

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

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

Report date: **25 March 2024**

Company name: **Societatea Energetica Electrica S.A.**

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), London Stock Exchange (LSE)**

**Significant events to be reported: Restatement of IFRS 2022 Financial Statements and differences between IFRS-EU Financial Statements and OMFP for 2023**

Electrica announces the publication of the consolidated annual financial statements for the year 2023, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union with subsequent amendments (IFRS-EU) (IFRS-EU Statements), after having published the consolidated annual financial statements prepared in accordance with the Order of the Minister of Public Finance No. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, on 6 March, 2024. Both sets are subject to the approval of the AGOA on 25 April 2024.

Please note that in the consolidated financial statements prepared in accordance with IFRS-EU for the year 2023, Electrica Group has restated the consolidated financial statements for the year 2022, as a result of the consultations that took place during 2023 and finalized at the beginning of 2024 with the global financial auditors, also considering the complexity of the case under analysis, the auditors concluded that, in the absence of finalization of the consultation phase on IFRS 14 "Deferred charges related to regulated activities", which specifies the treatment of capitalized costs from regulated activities, the arguments offered by the Company's management aligned with the opinion of external financial consultants for the inclusion of these additional costs related to NL in other IFRS standards in force (IFRS 9 or IFRIC 12), are not sufficient.

Electrica Group published on 20 September 2023 an announcement regarding the above consultations, the status and possible impact on the published consolidated financial statements ([ELSA EN Current-report Q2-2023 IFRS information 20Sep2023 LSE.pdf \(electrica.ro\)](http://www.electrica.ro/ELSA_EN_Current-report_Q2-2023_IFRS_information_20Sep2023_LSE.pdf)).

2022 Context:

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 3900/2022, was a result of the electricity prices context of 2022, which determined ANRE to issue, for the Distribution Operators, a new methodology regarding additional costs with NL during the period 1 January 2022 – 31 March 2025. 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. Revenue from the production of intangible fixed assets represents additional own technological consumption calculated as the difference between the net cost of acquisition and the cost of own technological consumption included in the regulatory tariff.

In the set of audited consolidated financial statements prepared in accordance with IFRS-EU as at and for 31 December 2022, **these expenses had a different applicable financial treatment**, based on the amendment of the concession contracts regarding the recognition of additional costs (actual costs vs. recognized ex-ante in tariffs) with the purchase of electricity to cover NL for the distribution segment. On January 20, 2023, the Ministry of Energy, as grantor, amended the concession contract with 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 for the amount of unrecovered capitalized costs at the time of termination of the concession contract with the purchase of electricity for its own technological consumption compared to the costs included in the regulated tariffs. Based on the amendments to the concession contracts, the additional cost of purchasing electricity to cover the distribution operators' NL was recognized as a **financial asset** - part of the concession contract. These amounts are guaranteed by the concession contract, which has been amended according to legal provisions. The resulting financial assets have been presented in the consolidated financial statements at fair value determined as the net present value of the additional electricity purchase costs incurred by the distribution subsidiary for NL.

#### 2023 Context:

In the audited annual consolidated financial statements for the year 2023, 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 as amended, the Group has recorded for the year 2023, intangible assets and income from the production of intangible assets in the amount of RON 19 million, thus the balance of intangible assets as at 31.12.2023 is RON 771 million (31.12.2022: RON 951 million). The auditor's opinion for annual consolidated financial statements for the year 2023, prepared in accordance with OMFP no. 2844/2016 is unqualified – clean report.

In the audited annual consolidated financial statements for the year 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union as amended (IFRS-EU), the Group has reassessed its previous position on the consolidated financial statements relating to the recognition of the financial asset recognized as a result of the amendment to the concession agreements, for which a financial asset in the amount of RON 951 million, representing the difference between the cost of energy purchase for NL and the cost of NL included in the regulatory tariff by ANRE, for the period 1 January - 31 December 2022, was recognized and comparatives were restated in the current year financial statements. See note 5 in the IFRS-EU consolidated financial statements. The auditor's opinion for the annual consolidated financial statements for the year 2023, prepared in accordance with IFRS-EU is unqualified – clean report.

It is worth mentioning that in 2023, the additional capitalized NL on the distribution segment was RON 19 million vs. RON 989 million as it was in the previous year, as the Group managed to significantly

reduce the additional electricity procurement costs for NL on the distribution segment following the implementation of MACEE.

In conclusion, for the annual consolidated financial statements for the year 2023 prepared in accordance with OMFP 2844/2016, the Group recognizes intangible assets in correspondence with revenue from the production of intangible assets as a result of the additional difference in NL for the distribution subsidiary, the assets being amortized over a period of 5 years, while in the audited annual consolidated financial statements for the year 2023, prepared in accordance with IFRS-EU, the recovery of revenue related to NL capitalized in the previous period is recovered in the year in question, without recognizing intangible assets, the revenue being included in the Group's turnover. Therefore, the significant difference in the income statement from 2023 between the set of financial statements according to OMFP 2844/2016 and IFRS-EU is the amortization of intangible assets in the first set, which does not have a correspondence in the second set, thus there will be differences between the results of the two sets of annual consolidated financial statements. In regard to the financial position, the difference will be the unamortized value of the intangible asset recognized on the OMFP 2844/2016 set. Therefore, in order to comply with both local and international reporting standards and regulations, the Group will prepare two sets of annual consolidated financial statements, one prepared in accordance with OMFP 2844/2016 and one in accordance with IFRS-EU.

**CEO**  
**Alexandru-Aurelian Chirita**

**CFO**  
**Stefan-Alexandru Frangulea**