



2020 HALF YEAR CONSOLIDATED DIRECTORS' REPORT (H1 2020)

(based on the condensed consolidated interim financial statements prepared in accordance with IAS 34)

REGARDING THE ECONOMIC AND FINANCIAL ACTIVITY OF SOCIETATEA ENERGETICA ELECTRICA S.A.

in compliance with art. 65 of the Law no. 24/2017 on issuers of financial instruments and market operations and with annex no. 14 to ASF Regulation no. 5/2018 and the Bucharest Stock Exchange Code

for the six month period ended 30 June 2020

Free translation from the Romanian version of the report, which will prevail in the event of any discrepancies with the English version.

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Glossary

ANRE	Romanian Energy Regulatory Authority
BoD	Board of Directors
BRP	Balance Responsible Party
BSE	Bucharest Stock Exchange
CAPEX	Capital Expenditure
CGC	Corporate Governance Code
CMBC (EA/CN)	Centralized Market for Bilateral Contracts (Extended Auction/Continuous Negotiation)
CMC	Competitive Market Component
CMUS	Centralized Market for Universal Service
CNTEE	The National Transmission System Operator
DAM	Day Ahead Market
DSO	Distribution System Operator
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
EDN	Electrical Distribution Network
ELSA	Electrica S.A.
EGMS	Extraordinary General Meeting of Shareholders
EU	European Union
EUR	The monetary unit of several member states of the European Union
GC	Green Certificates
GDP	Gross Domestic Product
GDR	Global Depositary Receipts
GEO	Government Emergency Ordinance
GMS	General Meeting of Shareholders
HV	High Voltage
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IPO	Initial Public Offering
IR	Investor Relations
ISIN	International Securities Identification Number
KPI	Key Performance Indicators
kV	KiloVolt
LR	Last Resort
LV	Low Voltage
MV	Medium Voltage
MVA	Mega Volt Ampere

MWh	MegaWatt hour
MKP	Management Key Position
NAFA	National Agency for Fiscal Administration
NES	National Electricity System
NL	Network Losses
NRC	Nomination and Remuneration Committee
OMPF	Order of Ministry of Public Finances
OGMS	Ordinary General Meeting of Shareholders
OHL	Overhead Line
OHS	Occupational Health and Safety
OPCOM	Romanian Gas and Electricity market operator
RAB	Regulated Asset Base
RM	Retail Market
RON	Romanian monetary unit
RRR	Regulated Rate of Return
SAD	Distribution Automation System
SCADA	Supervisory Control And Data Acquisition
SDMN	Societatea de Distributie a Energiei Electrice Muntenia Nord
SDTN	Societatea de Distributie a Energiei Electrice Transilvania Nord
SDTS	Societatea de Distributie a Energiei Electrice Transilvania Sud
SEM	Servicii Energetice Muntenia SA
SEO	Servicii Energetice Oltenia SA
SoLR	Supplier of last resort
TWh	TeraWatt hour
TSO	Transmission and system operator
UM	Unit of Measurement
US	Universal Service
VAT	Value Added Tax

1. Identification Details Of The Issuer

Report date: 13 August 2020

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

Sole Registration Code: 13267221

Trade Registry registration number: J40/7425/2000

LEI Code (Legal Entity Identifier): 213800P4SUNUM5AUDX61

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

Main characteristic of issued shares: 346,443,597 ordinary shares of 10 RON nominal value, out of which 6,890,593 treasury shares and 339,553,004 shares issued in dematerialized form and freely transferable, nominative, tradable and fully paid

Regulated market where the issued securities are traded: the Company's shares are listed on the Bucharest Stock Exchange (ticker: EL), and the Global Depositary Receipts (ticker: ELSA) are listed on the London Stock Exchange

Applicable accounting standards: International Financial Reporting Standards as approved by the European Union; interim financial statements based on the International Accounting Standard IAS 34 – Interim Financial Reporting

Reporting period: 2020 Half-year (period 01 January – 30 June 2020)

Audit/Review: The condensed consolidated interim financial statements as of and for the six month period ended 30 June 2020 are reviewed by an independent financial auditor

	Ordinary Shares	GDR
ISIN	ROELECACNOR5	US83367Y2072
Bloomberg Symbol	0QVZ	ELSA: LI
Currency	RON	USD
Nominal Value	RON 10	RON 40
Stock Market	Bucharest Stock Exchange REGS	London Stock Exchange MAIN MARKET
Ticker	EL	ELSA

Source: Electrica

2. Highlights

Electrica Group is one of the main distributors and suppliers of electricity on the Romanian market. The Group's core business segments are the distribution of electricity to users and the supply of electricity to household and non-household consumers.

Electrica's distribution segment operates through its subsidiaries: Societatea de Distribuție a Energiei Electrice Muntenia Nord ("SDMN"), Societatea de Distribuție a Energiei Electrice Transilvania Nord ("SDTN"), Societatea de Distribuție a Energiei Electrice Transilvania Sud ("SDTS") and Electrica Serv ("ELSERV"), and it is geographically limited to 18 counties from the historical regions Muntenia and Transylvania, in what concerns the distribution subsidiaries. The Group holds exclusive distribution licenses for these regions, which are valid until 2027, and may be extended for another 25 years. Within its service for distribution activity, EL SERV provides maintenance, repair and various services to group companies (car rental, rental of buildings etc.) as well as repairs and other related services to third parties.

The electricity supply segment operates through Electrica Furnizare ("EFSA") subsidiary, and the main activity is the supply of electricity to final customers, both as the supplier of last resort (in the geographic regions where the Group's distribution segment operates) and as a competitive supplier, all over Romania.

The Group holds an electricity supply license covering the entire territory of Romania, valid until 2021, with the possibility of extension, and a license for natural gas supply activity, valid until 2022.

2.1. Key Events during the period January – June 2020 (H1 2020)

During the six months period ended 30 June 2020, **the following significant events for the main activity segments of the Group took place:**

Events that took place in the period January – June 2020

General Meetings of Shareholders of Electrica (ELSA or the Company):

On 29 April 2020, ELSA's **Ordinary General Meeting of Shareholders (OGMS)** took place at the company's headquarters, during which the shareholders approved mainly the following:

- ELSA's 2019 audited financial statements and the 2020 revenue and expenses budget, at individual as well as at consolidated level;
- the 2019 financial year net profit distribution: total gross dividend value – RON 246.1 mn; gross dividend per share – RON 0.7248; ex date – 5 June 2020; registration date – 9 June 2020; dividends' payment date – 26 June 2020;
- the discharge of liability of the members of ELSA's Board of Directors for the financial year 2019;
- the election of Mr. Iulian Cristian Bosoanca as non-independent member of ELSA's Board of Directors for filling in the vacant position, following the renunciation to the mandate by the non-independent director Mr. Niculae Havrilet. The term of the mandate of the elected director is for a duration equal to the period remaining until the expiry of the mandate for the vacant position, i.e. until 27 April 2022.

