



Endorsed  
 CEO  
 Corina Georgeta Popescu

NOTE

<b>AUTHOR</b>	<b>Number</b>	9900-1346/25.02.2021		
	<b>Entity</b>	DF-DT/DJMP-SMP		
<b>1. Regarding</b>	<p>1. The guarantee to be issued by Societatea Energetică Electrica S.A. (ELSA) for the term loan in the amount of up to EUR 210,000,000 or the equivalent in RON that the company Distribuție Energie Electrica Romania SA (DEER) will contract from an international financial institution (IFI) to finance the investment plan related to the period 2021-2023, the value of the guarantee provided by ELSA being maximum EUR 252,000,000 or equivalent in RON.</p> <p>2. The contracting by ELSA of a bridge loan in the amount of up to RON 750,000,000 together with an engagement letter for arranging a bond issuance to finance inorganic growth opportunities.</p> <p>3. The empowerment of the Board of Directors (BoD) of ELSA for operations referred to in items 1 and 2.</p>			
<b>2. For</b>		<b>Information</b>	<b>Endorsement</b>	<b>Approval</b>
	<b>BoD</b>		X	
	<b>GMS</b>			X
<b>3. Proposed resolution</b>	<p><b>The Board of Directors endorses, in view of submission for approval by the Extraordinary General Meeting of Shareholders (EGMS) of SE Electrica SA ("Electrica" or "ELSA"), the following:</b></p> <p><b>1. Approval of the guarantee to be issued by ELSA for the term loan in the amount of up to EUR 210,000,000 or the equivalent in RON that the company Distribuție Energie Electrica Romania S.A. (DEER) will contract from the European Investment Bank (EIB) to finance the investment plan related to the period 2021-2023, the value of the guarantee provided by ELSA being maximum EUR 252,000,000 or equivalent in RON, subject to the conditions provided for in the Substantiation Note. The loan from EIB (which can be signed in one or several agreements) to be contracted by Distribuție Energie Electrica Romania S.A., will be guaranteed by ELSA through an independent first call guarantee, valid until the full fulfillment of the obligations arising from the agreement/guarantee.</b></p> <p><b>2. Approval to empower the Board of Directors of Electrica to take, in the name and on behalf of Electrica, within the limit of the approved ceilings, all the required measures in order to initiate, carry out and complete the guarantee operation referred to in item 1 on the EGMS agenda.</b></p>			

The Board of Directors will be able to subdelegate to the executive management of ELSA the fulfillment of certain operational activities in order to implement the operations referred to in item 1.

3. Approval of contracting by ELSA of an uncommitted **bridge loan in the amount of up to RON 750,000,000** from a consortium consisting of the banks Erste Bank and Raiffeisen Bank, together with an engagement letter for arranging a bond issuance (conditional upon obtaining the necessary corporate approvals) to finance the inorganic growth opportunities, under the conditions provided in Substantiation Note. The loan will have as single guarantee a movable mortgage on accounts opened by ELSA with BCR and Raiffeisen Bank and will be constituted for a maximum value of RON 825,000,000.
4. **Approval to empower the Board of Directors of Electrica to take, in the name and on behalf of Electrica, within the limit of the approved ceilings, all the required measures in order to initiate, carry out and complete the operation referred to in item 3 on the agenda of the EGMS.**

The above mandate is granted including for any other amendments to bank agreements, financing agreements and/or related collateral arrangements/guarantees, within the limit of the approved ceilings, including but not limited to the purpose, type, use, change of duration of the loan and of the constituted guarantees.

The Board of Directors will be able to subdelegate to the executive management of ELSA the fulfillment of certain operational activities in order to implement the operations referred to in item 3.

#### 4. Legal basis

1. Article 14(4)(b)(c) of the Articles of Association of ELSA.

#### 5. Content

**Item 1 of Chapter 3 - Proposed Resolution: Approval of the guarantee to be issued by ELSA for the term loan in the amount of up to EUR 210,000,000 or the equivalent in RON that DEER will contract from the European Investment Bank (EIB) to finance the investment plan related to the period 2021-2023, the value of the guarantee provided by ELSA being maximum EUR 252,000,000 or equivalent in RON, subject to the conditions provided for in the Substantiation Note. The loan from EIB (which can be signed in one or several agreements) to be contracted by Distributie Energie Electrica Romania, will be guaranteed by ELSA through an independent first call guarantee, valid until the full fulfillment of the obligations arising from the agreement/guarantee.**

For the period 2014-2018 (including), financing of the investment plan of distribution subsidiaries (Distribution Operators - "DO") related to the third regulatory period and assumed under the prospectus for the Initial Public Offering was made from cash obtained from the Initial Public Offering conducted by Electrica SA in 2014, respectively mainly by granting intra-group loans from Electrica SA to the DO.

