

Announcement

Difference between Consolidated Financial Statements OMFP 2844/2016 vs IFRS-EU

Explanations of the differences between:

- The Annual Consolidated Financial Statements of Electrica as of and for the financial year ended on December 31, 2022, prepared in accordance with OMFP no. 2844/2016, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes and
- The Annual Consolidated Financial Statements of Electrica as of and for the financial year ended on 31 December 2022, prepared in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent amendments (IFRS-EU)

Societatea Energetica Electrica SA announces the publication of the consolidated annual financial statements for the year 2022, prepared in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent amendments (IFRS-EU) after on 7 March 2023 it published the consolidated annual financial statements drawn up in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards.

Until 31 December 2021, the consolidated financial statements prepared in accordance with OMFP no. 2844/2016 were equivalent to IFRS-EU.

Starting from December 31, 2022, according to the Order of the Ministry of Public Finances (OMFP) no. 3900/2022, a new clause was provided regarding the regulatory accounts to cover the additional expenses of the network losses ("NL") for the actual energy costs compared to the ANRE ex-ante prices recognized in the distribution tariffs, by constituting **intangible assets** for these additional expenses. This amendment to the financial regulations of OMFP 2900/2022, was decided as a result of the context of electricity prices from 2022, which determined that ANRE issue for the Distribution Operators a new methodology regarding additional costs with NL during the period 1 January 2022 – 31 August 2023. The calculation of the capitalized amounts is carried out in compliance with the legislation specific to the entities that are the subject of GEO 119/2022, with subsequent additions and changes. According to ANRE regulations, the capitalized costs as intangible assets are recorded in the accounting record and therefore in the annual financial statements according to the instructions issued by the Ministry of Finance. ANRE will determine the recognized annual amounts of capitalized costs based on the recognized quantities and prices for NL.

Thus, within the consolidated annual financial statements for the year 2022, prepared in accordance with OMFP no. 2844/2016, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent amendments, the Group recorded intangible assets in the amount of **951.6 million RON**, in correspondence with income from the production of intangible assets in the amount of **989.3 million RON** and amortization related to intangible assets constituted until 31 Dec 2022 in the amount of **37.3 million RON**. The revenues from the production of intangible assets represent the additional network losses (own technological consumption) calculated as the difference between the net cost with the purchase and the cost of NL included in the regulatory tariff, for the period 1 January 1 - 31 December 2022.

In the set of consolidated financial statements according to IFRS-EU, these expenses have another applicable financial treatment, based on the amendment of the concession contracts regarding the recognition of additional costs (actual costs vs recognized ex-ante in the tariffs) with the purchase of electricity to cover NL for the distribution segment. On 20 January 2023, the Ministry of Energy, as the concedent, amended the concession contract with the Electrica Group for the distribution segment to reflect that, in the event of early termination of the concession contract, for any reason, the new concessionaire would reimburse the Group the amount the current cost of purchasing electricity for own technological consumption compared to the costs included in the regulated tariffs. Based on the changes in the concession contracts, the additional cost of purchasing electricity to cover the distribution operators' own technological consumption is recognized as a **financial asset (guaranteed asset)** as part of the concession contract. These amounts

are guaranteed by the concession contract that was fined based on the legal provisions. The resulting financial assets are presented in the consolidated financial statements at the fair value determined as the net present value of the additional costs with the purchase of electricity borne by the distribution subsidiary for NL.

Thus, within the consolidated annual financial statements for the year 2022, drawn up in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent amendments (IFRS-EU), the Group recorded both a financial asset and corresponding income from the initial recognition of fixed assets financial related to the concession agreements in the amount of **951.6 million RON**, representing the value that has to be recovered regarding the additional NL calculated as the difference between the net cost with the purchase of the energy for NL and the NL cost included in the regulatory tariff by ANRE, for the period 1 January – 31 December 2022, as specified in the additional act to the concession contract concluded between the distribution subsidiary of the Group (Distributie Energie Electrica Romania SA "DEER") with the Ministry of Energy.. Because all the facts and circumstances were available on 31 December 2022, the Group accounted for these changes as an event the subsequent adjustment for the year ended 31 December 2022 and recognized a financial asset for the value of the additional NL to be recovered.

In conclusion, both on IFRS-EU and on OMFP 2844/2016 the Group recognizes related assets/revenues as a result of the additional difference of NL for the distribution subsidiary, the net impact in the profit of the period being the same in both sets of consolidated annual financial statements, while in the financial position of the Group, according to OMFP 2844/2016 is recognized as an intangible asset and according to IFRS-EU is recognized as a financial asset (divided into long-term/short-term according to the recovery of additional costs with NL in tariffs), both assets having the same net value reflected in the statements consolidated annual financial statements, thus the values are comparable on both sets for the main financial indicators of the Electrica Group.

For more information, please contact Electrica at ir@electrica.ro.

Chief Executive Officer
Alexandru – Aurelian Chirita

CFO
Stefan Frangulea