The main decisions of ELSA's Board of Directors (BoD) were as follows:

■ The present composition of the Board of Directors' consultative committees:

On 28 January 2020, the composition of ELSA's BoD consultative committees was established and their chairs were elected, the composition being afterwards revised following the appointment of Mr. Cristian Bosoanca as a member

of ELSA's BoD. As a result, starting with 13 May 2020 and until 31 December 2020, the composition of the consultative committees is the following:

- The Nomination and Remuneration Committee:
 - Mr. Bogdan Iliescu – Chair
 - Mr. Valentin Radu – Member
 - Mr. Gicu Iorga – Member

- The Audit and Risk Committee:
 - Ms. Ramona Ungur – Chair
 - Mr. Bogdan Iliescu – Member
 - Mr. Cristian Bosoanca – Member

- The Strategy and Corporate Governance Committee:
 - Mr. Dragos Andrei – Chair
 - Mr. Radu Florescu – Member
 - Mr. Valentin Radu – Member

■ Corporate Governance - policies

In February 2020, the updated version of ELSA's Corporate Governance Code was published on the Company's website, being available under the section *Investors > Corporate Governance*. On this occasion, ELSA has published two additional policies:

- IR Corporate Disclosure Policy, which presents the main methods used by the company for communicating with investors and analysts. It covers also verbal statements made both in group or individual meetings, as well as in telephone calls with shareholders, analysts and potential investors;
- Policy on Organizing and Running ELSA's GMSs, which presents detailed aspects of interest for investors regarding the way of organizing and carrying out the GMS.

■ Consolidated investment plan (CAPEX)

During the meeting held on 26 February 2020, ELSA's BoD approved the consolidated value of the Investment Plan (CAPEX) of Electrica Group for 2020, in total amount of RON 678.2 mn. Out of this value, RON 597 mn represents the investment plan (CAPEX) of the distribution subsidiaries.

■ Mergers and acquisitions

On 27 March 2020, ELSA's BoD mandated ELSA's representative in the GMS of the two energy services companies within Electrica Group to vote for the **approval in principle of the merger through absorption between EL SERV and SEM** and the participation of the companies to the merger, with EL SERV as absorbing company.

Afterwards, on 27 May 2020, ELSA's BoD mandated ELSA's representative in the GMS of the three distribution companies within Electrica Group to vote **for the approval in principal of the initiation and participation at the merger through absorption between SDTN, SDTS and SDMN**, the absorbing company being SDTN.

The two approvals in principle are in line with the strategy elaborated by Electrica Group for the period 2019-2023, and the mergers would take place only in case ELSA's EGMS mandates ELSA's representative in the subsidiaries' GMS to vote for the approval of the dissolution of the absorbed companies, taking into account the attributions reserved to ELSA's EGMS according to ELSA's Article of Association.

On 3 June 2020, **ELSA informed the investors and shareholders that it is currently exploring the possibility to participate through a potential consortium** formed with Societatea de Administrare a Participatiilor in Energie S.A. (S.A.P.E. S.A.) and Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A., **in a competitive procedure organized by CEZ a.s. for the sale of its Romanian subsidiaries.**

On 23 June 2020, EFSA has signed **a share purchase agreement with Raylexo Limited and Long Bridge Management si Administrare S.R.L. for the acquisition of all shares in Long Bridge Milenium S.R.L., company which owns Stanesti Photovoltaic Farm in Giurgiu County**, with an installed capacity of 7.5 MW (operational power limited at 6.8 MW). Closing of the transaction and the transfer of shares' ownership to EFSA are subject to fulfilment of the suspensive conditions agreed by the parties as well as to the relevant formalities, the final purchase price following to be determined at the closing of the transaction, pursuant to the terms of the share purchase agreement.

This transaction is the first step towards the envisaged target of vertical development of Electrica Group by entering the electricity production market, in particular from renewable sources, by acquiring wind and/or photovoltaic farms.

■ Major holdings

On 30 March 2020, ELSA received the notification of major holdings from Allianz SE. Thus, starting with 26 March 2020, the entities indirectly held by Allianz SE exceeded the threshold of 5%, respectively have reached a holding of 5.09% of the voting rights of ELSA calculated on the basis of all the shares to which voting rights are attached.

■ Maintaining the BBB corporate rating for Electrica

On 17 April 2020, the rating agency Fitch Ratings affirmed Electrica's issuer corporate rating of BBB (Investment Grade), obtained in September 2019, but revised its outlook to Negative from Stable. The change appeared as a consequence of the revision of Romania's rating Outlook to Negative from Stable, mainly as a result of the implications of COVID-19 pandemic, as in Fitch's view, the Company's rating should be capped at one notch above the one of the Romanian state, the largest shareholder.

The confirmation of the BBB rating continues to reflect Electrica Group's solid financial profile, adequate liquidity, low leverage level, as well as the leading position both on the electricity distribution and regulated supply segments.

■ Litigations

- On 24 February 2020, the Bucharest Court of Appeal rejected the appeal filed by EFSA requesting claims from ELSA in amount of RON 17,274,162. This amount had been noted by the Court of Accounts, through Report no. 2835/17 May 2013 and Decision no. 20/17 June 2013, which was considered as representing the value of the invoices paid by EFSA in the absence of supporting documents, as well as the payment of the related legal interest. The decision was issued in case no. 2869/3/2019, EFSA re-appealing within 30 days of its communication. The term was not set until the moment of the present report.
- On 3 February 2020, the company was notified about an action in court by plaintiff Dana Alexandra Dragan against the defendant ELSA for the payment of certain amounts of money allegedly due based on the mandate agreement, subject to case no. 38532/3/2019. Ms. Dana Alexandra Dragan was Chief Human Resources Officer for a limited period of 1 year. She is still in contractual relations with ELSA, being the company's employee, so that the obligation of non-competition (one of the requests being the payment of the non-competition fee) subsists in the charge of Ms. Dragan in her quality of employee.