Starting with the fourth regulatory period (RP4 - 2019-2023), for the years 2019 and 2020, covering the financing needs related to the investment plan of the DO was made by contracting by the DO of loans directly from commercial banks, either on its own (2019) or with Electrica guarantee (2020).

In order to diversify financing sources at Electrica Group level, it is intended to contract loans from the European Investment Bank (EIB) in order to structure financing for the investment program (Capex) of the DO related to the remaining period of the fourth regulatory period (i.e. for 2021-2023).

This initiative starts from the assumption that structuring a financing with an international financial institution (IFI) has a number of advantages and in terms of the possibility to access loans with longer maturities (going to periods up to 10-15 years, compared to maximum 8 years at the moment from commercial banks) and with longer grace periods (up to 3 years, compared to maximum 1 year at the

moment from commercial banks), as well as advantages in terms of financing costs, such IFIs being able to mobilize very cheap financial resources and pass through the advantage related to interest to Borrowers. The potential disadvantage of IFI compared to commercial banks is mainly represented by the more complex and longer lasting approval and analysis process in the case of these institutions, this also being the reason why it is proposed to structure a financing for all the 3 years remaining from the RP4.

After obtaining the corporate credit rating in August 2019, the rating agency Fitch mentioned in its report on ELSA rating the following: "*As most of the debt is planned to be taken over by the distribution subsidiaries without guarantees from Electrica, if we are requested to assess Electrica's debts we could consider the structural subordination of creditors at Electrica level and the ratio of prior-ranking debt at subsidiaries to total debt in Electrica's group, which allows us to note the assessment of debt at Electrica level*".

Consequently, structuring of loans contracted by subsidiaries with ELSA guarantee is a benefit for both parties:

- from ELSA's perspective, if this financing structure with ELSA guarantee would not be implemented, there is a risk that a potential bond issuance at ELSA level to receive a rating notched down from ELSA corporate rating.
- from IFI perspective, the introduction of SE Electrica as debtor ("obligor") within the financing structure is a benefit, due to the fact that SE Electrica is a listed company, with corporate rating, and which makes available for stakeholders a large amount of information, financial statements and transparent presentations through the Investor Relations section on the website.

The loan will have a value of up to EUR 210,000,000 or the equivalent in RON (it can be signed in one or several agreements), will be contracted by Distribuție Energie Electrică România and guaranteed by SE Electrica through an independent first call guarantee. The loan will be drawn in one or several installments with fixed or variable interest, each installment having a maturity of up to 15 years and a grace period for capital repayment of up to 3 years. The guarantee will be constituted until the full fulfillment of the obligations resulting from the agreement/guarantee.

From this perspective, we propose ELSA EGMS to approve the guarantee of the loan from EIB for DEER in the amount of up to EUR 210,000,000 or equivalent in RON, the value of Electrica guarantee being maximum EUR 252,000,000, valid until the full fulfillment of obligations resulting from the agreement/guarantee, as it is presented in item 1 of *Chapter 3 - Proposed Resolution* - of this note.

**Item 2 from Chapter 3 - Proposed Resolution: Approval to empower the Board of Directors of Electrica to take, in the name and on behalf of Electrica, within the limit of the approved ceilings, all the required measures in order to initiate, carry out and complete the guarantee operation referred to in item 1 on the EGMS agenda.**

The Board of Directors will be able to subdelegate to the executive management of ELSA the fulfillment of certain operational activities in order to implement the operations referred to in item 1.

