489	628,489	509,733	27,455	82,372	8,929
Trade payables	891,335	891,335	891,335	-	-	-
Total	2,168,770	2,168,770	2,037,912	32,329	87,443	11,086
31 December 2020						
Bank overdrafts	164,966	164,966	164,966	-	-	-
Lease liability	27,622	27,622	10,747	6,806	9,961	108
Long-term bank borrowings	778,909	778,909	378,613	70,817	212,453	117,026
Trade payables	607,195	607,195	607,195	-	-	-
Total	1,578,692	1,578,692	1,161,521	77,623	222,414	117,134

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is RON. Certain liabilities are denominated in foreign currency (EUR). The Group also has deposits and bank accounts denominated in foreign currency (EUR). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk is as follows:

<i>in thousands of RON</i>	31 December 2021	31 December 2020
	denominated in EUR	denominated in EUR
Cash and cash equivalents	812	3,347
Lease liability	(19,118)	(24,472)
Net statement of financial position exposure	(18,306)	(21,125)

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
	2021	2020	2021	2020
RON				
EUR 1	4.9204	4.8371	4.9481	4.8694

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

<i>Effect</i>	Profit before tax	
	Strengthening	Weakening
31 December 2021		
EUR (5% movement)	(915)	915
31 December 2020		
EUR (5% movement)	(1,056)	1,056

Interest rate risk

For financing purposes, the Group uses both medium and long-term bank loans and short term loans in the form of overdraft facilities (please see Notes 20, 30).

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings (please see Notes 20, 30), as the long term borrowings are contracted mainly at fixed rates, while the overdraft facilities bear variable rates. The Group does not have in place hedging contracts for interest rate.

The Groups exposures to interest rates on financial assets and financial liabilities are detailed below. The Group is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 December 2021	31 December 2020
Fixed-rate instruments		
Financial assets		
Call deposits	53,897	391,514
Financial liabilities		
Long-term bank borrowings	(418,893)	(728,960)
Lease liability	(8,276)	(9,070)
	(373,272)	(346,516)
Variable-rate instruments		
Financial liabilities		
Lease liability	(13,268)	(18,552)
Long-term bank borrowings	(209,596)	(49,949)
Bank overdrafts	(627,402)	(164,966)
	(850,266)	(233,467)

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	50 bp decrease
31 December 2021		
Variable-rate instruments	(4,251)	4,251
31 December 2020		
Variable-rate instruments	(1,167)	1,167

32 Acquisition of subsidiaries

On 23 June 2020, Electrica Furnizare S.A. signed a share purchase agreement for the acquisition of 100% of Electrica Energie Verde 1 S.R.L. (formerly Long Bridge Milenium S.R.L.) a company that owns a photovoltaic park located in Stanesti, Giurgiu County, with an installed capacity of 7.5 MW (operational power limited at 6.8 MW). The photovoltaic park was built between October 2012 and January 2013 and has been delivering electricity into the national grid since February 2013.

Closing of the transaction and the transfer of shares' ownership to Electrica Furnizare S.A. took place on 31 August 2020, the purchase price of the shares being of RON 7,830 thousand (equivalent of EUR 1,617,940), based on the fair value report as of acquisition date. On 30 October 2020, the purchase price was adjusted in accordance with the purchase agreement based on the financial results of the acquired company as at 31 August 2020, the final price being RON 8,006 thousand (equivalent of EUR 1,637,515 and fees of EUR 17,318).

Amongst various elements of the transaction, Electrica Furnizare S.A. also took over the loans granted by the former shareholders of Electrica Energie Verde 1 S.R.L. to the acquired company, in amount of RON 18,473 thousand (equivalent of EUR 3,817,749).

The acquisition of Electrica Energie Verde 1 S.R.L. will allow the Group to enter the renewable energy market having the main purpose of increasing the Group's profitability. From the acquisition date until 31 December 2020, Electrica Energie Verde 1 S.R.L. had a contribution to the Group revenues in amount of RON 3,736 thousand and net profit of RON (617) thousand. If the acquisition date would have been the beginning of the period, the Group revenues would have been higher by RON 4,500 thousand and net profit of the Group would have been higher by RON 135 thousand.