Taking into account that, according to the provisions of the mandate agreement concluded between ELSA and Ms. Dana Alexandra Dragan, the jurisdiction to settle the dispute belongs to the International Arbitration Center of the Austrian Federal Economic Chamber in Vienna, on 3 June 2020, the Bucharest Tribunal admitted the exception of the general lack of jurisdiction of the courts invoked by ELSA and rejected, as not being within the competence of the courts, the action filed by Ms. Dana Alexandra Dragan. The solution can be appealed, within 30 days from the communication.

- On 5 February 2020, the company has received two claims under warranty against ELSA by Mr. Mircea Patrascoiu, former Member of the Board of Directors and former CEO of EFSA, and by Ms. Anca Dobrica, former member of Board of Directors of EFSA. On 24 February 2020, the Company has received a claim under warranty registered by the defendant Victoria Lupu, as part of file no. 35647/3/2019 before the Bucharest Tribunal. They act as defendants in file no. 35647/3/2019, having as object the underscoring of the liability of the members of the BoD and the CEO of EFSA, action submitted by the company in question, following the damages retained by the Court of Accounts of Romania in the Decision no. 11/23 December 2016. The Bucharest Court set the first trial date on 23 July 2020. The file was postponed for 1 October 2020.
- On 18 February 2020, the High Court of Cassation and Justice settled the appeal filed by ANRE in the file no. 7341/2/2014, by admitting it and sending the case to the same court for re-examining the main action and the requests for accessory intervention made by the interveners Enel Muntenia SA, Enel Distributie Dobrogea SA and Enel Distributie Banat SA, in the first instance, and by the interveners SDTS, SDTN, SDMN and ELSA, in appeal. Until the date of this report, the file 7341/2/2014 was not registered at the Bucharest Court of Appeal for retrial.

Measures adopted in COVID-19 context

In the current context, affected by COVID-19 pandemic, ELSA's representatives frequently communicated with all the stakeholders, announcements being released in order to present the measures taken by the Group companies in the context of COVID-19.

In the fight against COVID-19 pandemic, Electrica has adopted all the necessary measures so that the **activity of the companies within the Group to continue to be carried out under normal conditions**. Ever since the beginning of the crisis, the resilience plan in force at Group level has been updated promptly to respond to the exceptional situation generated by the COVID-19 pandemic. Essential activities and critical roles have been identified, staff backup has been insured and three action scenarios on escalation levels depending on the evolution of the situation in the external environment of the company have been defined, in order to ensure the smooth running of the operations and the continuity in the electricity supply, as well as for the protection of its customers, employees and partners.

Activities that involve interaction with clients and/or access to consumers' homes have been limited and the scheduled works reprioritized, in order for the scheduled interruptions in the electricity supply to be diminished. **EFSA's customers have been encouraged to use methods of indirect interaction**, through internet or by telephone, to solve the various requests, by using online payment methods (MyElectrica account, internet banking and mobile banking).

In order to limit the spread of COVID-19 and **to protect the employees**, including those with operational role, various measures have been implemented, such as: work-from-home, where feasible, limiting or temporarily suspending access to certain locations, including customer relations centers, and redirecting communication and correspondence to alternative electronic channels.

In order **to protect the employees whose presence is necessary at the headquarters**, it has been taken, in the first place, preventive measures consisting in providing protective equipment (masks, protective gloves, disinfectant solutions etc.), cancellation of all trips or meetings that are not essential in carrying out the activity, imposing a maximum number of people who can physically participate in a meeting, in line with the legal requirements in force, sanitizing the locations/offices at short intervals etc.

In order to **protect the personnel that must remain on the first line**, the personnel that carry out activities in the installations and ensure the continuity of the electricity supply, have been provided protective materials.

Measures of social distancing have been recommended to the shareholders, who have been guided to use electronic means/remote interaction for solving any requests regarding the activity of Electrica Group.

To **support the medical system in Romania**, the companies within Electrica Group donated, up to date, the amount of EUR 339,000 to hospitals, Crucea Rosie and other non-profit organizations in Bucharest, Ploiesti, Brasov, Cluj-Napoca and Drobeta Turnu Severin, for the purchase of medical services, materials and equipment.

After the state of emergency ended, starting with 15 May 2020, the companies within Electrica Group **have adopted a plan of measures to gradually resume the activity** so that the Group's clients, partners and employees to be protected, and the commitment to distribute and supply electricity at high quality standards to be further fulfilled.

The main aspects of the action plans adopted by each company within the Group refer **to prevention and protective measures in all areas where the Group's employees carry out their activity**, including: introducing and imposing specific hygiene measures for professional activities, ensuring physical distancing by defining new rules of conduct and interaction at work, ensuring protection of employees during interaction with colleagues and third parties, monitoring the health status of the staff and their situation (isolation/quarantine/illness), as well as ensuring constant and accurate staff's information regarding the prevention of infection.

Regarding the **electricity and natural gas supply segment**, the cash collection activities through own cashiers, the activities of the customer relations centers, as well as the field activities for B2B customers (Business-to-Business) have been resumed starting 18 May 2020, ensuring the provision of all services offered prior to the initiation of the state of emergency, in a safely manner, with a limited number of employees in front-office for a period of three months, with monthly reanalysis of the situation depending on the evolution of the national/regional context.

The action plans of the distribution operators consider keeping the general preventive measures for their own staff, consumers and collaborators as well as the organizational measures to ensure safe management and operation of the network infrastructure, at a superior level of quality of the electricity distribution service. The **investments and maintenance works**, including those requiring consumers' interruption, have been accelerated, in compliance with the Performance Standard for the distribution service.

The management team permanently monitors **the financial performance and liquidity** of the Group companies on several tiers, in order to ensure the availability of the necessary funds for carrying out the activity, by analyzing with priority the cash flow, including the impact that the legislative changes may have on the Group's activities. The aim is to secure the collection of receivables from customers, to use the banking structures for liquidity concentration ("cash-pooling") implemented at the beginning of the year, as well as the financing facilities available for the companies within the Group.

After the end of the first semester of 2020 the following key events took place:**Decisions of ELSA's Board of Directors (BoD):****■ Change of the Chairman of ELSA's BoD**

On 17 July 2020, ELSA's Board of Directors took note about the decision of Mr. Valentin Radu to resign from his position as Chairman of the Board of Directors, starting with 18 July 2020, 17 July 2020 being the last day he holds this quality.

