

To: **Bucharest Stock Exchange (BSE)**
London Stock Exchange (LSE)
Romanian Financial Supervisory Authority (FSA)

Current report in compliance with the Law 24/2017 on issuers of financial instruments and market operations, FSA Regulation no. 5/2018 on issuers of financial instruments and market operations, and the Bucharest Stock Exchange Code

Report date: 31 October 2022

Company name: Societatea Energetica Electrica S.A. (Electrica)

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

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

Fiscal Code: RO 13267221

Trade Register registration number: J40/7425/2000

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

Regulated market where the issued securities are traded: Bucharest Stock Exchange (BSE) and London Stock Exchange (LSE)

Significant events to be reported: Financial, budgetary, and operational impact of GEO 119/2022, of ANRE Order no. 129/2022 and of OMFP 3900/2022

Electrica informs shareholders and investors about the financial and operational impact analysis done by Electrica following the publication in the Official Gazette (OG) of ANRE Order no. 129/2022 and of the OMFP no. 3900/2022, which represent the methodological norms of implementing *GEO no. 119/2022 for amending and supplementing GEO no. 27/2022 on measures applicable to the final clients on the electricity and natural gas market during 1 April 2022 - 31 March 2023, as well as for the amendment and supplementation of some legal acts in the field of electricity.*

We mention below the main aspects with financial, budgetary and operational impact on the Group, on the distribution and supply segments:

- **On the distribution segment**, the most important amendment is the quarterly capitalization of the additional costs with the acquisition of electricity, realized during 1 January 2022 – 31 August 2023, for covering the network losses (NL), determined as the difference between the realized costs and the costs included in the approved distribution tariffs. The capitalized costs are being amortized on a five-year term from the date of capitalization and are being remunerated with 50% of the regulated rate of return (RRR) approved by ANRE, applicable on the amortization period of the respective costs. These are recognized as a distinctive component in the regulated tariffs, named component related to additional network losses costs.

In accordance with the provisions of art. III from GEO 119/2022, ANRE elaborated the *Methodological norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the network losses compared to the costs included in the regulated tariffs*, approved by ANRE Order no. 129/2022, published in the OG no. 1019/2022 on 19 October 2022. The purpose of these norms is to establish the substantiation of additional costs with the purchase of electricity to cover the NL, as well as the conditions for their recognition in the regulated income, based on which the distribution tariffs are established.

From a financial accounting point of view, as a result of the changes mentioned above from the point of view of GEO 119/2022 and of ANRE regulations, in OG no. 1023 on 20 October 2022 was published the OMFP no. 3900/19 October 2022, which brings accounting clarifications to the accounting regulations in force, supplementing OMFP 1802/2014 as well as OMFP 2844/2016, provisioning for the financial treatment regarding the capitalization of the network losses difference, as follows:

- on the expenses side, the difference in NL between the purchase price of electricity for covering the NL compared to the ex-ante purchase price recognized by ANRE will not be reflected during the current financial year, but will be reflected through the capitalization of some assets (intangible) in the form of some intangible assets every quarter, starting with 30 September 2022 until 31 August 2023, assets that will be amortized using the straight-line method for a period of 5 years. These provisions will have a positive impact on the income and expenses budget approved by the GMS on 20 April 2022;
 - on the income side, the NL difference between the ex-ante value recognized by ANRE and the value established through the annual calculation algorithm will be recognized in the regulated income for a period of 5 years, by increasing the distinct component of the distribution tariffs, related to the additional NL costs, in accordance with ANRE methodologies. The application of the limitations provided by the methodology of setting the tariffs, regarding the annual increase of the tariffs, will be carried out without considering the component related to additional network losses costs.
- **On the supply segment**, the Group does not currently estimate a significant financial impact of the provisions of GEO 119/2022, as in force at this time, on the income and expenses budget approved by the GMS on 20 April 2022.

We mention the fact that the law of approval of GEO 119/2022 is currently in parliamentary debates, and there is a possibility of the GEO being amended, compared to the version that was analyzed, whose financial, budgetary and operational impact was presented above.

We would like to inform investors of the fact that, simultaneously with the publication of the Q3 2022 interim consolidated simplified financial statements, prepared in accordance with OMFP 2844/2016, which, according to the financial calendar will take place on 15 November 2022, in which the first intangible asset for the difference in NL for the period 01 January 2022 – 30 September 2022 will be presented, we will also publish an estimate of the impact on the 2022 consolidated income and expenses budget.

This will be available on the website www.electrica.ro, in the dedicated section.

Abbreviations:

ANRE = Romanian Energy Regulatory Authority, in Romanian Autoritatea Nationala de Reglementare in domeniul Energiei
OMFP = Ordinance of the Public Finances Ministry, in Romanian Ordinul ministrului finanțelor publice
GEO = Government Emergency Ordinance, in Romanian OUG, Ordonanta de Urgenta a Guvernului
NL = Network losses, in Romanian CPT, Consum propriu tehnologic
OG = Official Gazette, in Romanian MOF, Monitorul Oficial

CEO

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