For the acquisition of the share capital of Electrica Energie Verde 1 S.R.L., Electrica Furnizare S.A. paid the total amount of:

	(RON thousand)
Purchase price of shares	8,006
Settlement of former shareholders loan	18,473
Total	26,479

For the settlement of former shareholders loans, Electrica Furnizare S.A. paid the loans granted by the former shareholders Electrica Energie Verde 1 S.R.L. in amount of RON 18,473 thousand, the equivalent of the outstanding balance of EUR 3,817,749 at the transaction date.

The assets and liabilities of Electrica Energie Verde 1 S.R.L. taken over in the consolidation perimeter at the date when the control was obtained by the Group (31 August 2020) were as follows:

	Long Brige Milenium as at 31 August 2020
Property, plant and equipment	41,404
Other intangible assets	73
Trade and other receivables	253
Cash and cash equivalents	5,577
Other current assets	951
Total assets	48,258
Long-term bank borrowings	(12,509)
Deferred tax liability	(1,673)
Trade and other payables	(120)
Total liabilities	(14,302)

Net assets acquired	33,956
Consideration paid	(26,479)
Gain from bargain purchase of subsidiaries	7,477

The bargain purchase resulted is due to the fact that the Group would obtain specific synergies by integrating the production subsidiary with the existing supply company, which otherwise wouldn't have been seen in the value of the company acquired on a separate individual basis. This is the main reason for the lower consideration paid as compared to the fair value of the net assets acquired.

The gain from bargain purchase was recognized in the consolidated statement of profit and loss for the year ended as at 31 December 2020.

33 Related parties

(a) Main shareholders

As at 31 December 2021 and 31 December 2020, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

(b) Management and administrators' compensation

	2021	2020
Executive Management compensation	34,429	29,072

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:

	2021	2020
Members of Board of Directors	3,992	2,568

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Meeting of Shareholders that took place on 28 April 2021, the annual number of paid sessions is limited to twelve for Board of Directors meetings and to six for each of the committees. Additional committee meetings can be organized only in exceptional situations, upon the Chairs' committee decision, who are responsible to efficiently organize the agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.

No loans were granted to directors or administrators in 2021 and 2020.

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

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

Supplier	Purchases (without VAT)		Balance (including VAT)	
	2021	2020	31 December 2021	31 December 2020
OPCOM	1,700,630	272,246	29,203	4,209
Transelectrica	756,925	680,258	155,931	113,059
Nuclearelectrica	512,915	528,652	43,343	61,848
Complexul Energetic Oltenia	396,072	304,218	31,502	37,350
Hidroelectrica	241,722	476,845	19,711	34,471
Electrocentrale Bucuresti	34,776	116,530	-	-
ANRE	10,320	10,882	132	176
SNGN Romgaz SA	10,727	3,741	3,305	1,245
Transgaz	8,958	1,782	1,226	176
Others	7,889	3,824	1,332	358
Total	3,680,934	2,398,978	285,685	252,892

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

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2021	31 December 2021		
OPCOM	162,855	28,468	-	28,468
Transelectrica	92,505	27,091	-	27,091
SNGN Romgaz SA	48,099	1,664	-	1,664
Hidroelectrica	19,622	2,638	-	2,638
CN Romarm	14,156	1,093	-	1,093
CFR Electrificare	10,410	507	-	507
C.N.C.F CFR SA	8,281	701	(1)	700
CNAIR	6,928	962	-	962
Municipiul Galati	4,568	12	(12)	-
Transgaz	2,249	1,571	-	1,571
CN Remin SA	700	71,216	(71,216)	-
C.N.C.A.F MINVEST SA	-	26,802	(26,802)	-

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	2021		31 December 2021	
Oltchim	-	536,156	(536,156)	-
CET Braila	9	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	32,956	2,204	(536)	1,668
Total	403,338	776,343	(639,290)	137,053