During the meeting held on the same day, the Board of Directors elected Mr. Iulian Cristian Bosoanca as Chairman of the Board of Directors starting with 18 July 2020 and until 31 December 2020.

■ Approval of the vote in favor of the merger of the three distribution companies within the Group (DSO Merger)

In the meeting from 3 July 2020, ELSA's BoD approved, in its capacity as majority shareholder of SDTN, SDTS and SDMN, the participation of ELSA's representative in the EGMS of the companies and the expression of a favorable vote ("for") regarding, mainly, the following:

- the approval of the merger by absorption plan and of the merger by absorption process between SDTN, as absorbing company, and SDTS and SDMN, as absorbed companies;
- the approval of the effective date of the Merger as established in the Merger Plan, respectively:
 - 31 December 2020, in case the competent court approves the Merger procedure in the financial year 2020 (until 31 December 2020);
 - the date of the registration of the last general meeting's resolution which approved the operation, in case the competent court approves the Merger procedure in the financial year 2021 (starting from 1 January 2021).
- the approval of the implementation of the Merger, namely the transfer of all the assets and liabilities of SDTS and SDMN to SDTN, in exchange for issuance to ELSA of shares to the share capital of SDTN.

Furthermore, ELSA's BoD approved, in its capacity as majority shareholder of SDTN, the participation of the ELSA's representative in the EGMS of SDTN and the expression of a favorable vote ("for") regarding, mainly, the following:

- the approval of the change of the company's name from Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. to Distributie Energie Electrica Romania S.A.;
- the approval of the increase of the share capital of SDTN in accordance with the provisions of the Merger Plan;
- the approval of the amendment of the articles of association of SDTN to reflect these changes.

The Merger will take place after the approval of the absorbed companies' dissolution, in compliance with the necessary corporate approvals.

■ Approval of the vote in favor of the merger of the two energy services companies within the Group (ES Merger)

In the same meeting dated 3 July 2020, ELSA's BoD approved, in its capacity as sole shareholder of EL SERV and SEM, the participation of ELSA's representative in the EGMS of the companies and the expression of a favorable vote ("for") regarding, mainly, the following:

- the approval of the merger by absorption plan and of the merger by absorption process between EL SERV, as absorbing company, and SEM, as absorbed company;
- the approval of the effective date of the Merger as established in the Merger Plan, respectively 30 November 2020;

- the approval of the implementation of the Merger, namely the transfer of all the assets and liabilities of SEM to EL SERV, in exchange for the issuance to ELSA of shares to the share capital of EL SERV.

Furthermore, ELSA's BoD approved, in its capacity as sole shareholder of EL SERV, the participation of ELSA's representative in the EGMS of EL SERV and the expression of a favorable vote ("for") regarding, mainly, the following:

- approval of the share capital increase of EL SERV in accordance with the provisions of the Merger Plan;
- the approval of the amendment of the articles of association of EL SERV in order to reflect these changes.

The Merger will take place after the approval of the absorbed company's dissolution, in compliance with the required corporate approvals.

Thus, taking into account the abovementioned necessary corporate approves, during the meeting held on 3 July 2020, **ELSA's BoD approved the convening of ELSA's EGMS to take place on 21 August 2020**. ELSA's BoD endorsed and submitted for the approval of ELSA's EGMS the proposals regarding the empowerment of ELSA's representative to participate in the EGMS of the absorbed subsidiaries and to cast a favorable vote ("for") with regard to the approval of the dissolution without liquidation and deregistration from the Trade Register of the absorbed companies, the dissolution of the absorbed companies being a direct consequence of the Mergers.

Another key event refers to the **final settlement of the dispute between Societatea de Administrare a Participatiilor in Energie S.A. (SAPE) and ELSA**. Therefore, on 1 July 2020, the civil sentence no. 1878 of 20 June 2019, pronounced by the Bucharest Tribunal in case no. 46365/3/2016, having as object SAPE claims amounting to approx. EUR 800 million, remained final by non-appeal. At the same time, the court ordered SAPE to pay the court expenses to ELSA, in amount of RON 329,993.

Distribution segment

In the first semester of 2020, the actions resulting from the organizational transformation program initiated in 2017 were continued, in the context of the new regulatory framework, the revenue and expenditure budget and the strategic directions of the Group. Thus, the strategic projects for RP4 were validated and budgeted and a set of identified Lean solutions was implemented, activities that will be carried out in the next period.

The priorities for the distribution segment are:

- orientation towards the concept of smart grid by promoting on a large scale the smart metering;
- reduction of distribution network losses;
- improving the distribution service quality;
- increasing operational efficiency;
- digitizing processes and improving the experience of network users.

■ Distribution activity

ANRE has issued base documents for the regulatory framework from the fourth regulatory period, which requires additional efforts from the distribution operators to comply with the new requirements:

a) Regulations regarding tariffs:

- Distribution tariffs approved for 2020:
 - Tariffs applicable in the period 1 January 2020 – 15 January 2020: in December 2019, the tariffs for the year 2020 were approved through ANRE orders no. 227, 228 and 229/16 December 2019, which imply average increases in distribution tariffs, compared to 2019 (MN +7%; TN +3.5%; TS +1%); these tariffs

are based on the percentage of 2% applied to the turnover regarding the contribution due to ANRE and RRR of 6.9%;

- Tariffs applicable starting with 16 January 2020: following the application of the provisions of GEO no. 1/2020 and the reduction of the contribution due to ANRE from 2% of the turnover to 0.2%, new tariffs were issued, approved through ANRE orders no. 7, 8, 9/15 January 2020, reduced by 1.8%.
- On 6 May 2020, ANRE approved the order no. 75 by which the RRR value was established at 6.39% starting 13 May 2020, until the end of RP4, for the distribution and transmission service, electricity and natural gas; thus, the previously issued order no. 168/2018 which established the RRR value of 5.66% for the existing BAR was repealed. The 1% RRR incentive granted ex-post for the network investments put into operation in RP4 is still maintained;
- The changes brought by the ANRE order no. 203/14 November 2019, which brings amendments to the tariff setting methodology for the electricity distribution service approved by ANRE Order no. 169/2018, the most important being:
 - approval of the RP4 values reforecast which implies an ex-ante recognized purchase price for the electricity needed to cover network losses higher by RON 46/MWh compared to the initial RP4 projection, percentage targets for NL and controllable operating and maintenance expenses (controllable OPEX) respectively, reconsidered for the RP4 reference year, taking into account the realized values; the DSO's right to request the reallocation of the approved operating and maintenance costs;
 - the RAB value is automatically inflated, until the value of RAB updated with the inflation does not exceed the net book value of the fixed assets included in RAB.
- ANRE has submitted to public debate the proposal to amend the Methodology for the establishment of distribution tariffs approved by ANRE Order No. 203/2019, the changes proposed being:
 - the recognition principles for the expenses related to internalizations/outsourcings;
 - keeping in RAB the fiber optics investments, even if it will be partially rented to third parties;
 - the inflation rate will be corrected only within a regulatory period, and not on the transition from one period to another.