**Item 3 from Chapter 3 - Proposed Resolution: Approval of contracting by ELSA of an uncommitted bridge loan in the amount of up to RON 750,000,000, from a consortium consisting of banks Erste Bank and Raiffeisen Bank, together with an engagement letter for arranging a bond issuance (conditional upon obtaining the necessary corporate approvals) to finance the inorganic growth opportunities, under the conditions provided in the Note for BoD endorsement and EMGS approval. The loan will have as single guarantee a movable mortgage on accounts opened by ELSA with BCR and Raiffeisen Bank and will be constituted for a maximum value of RON 825,000,000.**

In order to support inorganic growth opportunities presented in the Electrica Group Strategy regarding projects in the area of mergers and acquisitions that are considered in various phases of analysis and transaction process, and given that within some of these processes it will be required that upon submission of bid, it will be accompanied by a proof of ensuring financing in the form of financing

agreement or Long Form Term Sheet, with "certain funds" clauses, it is aimed to contract a financing facility by SE Electrica SA in the amount of up to RON 750,000,000 to support such opportunities.

In addition to traditional areas of interest, i.e. electricity distribution, electricity and natural gas supply and energy services, there is a desire to expand vertically, in the field of energy production, but also a high interest in developing new activities, based on innovative technology.

Expansion on the value chain, especially in the area of production from renewable sources, is one of the important objectives of Electrica Group's Strategy for the period 2019-2023. It can ensure correlation between shareholders' interest to increase the financial value of the group with the need to ensure a sustainable development of the business, especially in the context of the new challenge launched by the European Commission for Member States - Green Deal. The company has already taken a first step in this direction, by purchasing a photovoltaic park in June 2020.

Moreover, Electrica Group currently has an intense activity of monitoring and evaluation of inorganic growth opportunities, both in the field of energy production and in the field of innovative technologies in the field of energy distribution or related.

From this perspective, we propose ELSA EGMS to approve the contracting of a bridge loan facility in the amount of up to RON 750,000,000 to support the inorganic growth strategy. The facility will be concluded in a non-binding form (uncommitted) so that it does not generate costs for SE Electrica in case it is not used, following that, when it is necessary to submit a bid for a proposed acquisition that requires external financing, it will request the consortium of financing banks to confirm the availability of the amount for the period related to the bidding and negotiation process. The loan will have as single guarantee a movable mortgage on accounts opened by ELSA with BCR and Raiffeisen Bank and will be constituted for a maximum value of RON 825,000,000 (110% of the facility value). In case of using the facility by partial or full drawdown of amounts within it, its reimbursement will be made in principle from a bond issuance that will be approved, structured and carried out at the maturity of the facility after obtaining the necessary corporate approvals, and if this is not possible, it will be analyzed with the banks in the consortium the possibility of structuring the loan with a linear repayment period (quarterly principal installments) for a period of five years after the initial grace period for the principal of up to two years, conditioned by obtaining the necessary internal approvals from the competent bodies of the banks. In this regard, an engagement letter will be signed with the consortium consisting of banks Erste Bank and Raiffeisen Bank for arranging a bond issuance (conditional upon obtaining the necessary corporate approvals for the bond issuance at the moment).

We mention that, in accordance with the Articles of Association of ELSA, Art. 14(4)(d) and Annex 1 point 2 "Investments", for any inorganic growth opportunity that would materialize in an acquisition worth more than EUR 30,000,000 per transaction the approval of ELSA EGMS is necessary. Therefore, signing the loan agreement will make the activity more flexible from a commercial perspective, respectively ensuring the possibility of negotiating acquisition/development opportunities, but any drawdown from the facility necessary to finance an acquisition with a value greater than that previously indicated will only be carried out after that transaction is approved in the GMS.

**Item 4 from Chapter 3 - Proposed Resolution: Approval to empower the Board of Directors of Electrica to take, in the name and on behalf of Electrica, within the limit of the approved ceilings, all the required measures in order to initiate, carry out and complete the operation referred to in item 3 on the agenda of the EGMS.**



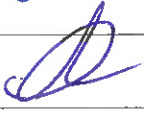

The above mandate is granted including for any other amendments to bank agreements, financing agreements and/or related collateral arrangements/guarantees, within the limit of the approved ceilings, including but not limited to the purpose, type, use, change of duration of the loan and of the constituted guarantees.

The Board of Directors will be able to subdelegate to the executive management of ELSA the fulfilment of certain operational activities in order to implement the operations referred to in item 3.