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	2020		31 December 2020	
OPCOM	60,549	3,634	-	3,634
Transelectrica	41,175	7,841	-	7,841
C.N.C.F. CFR SA	40,967	5,191	-	5,191
SNGN Romgaz SA	37,501	1,246	-	1,246
CN Romarm	12,457	641	-	641
Hidroelectrica	9,138	598	-	598
Municipiul Galati	8,575	1,731	-	1,731
CFR Electrificare	7,517	420	-	420
Transgaz	3,738	12	-	12
CNAIR	1,569	-	-	-
ANAR - Adm. Nat. Apele Romane	1,436	-	-	-
CN Remin SA	549	71,215	(71,215)	-
CET Braila	7	3,361	(3,361)	-
Termoelectrica	-	1,217	(1,217)	-
Oltchim	-	565,484	(565,484)	-
C.N.C.A.F. MINVEST SA	-	26,802	(26,802)	-
Others	31,008	1,453	(493)	960

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	2020		31 December 2020	
Total	256,186	690,846	(668,572)	22,274

34 Contingencies

Contingent assets

Claim against National Agency of Fiscal Administration (“NAFA”)

In May 2017, after the revision of Electrica's tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,249 thousand as a result of certain tax record allocations for prior periods.

Electrica filed a complaint with the tax authorities against the enforcement order and also filed a legal action to suspend the enforced payment by the resolution of the above mentioned complaint. These additional interest and penalties are related to the prior enforcement orders received by Electrica SA in the prior years of RON 72,460 thousand.

In February 2018, Electrica SA has obtained a favourable Supreme Court ruling in one of the litigations with NAFA, which essentially maintains into force a prior Court of Appeal decision, which is favourable for the Group. Based on this Court ruling and in conjunction with all other litigations with NAFA on the same historical amounts, for taxes including penalties and interest, as well as based on analysis with internal and external lawyers, the management best estimate is that Electrica SA shall be able to obtain favourable Court rulings with the end result of no future cash outflows.

Also, in April 2019, Electrica SA obtained another favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the Court obliges NAFA to correct the evidence of the tax receivables so that it reflects the extinction by prescription of the amount of RON 16,916 thousand representing income tax as well as all the related accessories. This decision forms the object of the appeal declared by NAFA, with the Court term on 17 November 2021, at the High Court of Cassation and Justice.

Moreover, in November 2019, Electrica SA obtained one more favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the Court obliges NAFA to cancel the administrative documents issued regarding the accessory fiscal obligations in the amount of RON 39,249 thousand and ordered the refund/ compensation of the amount and the correction of the tax record. Against this decision, NAFA filed an appeal, registered to the High Court of Cassation and Justice, with the Court term on 23 March 2022.

Thus, as at 31 December 2019, the Group did not recognize any provision in this respect, taking into account that management's best estimate is that Electrica SA shall be able to obtain a final favourable Court decision in this case.

During 2020, the Group recognized revenues from indemnities in the amount of RON 12,827 thousand related to the amounts collected during the year by Electrica SA from NAFA as a result of the final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions.

Moreover, as at 31 December 2020, the Group no longer has a contingent liability of RON 39,249 thousand in respect to the additional interest and penalties to be paid by Electrica SA to NAFA, as it applied for the cancellation of ancillary fiscal obligations stipulated by the Government Emergency Ordinance no. 69/2020. Through NAFA's decision no. 2738/22.12.2020, the cancellation of the ancillary fiscal obligations mentioned above was approved, based in articles IX-XI of the Government Emergency Ordinance no. 69/2020.

In April 2021, Electrica SA filed a new action in contradiction with NAFA - file no. 2444/2/2021, pending before the Bucharest Court of Appeal, trial term 16.03.2022, having as object the obligation of NAFA to: correct Electrica SA 's tax record in order to reflect the right to a refund for the amount of RON 5,860 thousand, amount paid by Electrica SA in 2020 for the purpose of applying for the cancellation of ancillary fiscal obligations stipulated by the Government Emergency Ordinance no. 69/2020, of an additional amount of RON 818 thousand which was not reflected in the payment made by NAFA in 2020, and payment of legal interest in amount of RON 5,162 thousand computed for the amount returned by NAFA 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 as a result of controls and litigations with tax authorities. The management of the Group believes that adequate provisions were recorded in the consolidated financial statements for all significant tax obligations; however a risk persists that the tax authorities might have different positions.