b) Investments procedure

ANRE has submitted to public debate the amendment of the Investments Procedure and has proposed the following changes:

- (i) the recovery period of unrealized investments related to 2019 and 2020 is extended by 4 months and 2 months respectively;
- (ii) in justified cases, it is allowed to exceed the limit of 10% of the total number of works at the transmission to ANRE of the proposal of works' replacement, at 1 October;
- (iii) investment plans will be allocated by counties.

c) Licenses

- ANRE order no. 209/2019 modifies ANRE orders no. 73/2014 and no. 12/2015 regarding the Conditions associated with the distribution licenses and the Regulation for granting licenses, the main changes taking into account the obligation of the holder to notify ANRE:
 - at least 120 days in advance, the intention to carry out mergers, divisions, transformations, and any sale or transfer of assets or other operations as a result of which the tangible assets will be transmitted or will belong to another person(s);

- at least 6 months in advance, the intention to carry out mergers, divisions, transformations, and any sale or transfer of assets or other transactions resulting in the value of the existing share capital reduced, by at least 5%. In this case, ANRE shall be notified by a new notification at least 120 days before the actual date on which the operation takes place.
- ANRE submitted for public debate the amendment and completion of Regulation for granting licenses, by adding two activities carried out based on licenses granted by ANRE: the aggregation activity and the commercial exploitation of energy storage facilities.

d) Smart metering regulations (SM):

- ANRE decision no. 778/8 May 2019 approving the SM Implementation Calendar at national level, for the period 2019-2028: the SM implementation plans for the Electrica Group distribution operators were approved at the values and parameters requested at ANRE.

e) Technical regulations

Network connection

- ANRE approved the amendment of the Regulations for the connection of the users and the Framework Agreement for connection to the electrical networks of public interest in order to align the provisions with those of the Law no. 7/2020 for amending and supplementing Law no. 10/1995 regarding the quality in constructions and for the amendment and completion of Law no. 50/1991 regarding the authorization of the construction works' execution, regarding the authorization of the connections/connection installations.
- ANRE has submitted to public debate the modification of the User Connection Regulation and the Framework Connection Agreement and has proposed important changes regarding the connection process:
 - The connection contract is concluded directly by the user with a chosen constructor, and the payment of the connection tariff is made directly to the constructor;
 - The connection system remains the property of the user, and the distribution operator (DSO) is obliged to exploit, maintain and use them later for the connection of other users, without holding a legal title.
- ANRE has submitted to public debate the amendment of the Methodology for issuing site notices and has proposed important changes regarding alignment with the provisions of Law No. 189/2019 and Law No. 193/2019; thus, the costs of the works used by the construction/exploitation of public roads, respectively for the diversion/movement of electrical networks are borne as follows:
 - by road administrators in the case of national highways and roads;
 - 50% is co-financed by the DSO if the administrator is a territorial-administrative unit.

Prosumers

- ANRE has approved regulations regarding prosumers that have power plants for the production of electricity from renewable sources with the installed power of no more than 27 kW per consumption place:
 - change of the electricity commercialization rules;
 - change of the Technical Norm "Technical conditions for connection to the electricity networks of public interest for the prosumers with active power injection in the network", regarding the protections' adjustments in the prosumer's installations, the coordination with the electricity distribution network protections, and the protection against their modification without the DSO consent;
 - new procedure regarding the prosumers' connection to the electricity networks.

f) Primary legislation:

- On 9 January 2020, GEO no. 1 entered into force, which amended:
 - (i) The Energy Law on the repeal, starting with 30 April 2020, of the article approving the RRR value of 6.9%. ANRE will establish the RRR value based on the information obtained from the competent authorities, including at the request of any affected party;
 - (ii) The law of functioning of ANRE, imposing towards ANRE the setting the contribution value (thus by ANRE Order no. 1/2020, the contribution has changed from 2% to 0.2%).
- On 27 March 2020 the Law no. 26 came into force, for the amendment of the GEO no. 33/2007 regarding the organization and functioning of ANRE:
 - (i) ANRE activity will not be restricted by any other authority;
 - (ii) the express indication of the date of approval of the distribution tariffs, respectively 15 December, is eliminated.
- On 11 January 2020, was approved the Law no. 7/2020 for amending and supplementing Law no. 10/1995 regarding the quality in constructions and for the modification and completion of Law no. 50/1991 regarding the authorization for the execution construction works, regarding the authorization of the connections/connection installations;
- In June, the draft legislation registered in the Romanian Parliament under No. PLx 153/2019 which aims to amend and supplement the Electricity Law was adopted. ACUE has sent an address to the Romanian Presidency regarding the unconstitutionality of the proposed changes, by violating the concession right of the concessionaire distribution operators:
 - licenses - the distribution service can be provided without a license; the concessionary distribution operator (DSO) has the right to refuse the agreement for granting the license only conditioned by the connection under technical-economic conditions advantageous for the applicant. The distribution of electricity is carried out by DSO, legal person, holder of license or exempted from licensing;
 - networks' takeover - DSO has the obligation to purchase in 120 days the capacity of a third party who wants to sell it;
 - extensions/electrification - DSO has the obligation to ensure the financing and realization of the connection installations of non-household final customers with a length of up to 2,500 meters;
 - theft - in case of thefts, DSO interrupts the supply immediately if there is no supply contract, or after court ruling if there is a supply contract;
 - contraventions – numerous fines calculated based on the value of turnover, including for failure to take over capacities from third parties.

