

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

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: **15 November 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: Impact of GEO 119/2022 on the 2022 consolidated income and expenses budget approved by the GMS on 20 April 2022

Electrica informs its shareholders and investors about the following aspects:

The 2022 consolidated income and expenses budget of the Electrica Group, approved by the AGM on 20 April 2022, is positively influenced as a result of OMFP no. 3900/19 October 2022 (which provides additional clarifications to the accounting regulations in force, supplementing OMFP 1802/2014 as well as OMFP 2844/2016), which provides for the financial treatment of the additional cost of purchasing electricity for covering the network losses (NL) of the distribution operators, as a result of the regulations issued by ANRE regarding the way of recognizing in tariffs the additional costs with the purchase of electricity for NL coverage, compared to the costs included in the regulated tariffs, respectively Order no. 129/2022, approved as a result of the publication of GEO no. 119/2022, amending and supplementing GEO no. 27/2022.

The financial impact of these regulations on the 2022 consolidated income and expenses budget of the Electrica Group is reflected in the distribution segment of the Group. On the supply segment, the Group does not currently estimate a significant financial impact of the provisions of GEO no. 119/2022.

The Group estimates a positive impact on the consolidated budget, as a result of the capitalization of the first intangible asset on 30 September 2022, according to the accounting and legal provisions in force, in the amount of RON 780 million, representing the capitalization of the additional cost with the purchase of electricity incurred in the first 9 months of 2022, impact that will be diminished by the negative effect that will be generated by the first amortization related to this newly created intangible asset in the amount of RON 39 million, amortization which will be recorded at 31 December 2022.

The value of 780 million RON was determined using forecasted, not actual quantities for the first 9 months, according to the provisions of ANRE Order no. 129/2022, using the average purchase price of 968 RON/MWh, compared to a price of 392 RON/MWh, effectively recognized in the tariffs by ANRE, motivated by the limitations of the tariff increase methodology.

Also, in the 4th quarter of 2022, the second intangible asset will be capitalized, according to a similar mechanism, as mentioned for the first intangible asset already registered by the Group in the Q3 2022 interim consolidated simplified financial statements. This capitalization will positively influence the consolidated budget through the registration of an intangible asset from the capitalization of the NL costs, simultaneously with the registration of revenue from the production of intangible assets. The amortization related to this intangible asset will be recorded starting from 1 January 2023, without impact in 2022. The estimation of this fixed asset depends to a great extent on the value of the average purchase price in Q4 2022, period that is not finalized yet and for which the electricity required to cover the NL for December is still being purchased.

According to the legislation in force, the following intangible assets will be created for the NL difference (in correspondence with revenue from the production of intangible assets):

- **The first intangible asset** - for the NL cost difference recorded between January 2022 and September 2022 - will be recorded on 30 September 2022;
- **The second intangible asset** - for the NL cost difference recorded between October 2022 and December 2022 - will be recorded on 31 December 2022;
- **The third intangible asset** - for the NL cost difference recorded between January 2023 and March 2023 - will be recorded on 31 March 2023;
- **The fourth intangible asset** - for the NL cost difference recorded between April 2023 and June 2023 will be recorded on 30 June 2023;
- **The fifth intangible asset** - for the CPT cost difference recorded between July 2023 and August 2023 will be recorded on August 31, 2023.

The amortization related to the newly created intangible assets is determined through the straight-line method for a period of 5 years, and the amortization expense is recorded in the accounts starting with the quarter following the one when the revenue from the intangible assets was recorded.

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