Tax inspection report for SDEE Muntenia Nord S.A.

The subsidiary SDEE Muntenia Nord S.A. was subject to a tax audit performed by the Local Taxes Department of Galati City Hall that referred to the building taxes paid for the period 2012-2016. The tax audit was finalized in December 2019, when the fiscal inspection report was communicated to the subsidiary. The fiscal report established additional payment obligations for the subsidiary representing building tax for the period 01.01.2012-31.12.2015 in the total amount of RON 24,831 thousand, of which principal in amount of RON 12,051 thousand and related late penalties computed as of October 2019, in amount of RON 12,780 thousand. Against Galati City Hall, SDEE Muntenia Nord S.A. filed a legal request registered at Ploiesti Court of Appeal, with the next term on 17 February 2022.

The Group recognised an expense in amount of RON 12,051 thousand during the year ended 31 December 2019 in accordance with IFRIC 23 „Uncertainty over Income Tax Treatments”.

Tax inspection report for Electrica Serv S.A.

In May 2017 a tax inspection at Electrica Serv S.A. was finalized and the tax authorities concluded that additional tax obligations of RON 12,281 thousand should be paid by the subsidiary. This amount represents VAT (including related interest and penalties) that was considered tax deductible in the period 2012-2013 by the subsidiary in relation with certain invoices issued by a lease supplier who was inactive at that time. The company appealed in Court the measures imposed by the tax authorities. On 3 July 2019 the Bucharest Court of Appeal partially admitted the appeal through the partial annulment of the fiscal decision for the amount of RON 7,264 thousand representing the VAT and the related interest and penalties, unlawfully retained as non-deductible. Against this solution, both NAFA and Electrica Serv SA filed an appeal, registered at the High Court of Cassation and Justice, with the trial date of 6 October 2022.

As at 31 December 2021 and 31 December 2020, the Group has a receivable from the fiscal authorities in amount of RON 12,281 thousand, without a related bad debt allowance, taking into account that management's best estimate is that Electrica Serv S.A. shall be able to obtain a favourable final Court decision in this case.

Other litigations and claims

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

As summarised in Note 29, the Group set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

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

35 Commitments

(a) Contractual commitments

Contractual commitments as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Purchase of electricity	3,200,154	2,067,439
Purchase of green certificates	132,937	402,341
Purchase of property, plant and equipment and intangible assets	212,930	141,033
Purchase of investments	60,485	-
Total	3,606,506	2,610,813

(b) Investment program

The investment program at Group level approved for the year 2022 is as follows:

	2022
Distribution activity	689,029
Supply activity	54,788
Maintenance activity	10,772
Other/ shared	10,633
Total	765,222

The capital expenditures actually incurred may differ from the ones planned.

(c) Guarantees and pledges

At 31 December 2021 and 31 December 2020, the Group has guarantees on its bank accounts opened at ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania and Intesa Sanpaolo Bank for the overdrafts contracted (please see Note 20), and also on its bank accounts opened at BRD – Group Societe Generale, Unicredit Bank, Banca Transilvania and Banca Comerciala Romana for the long-term borrowings contracted (please see Note 30).

At 31 December 2021, the Group has outstanding bank letters of guarantee of RON 1,088,629 thousand (31 December 2020: RON 607,735 thousand) issued in favour of its suppliers.

36 Subsequent events

Change in distribution tariffs starting 1 January 2022

According to the ANRE Order no 119/25.11.2021, the specific tariffs for the electricity distribution service for applicable starting with 1 January 2022, Muntenia Nord area, Transilvania Nord area, Transilvania Sud area and compared to those applicable starting with 1 January 2021 (the last time they were modified), are the following (RON/MWh, presented cumulatively for medium and low voltage levels):

	Order 119/25.11.2021			Order 221,222,220/09.12.2020		
	Starting with 01 January 2022			Starting with 01 January 2021		
	High voltage	Medium voltage	Low voltage	High voltage	Medium voltage	Low voltage
Transilvania Nord area	21.79	48.13	122.78	19.23	66.35	173.93
Transilvania Sud area	22.34	45.49	127.04	22.23	67.47	178.78
Muntenia Nord area	21.02	43.54	140.68	18.72	56.87	184.75

ANRE Order no. 119/25.11.2021 related to the approval of the specific tariffs for electricity distribution service and of the price for reactive electricity for Societatea Distributie Energie Electrica Romania S.A. was published in the Official Gazette of Romania, part I, No. 1148/2.12.2021.