g) European legislation

- The European Parliament approved in June 2019 the European regulations included in the "Clean Energy for All Europeans" Program, which includes the following documents:
 - Regulation no. 941/2019 on risk-preparedness in the electricity sector;
 - Regulation no. 942/2019 establishing the European Union Agency for the Cooperation of Regulators;
 - Regulation no. 943/2019 on the internal market for electricity - applied starting with 1 January 2020, without the need to transpose into national legislation;
 - Directive no. 944/2019 on common rules for the internal market for electricity; is applied starting with 1 January 2021, after transposition into national legislation, the provisions with impact being:

- ✓ Network losses - each distribution system operator acts as a neutral market facilitator in procuring the electricity needed to cover NL, in accordance with transparent, non-discriminatory and market-based procedures, where it fulfills this function;
 - ✓ at least 80% of final customers must have smart meters by 2024;
 - ✓ by 2026, the technical switching process of registering a new supplier should be possible to complete within 24 hours;
 - ✓ Citizens' energy communities (CECs) have access to all electricity markets, either directly or by aggregation, in a non-discriminatory manner.
- The Ministry of Economy and the Ministry of European Funds establish the architecture of the EU financing programs for 2021-2027, so that the Romanian energy sector enters the path of the "Green Deal".

h) Alignment with the European legislation - EU Regulation no. 943/2019:

- Order no. 63/2020 regarding the Program for the implementation of the necessary measures in order to ensure the settlement conditions at an interval of 15 minutes (in force from 1 January 2021); until then, each DSO must comply with the measures approved by the Program;
- Order no. 62/2020 regarding the Commercial Rules relating to the collection, processing and transmission of the measured values of electricity (in force from 1 September 2020).

■ Investments

- At the end of H1 2020, the three distribution companies of Electrica group realized and commissioned investments amounting to RON 193.4 mn, representing 32% of the commissioning program value planned for 2020 (i.e. RON 606.6 mn, of which RON 594 mn related to the 2020 plan and RON 12.7 mn for values carried forward related to 2019; RON 186.5 mn in the first category related to 2020 and RON 6.9 mn were related to 2019).

Supply segment

■ Supply activity

Key Projects

- Starting from the significant changes in the energy market regarding the regulatory framework, as well as from the increasing competition, EFSA launched an ambitious internal transformation project which aims to successfully meet the current and future challenges and whose mission is the transformation and optimization of sales and customer relations activities, along with the development of the entire staff's skills.
- In the first phase, the project focused on developing the sales strategy. In the second phase, the effort is focusing on improving internal processes, systems and technology, and, naturally, on upgrading organizational structures.
- During 2020, EFSA continued to implement processes of redefinition and adaption to current challenges of the energy market, by optimizing and rethinking the activities, in order to be able to offer the company clients services at the highest professional level. Thus, in the first semester of 2020, EFSA continued its efforts to transform the internal processes in the areas of sales and customer relations, focusing on digitalization and automation.

Regulatory Framework

Between January and June 2020, the evolution of the regulatory framework registered significant changes, as follows:

a. Primary legislation

- **GEO no. 1/2020** *on some fiscal-budgetary measures and for amending and completing some normative acts (including GEO no. 114/2018)*:
 - until 31 December 2020, for household customers the supply of electricity is carried out under conditions regulated by ANRE;
 - the purchase costs differences in 2018 and 2019 of the suppliers of last resort, not recovered through the prices charged, will be recovered in stages and in full until 31 December 2020, according to ANRE regulations;
 - change in RRR did not lead to a change in the transmission and distribution tariffs starting with 1 May 2020, thus did not lead to the change in regulated tariffs for household final customers; the most recent tariff adjustment was on 1 July 2020;
 - starting with January 2020, the level of tariffs and contributions is established annually by ANRE Order → the contribution decreased from 2% to 0.1% of turnover;
 - until 31 December 2020, Romanian Government regulates, at the initiative of relevant ministry, the status and legal regime of vulnerable consumer, as well as the way of financing it.
- **Decree no. 195/2020** *regarding setting the state of emergency on Romanian territory* and **Decree no. 240/2020** *regarding state of emergency extension on Romanian territory*.
 - duration: 30 days from 16 March 2020 and extended by another 30 days until 15 May 2020;
 - measures are taken to ensure continuity in supply, respectively extraction, production, processing, transport, distribution, supply, maintenance, maintenance and repair of resources and raw and/or semi-processed materials necessary for proper functioning of national energy system, and ensuring continuity of operation and all public utility services;
 - during state of emergency, the prices for public utility services (electricity and heat, gas, water supply, sanitation, fuels, etc.) may be capped, within the average price of the last 3 months before the declaration of state of emergency.
- **GEO no. 29/2020** *on some economic and fiscal-budgetary measures*: during state of emergency, small and medium enterprises, which have ceased their activity totally or partially based on decisions issued by competent public authorities, according to the law, during the state of emergency decreed and holding the emergency certificate issued by the Ministry Economy, Energy and Business Environment, benefit from payment deferral for utility services - electricity, natural gas, water, telephone and internet services, as well as deferral of rent payment for building intended for headquarters and secondary offices.
- **Military Ordinance no. 4/2020** *on measures to prevent spread of COVID-19*: during state of emergency, prices for electricity and heat, natural gas, water supply, sanitation and fuels may not be increased above the level applied at the date of issuance of this military ordinance (29 March 2020), they may only be reduced depending on demand and supply.
- **Decision no. 24/2020** *on approval of state of alert implementation at national level and of the measures for prevention and control of infections, in the context of epidemiological situation generated by SARS-CoV-2 virus*: state of alert duration - 30 days starting with 18 May 2020, subsequently extended by 30 days (starting with 17 June 2020) by Government Decision no. 476/2020 and by another 30 days (starting with 17 July 2020) by Government Decision no. 553/2020;

- **GEO no. 70/2020** *on regulation of certain measures, starting with 15 May 2020, in the context of epidemiological situation determined by SARS-CoV-2 coronavirus spread, for certain terms extension, for amendment and completion of Law no. 227/2015 on Fiscal Code, of National Education Law no. 1/2011, as well as other normative acts:* during state of alert, transmission and distribution operators of electricity and natural gas ensure continuity of service provision, and in case there is an incident of disconnection, postpones this operation until the state of alert ends.
- **GEO no. 74/14 May 2020** *for amending and supplementing the electricity and natural gas law no. 123/2012:*
 - the producers that operate dispatchable production units, only for units not benefiting from support schemes, in the ascending order of prices set by ANRE, are obliged to sell through regulated contracts to the SoLR so as to ensure the full amount of electricity needed by household consumers for which apply regulated tariffs so that they are not increased above the level applied on 19 May 2020, which can be adjusted according to market developments, without being able to exceed the aforementioned level.
 - producers may conclude bilateral contracts outside the centralized market, at negotiated prices, in compliance with competition rules, for electricity from new energy production capacities, put into operation after 1 June 2020.