**5. Annexes:**

- Annex 1: Indicative Terms and Conditions for the loan to be granted by IFI to DEER with ELSA guarantee
- Annex 2: Indicative Terms and Conditions for the loan to be granted by a consortium of commercial banks to ELSA

**Signatories**

<b>Executive Director</b>	<b>Signature</b>
<b>CFO Mihai DARIE</b>	
<b>Endorsement</b>	<b>Signature</b>
<b>Head of Department Legal &amp; DPO Stefania ANDRUHOVICI</b>	
<b>Legal adviser Alexandra TROACA</b>	
<b>Author</b>	<b>Signature</b>
<b>Head of Department Treasury Stefan FRANGULEA</b>	

**Annex 1: Indicative Terms and Conditions for the loan to be granted by EIB to DEER with ELSA guarantee**

<b>IFI</b>	<b>European Investment Bank (EIB)</b>
Amount of the facility	Up to EUR 210,000,000 or RON equivalent (a single financing agreement or several agreements can be signed, up to the amount).
Borrower	Distributie Energie Electrica Romania SA
Project	Financing the Investment Plan related to the electricity distribution activity for the period 2021-2023.
Bank's commitment	Up to EUR 210,000,000 or RON equivalent, but no more than 75 per cent of the above mentioned Investment Plan related to the period 2021-2023
Maturity	15 years of which 3 years of grace period. This maturity applies to each drawdown.
Drawdown period	Between 18 and 24 months from the date of signing the agreement. Depending on the financial needs of the company, there is a possibility to sign an agreement for a smaller amount than that approved, the difference following to remain available for contracting for a period of 1-2 years from the date of approval, at no cost.
Financing currency	RON or EUR
Interest rate	Fixed or variable, in RON or EUR. For RON: IFI can provide financing in RON through CCS EUR RON type structures, being able to go on maturities of up to 5 years. Depending on market evolution, they can provide financing of up to 10 years in RON
Fees	The usual fees for financing of this type (upfront fee, commitment fee) will be negotiated at the time of negotiation of financing agreements
Guarantees	ELSA guarantee (rating BBB/negative outlook), through a letter of independent first call guarantee, for an amount of maximum EUR 252,000,000 (120% of the facility value), without other guarantees
Drawdowns	Drawdowns are made after the fulfillment of conditions precedent, but no supporting documents are required (e.g. invoices or contracts with suppliers).
Financial covenants	Up to three financial covenants, possibly at consolidated level (to be agreed upon in the negotiation stage). Alignment with existing covenants can be negotiated. Examples: Net Debt/EBITDA, EBITDA/Interest expenses.

## **Annex 2: Indicative Terms and Conditions for the loan to be granted by a consortium of commercial banks to ELSA**

- Borrower: Societatea Energetică Electrica S.A.
- Total amount: Up to RON 750,000,000
- Financing currency: RON
- Loan type: bridge loan for a term of up to 2 years. In the case in which it will not be possible to issue bonds, possibility of structuring the loan with a linear repayment period (quarterly principal installments) for a period of five years after the initial grace period for the principal of up to two years will be analyzed with the banks in the consortium, conditioned by obtaining the necessary internal approvals from the competent bodies of the banks.
- Lenders: a consortium of commercial banks consisting of Erste Bank and Raiffeisen Bank
- Facility type: uncommitted
- Reimbursement: full reimbursement ("bullet") upon maturity; early repayment is allowed. In principle, reimbursement will be made from a bond issuance that will be approved, structured and carried out before the maturity of the facility. In the case in which it will not be possible to issue bonds, possibility of structuring the loan with a linear repayment period (quarterly principal installments) for a period of five years after the initial grace period for the principal of up to two years will be analyzed with the banks in the consortium, conditioned by obtaining the necessary internal approvals from the competent bodies of the banks.
- Fees: the usual ones for this type of transaction (arrangement fee to be paid only with the first drawdown within the facility, extension fee, without commitment fee, being an uncommitted facility)
- Interest: ROBOR 1M + margin (% p.a.)
- Penalty interest: current debt + 0.5% p.a.
- Guarantees: at most the movable mortgage on ELSA's current accounts opened with the banks part of the consortium (BCR and Raiffeisen Bank). The guarantee will be constituted for a maximum value of RON 825,000,000.
- Financial conditions: Net Debt/EBITDA at consolidated level
- Success fee bond issuance: fixed and percentage and usual values for this type of transactions (the fixed fee will be deducted from the success fee)
- Documentation: besides the financing documents (loan agreement, collateral arrangements) an engagement letter will also be signed to arrange a bond issuance (conditional upon obtaining the necessary corporate approvals).