Overdrafts facilities

In order to minimize any liquidity risks which might appear due to the current unstable economic environment the Group secured the following overdrafts facilities:

1) Overdraft facility granted by Banca Transilvania

On 2 February 2022, Electrica Furnizare SA and Banca Transilvania signed an overdraft facility of up to RON 190,000 thousand for financing the current activity, having the following characteristics: Interest rate: ROBOR 1M+0.4% p.a., reimbursements: until 1 August 2022.

2) Overdraft facility granted by BRD - Groupe Societe Generale

On 4 February 2022, Electrica Furnizare SA and BRD - Groupe Societe Generale signed a revolving overdraft facility of up to RON 220,000 thousand for financing the current activity, having the following characteristics: Interest rate: ROBOR 1M+0.47% p.a., reimbursements: until 03 August 2022.

3) Overdraft facility granted by Banca Comerciala Romana

On 25 January 2022, Distributie Energie Electrica Romania and Banca Comerciala Romana signed an overdraft facility of up to RON 180,000 thousand for financing the current activity, having the following characteristics: Interest rate: ROBOR 1M+0.6% p.a., reimbursements: within 12 months from the withdrawal date, not later than 25 January 2023.

4) Overdraft facility granted by ING Bank N.V

On 28 January 2022, the credit facility contract signed between Electrica SA and ING Bank N.V. for an overdraft facility of up to RON 210,000 thousand for financing the current activity, in the context of the liquidity concentration operations set-up within the Group and having the following characteristics: Interest rate: ROBOR 1M+0.8% p.a., was extended until 27.01.2023.

On 17 February 2022, Electrica Furnizare SA and ING Bank N.V. signed an overdraft facility of up to RON 170,000 thousand for financing the current activity, in the context of the liquidity concentration operations set-up within the Group and having the following characteristics: Interest rate: ROBOR 1M+0.5% p.a., reimbursements: not later than 6 months from contract date less 15 calendar days.

Compensation scheme

Electrica Furnizare S.A. submitted the requests no. 1341/17.02.2022 and no. 1339/17.02.2022 followed by request no. 1363/18.02.2022 along with the supporting documents to the National Agency for Payments and Social Inspection in order to receive the amounts compensated on the clients invoices for the period 1 November 2021 – 31 January 2022 in amount of RON 95.362 thousand for energy invoices and RON 247 thousand for gas invoices out of which the amount of RON 59,271 thousand refers to amount to be received for the period 1 November 2021 – 31 December 2021. According to Order no. 118/2021 with subsequent amendments approved by Law no. 259/2021 with subsequent amendments and Order no. 226/2021 the amounts will be recovered in 30 days after submitting the request.

Waver letter

On 24 February 2022, EBRD issued a waiver letter in respect to the Loan agreement dated 02 July 2021 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.

The waiver issued by EBRD is conditional to the waivers which must be received from EIB and BCR for which the Group is in default events. The Group has submitted the requests for obtaining waivers for EIB and BCR but are still in progress at the authorization for issue of these Consolidated Financial Statements by the Board of Directors.

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 this report, management is unable to reliably estimate the effects on the Groups financial outlook and cannot exclude adverse consequence on the business, operations, and financial condition. 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 the judgements taken in these financial statements remain appropriate.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Stefan Alexandru Frangulea

28 February 2022



A blue-tinted photograph of a business meeting. In the foreground, a person's hand is visible, holding a pen and pointing at a document. Another person's hand is seen typing on a laptop keyboard. The background shows a person in a suit and tie. The overall scene is professional and focused on business operations.