b. Secondary legislation

- **ANRE Order no. 12/2020** *on amending and supplementing the Competitive Selection Regulation in order to designate suppliers of last resort, approved by ANRE Order no. 26/2018:*
 - price offer sent by optional SoLR includes the price for non-household customers receiving universal service (US) and validity period, compared to previous option that requires a discount compared to a reference price - the price applied by bound SoLR;
 - a commitment is needed to establish single points of contact - for each network area, within 30 days of taking over universal service customers.
- **ANRE Order no. 18/2020** *regarding setting the mandatory quota for green certificates related to 2019 - was set at 0.433548 GC/MWh, without significant changes compared to estimated quota;*
- **ANRE Order no. 27/2020** *for establishing measures regarding natural gas supply to household customers with a view to eliminate regulated prices:* from 1 July 2020, regulated prices for final gas customers will be eliminated;
- **ANRE Order no. 64/2020** *approving Regulation regarding the manner of concluding bilateral electricity contracts by extended tender and the use of products to ensure trading flexibility:*
 - delivery time: minimum 1 month;
 - trading can be complete with a single participant or partial and/or with several participants of the quantity offered; for hourly powers greater than 10 MW only the option of partial trading/with several participants is allowed;
 - the offer contains a minimum requested price, in case of a sale offer, respectively the maximum price offered, in case of a purchase offer; the bidder must include in the price the TG component, corresponding to the insertion of electricity in the network;
 - the option of varying the hourly power by up to +/- 25% compared to the quantity provided for in the offer, which applies at the reasoned request of a party, if there is expressed agreement when signing the contract;
 - a formula for adjusting the agreement/agreements' assigning price (closing price of the auction) depending on the evolution of a public stock market index in the electricity field can be used, including the related formula.

- **ANRE Order no. 61/2020** for approval of Regulation on the programming of dispatchable production units, dispatchable consumers and dispatchable storage facilities, Regulation on operation and settlement of BM and Regulation on calculation and settlement of imbalances of the BRP: the technical price limits for offers are represented by a minimum price, which is the equivalent in RON at the NBR exchange rate from the day before the delivery of the value of EUR - 99999/MWh and a maximum price, which is the equivalent in RON at the NBR exchange rate in the day before the delivery of the value of EUR + 99999/MWh, between which the price of any price - quantity pair must be included in an offer; thus, the price difference between DAM and BM of RON 450/MWh is eliminated starting with 1 September 2020.
- **ANRE Order no. 65/2020**, in place as of 1 September 2020, on amending and supplementing some ANRE Orders:
 - trading regulations on CM-OTC, CMBC-EA, CMBC-CN, DAM, BRP settlement rules, by introducing in the list of participants in the energy market: aggregators, storage facilities, final customers;
 - long-term supply agreement represents the agreements with a delivery period of more than 1 year;
 - the aggregation of the market participants is done separately for the production activity, respectively for consumption.
- **ANRE Order no. 70/2020** on amending ANRE Order 12/2017 annex for approval of Regulation for SoLR taking over of final customers places of consumption who have not ensured electricity supply from any other source and for amending regulations in electricity sector: the order establishes conditions, deadlines and stages in the situation in which bound SoLR takes over the final customers who have not ensured the supply of electricity from any other source, as a last resort;
- **ANRE Order no. 73/2020** for amendment of ANRE Order 189/2018 annex regarding obligation to inform final customers through online application "Offers comparator - electricity supply type": ANRE web application "Offers comparator - electricity supply type" was updated in order to offer to final customers the possibility to access, directly and centrally, information regarding necessary documents for concluding supply agreements, to download documents necessary for supply agreements' conclusion and to be informed on how to transmit to suppliers necessary documents for supply agreements' conclusion;
- **ANRE Order no. 88/2020** for the approval of the Methodology for establishing regulated tariffs and prices applied by SoLR to final customers for the period July 1 – 31 December 2020 and for amending and supplementing the Framework Agreement for the electricity sale - purchase concluded between producers of electricity and SoLR, approved by ANRE Order no. 34/2019:
 - electricity producers must sell through regulated agreements concluded with SoLR so as to ensure the full amount of electricity needed for household consumers for whom regulated tariffs apply, so that they are not increased above the level practiced on 19 May 2020;
 - the price for non-household customers benefiting from US and inactive is established by each SoLR, for each network area, on competitive criteria.
- **ANRE decisions no. 1074/2020, 1075/2020, 1076/2020 and 1077/2020** regarding the setting of the regulated price for delivered electricity and of quantities of electricity sold based on regulated agreements between 1 July – 31 December 2020 by Complexul Energetic Oltenia, Hidroelectrica, OMV Petrom and Nuclearelectrica:
 - regulated amounts of electricity are allocated to cover the portfolio household customers consumption needs' in H2 2020, so that regulated tariffs decrease does not cause losses to FUJ;
 - at EFSA, degree of coverage with regulated contracts is 99% for H2 2020.

- **ANRE Order no. 138/2020** approving regulated electricity tariffs applied to household customers by SoLR EFSA:
 - household final customers regulated tariffs applicable by EFSA in H2 2020 are approved;
 - regulated tariffs decrease on average by 1.7% at EFSA; at the national level, the decrease is 1.89%.
- **ANRE Order no. 141/2020** *for the approval of electricity generic tariffs applied starting with 1 July 2020:*
 - applies by designated (optional) suppliers of last resort who on 12 June 2020 did not have, in this capacity, household customers in portfolio in that network area, when billing active electricity consumption at customers' places of consumption households with which it concludes contracts for electricity supply under a regulated regime, located in that network area;
 - evolution of generic tariffs depending on application area is as follows: Oltenia + 0.35%, Moldova -3.78%, Dobrogea -1.41%, Banat +0.14%, South Muntenia +0.62%, North Muntenia +2.38%, North Transilvania +2.86% and South Transilvania +4.13%.
- **ANRE Order 142/2020** *amending ANRE Order no. 218/2019 on approval of transmission service average tariff, transmission tariff components for electricity insertion into network (TG) and electricity extraction from network (TL), system service tariffs and regulated price for reactive electricity, practiced by Transelectrica:*
 - transmission tariffs (components for insertion and extraction of electricity into/from the network) remain at the same level;
 - system service tariff decreases by RON 0.44/MWh.