CONSOLIDATED AUDIT REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
SOCIETATEA ENERGETICA ELECTRICA S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

- We have audited the consolidated financial statements of SOCIETATEA ENERGETICA ELECTRICA S.A. and its subsidiaries (the Group), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.
- The financial statements as at December 31, 2021 are identified as follows:

<input checked="" type="checkbox"/> Net assets / Equity	RON 4,953,582 thousand
<input checked="" type="checkbox"/> Net loss for the financial year	RON 552,882 thousand
- In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

- We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

- Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	How our audit addressed the key audit matter
<p><i>Going Concern</i></p> <p>As presented in Note 6 the consolidated financial statements have been prepared on the going concern basis. The key judgement leading to this conclusion are set out in that note.</p> <p>In particular the Group operates in the electricity distribution and supply industry which is currently affected by the compensation and ceiling laws on sales to end customers. The Romanian authorities regulatory position is under review and there may be further laws enacted which could adversely impact the Group’s operating cash flows beyond April 2022 when the pricing restrictions in the existing laws are due to end. In the forthcoming twelve months the group will need to obtain additional financing and given the position of the Group and its significance to the Romanian economy management expect that all necessary financing will be made available.</p> <p>The ability of the Group to continue as a going concern is dependent on successful completion of the new financing and on stabilizing of the regulatory regime on energy prices as described in note 6 which provides an appropriate margin to support servicing of the Group’s short and long term financings.</p> <p>In view of the significant judgements the application and disclosures of the basis of the going concern assumption are considered a Key Audit Matter.</p>	<p>We have assessed managements valuation of the going concern assumption by performing the following procedures:</p> <ul style="list-style-type: none"> • We have obtained the cash flow forecasts and critically challenged the management and the Board of Directors and Audit Committee on the assumptions used; • We considered whether at the date of this report additional information exist from the Romanian authorities with respect to the prolongation of the capping and ceiling mechanism; • We have assessed the Group’s position on the existing debt facilities, covenant waivers and newly negotiated debt facilities, during 2022 until the date of this report; • We considered the Group’s requirements to secure additional financing in light of its position in the Romanian market; • We assessed the adequacy of the disclosure of the basis of going concern assumption, including the key judgements adopted;
<p><i>Valuation of Retail accrued revenue, related to electricity supplied to households Evaluation of registered revenues related to electricity delivered for household consumers</i></p> <p>The Group recognizes at the end of each reporting period recorded revenues from the energy supply activity, related to the household population. If the actual meter readings are not available at the end of the reporting period, energy supplied to households is estimated based on internal information related to historical patterns of consumption. The degree of estimation uncertainty reduces from one period to another, however judgement is inherent in the valuation of the accrued revenue related to the household population.</p> <p>The Group operates in 3 different geographical areas in Romania and the tariffs provided by the Romanian Energy Regulatory Authority (“ANRE”) for the regulated supply market are different from one region to the other.</p> <p>Because of the significance of the estimations around the accrued revenue related to the households and the inability of relying on the effectiveness of the controls, we consider the valuation of retail accrued revenue, related to households a key audit matter.</p>	<p>The group has a number of IT systems across the businesses and we were not able to rely on the effectiveness of IT controls within the revenue cycle. The audit procedures adopted were substantive in nature and included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the accounting policies used in the preparation of the consolidated financial statements, with respect to revenue recognition; • Testing the reconciliation made by the Group between the quantity of electricity purchased for supply purposes and the quantity of electricity delivered from the supply activity; • Testing the acquired electricity for supply purposes through a combination of direct confirmations received from the electricity producers and other supporting documents; • Testing the revenues related to electricity supplied to customers on the free market through a combination of direct confirmations and other supporting documents; • Testing the revenues related to electricity supplied to all customers on the universal service by means of independent re-computation of the revenues, using the tariffs published for 2021.; and • Performing analytical procedures on all electricity sales.



Key audit matters	How our audit addressed the key audit matter
<p><i>Contingent liabilities and provisions</i></p> <p>As presented in Note 34 to the consolidated financial statements, the Group is involved in a series of litigations and claims (i.e. with the Romanian Privatization Agency, Energy Regulator, Fiscal Authorities, Romanian Court of Accounts, claims for damages, claims over land titles, labor related litigations and others).</p> <p>The determination of whether a provision should be recorded or whether a contingent liability should be disclosed is based on significant management judgement. Considering the large number of litigations ongoing that the Group is facing, the uncertainty regarding the final possible outcome of each case and the high level of professional judgement involved we consider the Contingent liabilities and provisions resulting from these litigations to be a key audit matter.</p>	<p>In assessing whether the contingent liabilities and provisions arising from litigations have been properly recognized, our procedures included the following:</p> <ul style="list-style-type: none"> • Inspection of the minutes of the meetings of the shareholders and administration council; • Obtaining legal letters from the internal and from the external lawyers of the Group and assessing the interpretation of the lawyers for the cases presented; • Discussing with the internal and external lawyers and assessing the reasonability of the professional judgements used as a basis for the recognition of provisions or contingent liabilities; • Assessing the judgement performed by the Group management in conjunction with the assessment of the internal or external lawyers; • Assessing the adequacy of the contingent liabilities disclosures in the consolidated financial statements.

Other information – Administrator’s Report

6. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrator’s report and the Remuneration Report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the year ended December 31, 2021, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator’s report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

- a) the information included in the administrators’ report and the Remuneration report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;
- b) the administrators’ report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;
- c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit of the consolidated financial statements prepared as at December 31, 2021, we are required to report if we have identified a material misstatement of this Administrator’s report and remuneration report. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

7. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - ☒ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - ☒ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - ☒ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - ☒ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - ☒ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - ☒ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders April 28, 2021 to audit the consolidated financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2021. The uninterrupted total duration of our commitment is 4 years, covering the financial years ended December 31, 2018 to December 31, 2021.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537/2014 were provided.

The engagement statutory auditor on the audit resulting in this independent auditor’s report is Răzvan Ungureanu.

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 (“European Single Electronic Format Regulatory Technical Standard” or “ESEF”)

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the financial statements included in the annual financial report of SOCIETATEA ENERGETICA ELECTRICA S.A. (“the Company”) in the digital files 213800P4SUNUM5AUDX61 (“Digital files”).

Responsibilities of Management and Those Charged with governance for the Digital Files prepared in compliance with the ESEF

Management is responsible for preparing Digital Files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;
- the selection and application of appropriate iXBRL mark ups;
- ensuring consistency between the digital files and the consolidated financial statements to be submitted in accordance with Order 2844/2016 with subsequent amendments;

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

Auditor’s Responsibilities for Audit of the Digital Files

Our responsibility is to express a conclusion on whether the consolidated financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor’s judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company’s process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files including the marked up data with the audited consolidated financial statements of the Company to be submitted in accordance with Order 2844/2016 with subsequent amendments;
- evaluating if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;
- evaluating if iXBrl mark-ups, including the voluntary mark-ups comply with the requirements of ESEF.

The Deloitte logo is displayed in a large, bold, black font. To the left of the logo, there is a decorative graphic consisting of a grid of light blue lines forming a pattern of overlapping squares and rectangles, resembling a stylized architectural or digital structure.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the consolidated financial statements for the year ended 31 December 2021 included in the annual financial report in the Digital Files, comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of the Company for the year ended 31 December 2021 is set out in the section Report on the audit of the consolidated financial statements above.

Răzvan Ungureanu, Statutory Auditor

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 4866

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
March 1, 2022

DECLARATION OF THE MANAGEMENT

We confirm to the best of our knowledge that the consolidated financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the financial position of the Group, its financial performance and cash flows for the year ended 31 December 2021, and that the Directors' report gives a true and fair view of the development and performance of the business of the Group, together with a description of the main risks and uncertainties associated with the expected development of the Group.

Iulian Cristian Bosoanca

non-executive director,
Chairman of the Board of Directors

George Cristodorescu

non-executive director

Radu Mircea Florescu

non-executive director

Gicu Iorga

non-executive director

Adrian-Florin Lotrean

non-executive director

Dragos-Valentin Neacsu

non-executive director

Cosmin Ion Petrescu

non-executive director

Georgeta Corina Popescu

General Manager