2.2. Summary of financial indicators

A summary of the main financial indicators is presented below:

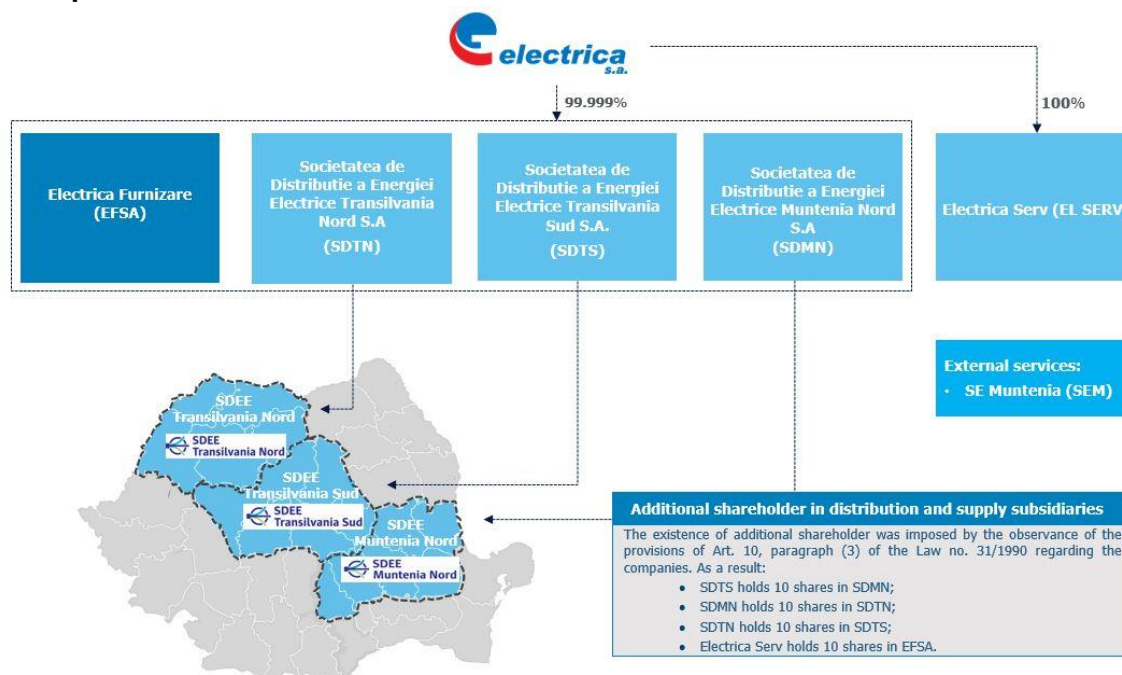
- In the six month period ended 30 June 2020, EBITDA increased to RON 485.6 mn, by RON 126.7 mn, as compared with the same period of 2019;
- The capital expenses in the first six months of 2020 were of RON 277.1 mn, decreasing by approx. 23.7%, compared to RON 363 mn cummulated at the end of H1 2019, in line with the annual evolution of the approved investment plans;
- The operating profit as of H1 2020 is of RON 237.3 mn, posting a significant increase as compared with the same period of the previous year, when the Group recorded an operating profit of RON 123.8 mn, mainly due to lower electricity purchase prices on the regulated supply segment, to the recoveries of differences from previous periods in the electricity purchase costs on the regulated supply segment, but also due to the increase in the distribution tariffs;
- The cost of electricity purchased decreased by RON 131.6 mn, or 6.8%, to RON 1,812.1 mn in the six month period ended 30 June 2020, compared to RON 1,943.7 mn recorded in the comparative period, mainly as a result of the downward evolution of the electricity price on the supply segment;
- Revenue from the distribution segment increased by RON 47.4 mn, or 3.6%, to RON 1,374.1 mn (out of which RON 747.9 mn external revenues), compared to H1 2019, mainly as a result of the distribution tariffs' increase; the contribution of the electricity distribution segment to the Group's consolidated revenue is of 23.4%;
- In H1 2020, the revenue from the electricity supply segment increased by RON 70.3 mn y-o-y, or 2.9%, to RON 2,455.6 mn (out of which RON 2,435.4 mn external revenues), mainly as a result of rising selling prices; the contribution of the electricity supply segment to the Group's consolidated revenue is of 76.1%.

3. Organizational Structure

3.1. Group Structure

As of 30 June 2020, the most significant shareholder of ELSA is the Romanian State, represented by the Ministry of Economy, Energy and Business Environment, holding 48.79% (31 December 2019: 48.79%).

Figure 1: Companies included in the consolidation as of 30 June 2020:



Source: Electrifica

Presentation of Group subsidiaries

Subsidiary	Activity	Registration code	Headquarters	% shareholdings as of 30 June 2020	% shareholdings as of 31 December 2019
Societatea de Distribuție a Energiei Electrice Muntenia Nord SA (SDMN)	Electricity distribution in North Muntenia geographical area	14506181	Ploiesti	99.9999679033583%	99.9999719027621%
Societatea de Distribuție a Energiei Electrice Transilvania Nord SA (SDTN)	Electricity distribution in Northern Transylvania geographical area	14476722	Cluj-Napoca	99.9999733405763%	99.9999731116341%
Societatea de Distribuție a Energiei Electrice Transilvania Sud SA (SDTS)	Electricity distribution in Southern Transylvania geographical area	14493260	Brasov	99.9999769092%	99.999977637%
Electrica Furnizare SA (EFSA)	Trading of electricity	28909028	Bucharest	99.9998390431663%	99.9998390431663%
Electrica Serv SA (EL SERV)	Services in the energy sector (maintenance, repair, construction)	17329505	Bucharest	100%	100%
Servicii Energetice Muntenia SA (SEM)	Services in the energy sector (maintenance, repair, construction)	29384120	Bucharest	100%	100%

Source: Electrifica

The main activities of the Group are the regulated distribution of electricity (through operation and development of electricity distribution networks) and the electricity supply to end consumers. The Group is the electricity distribution operator and the main electricity supplier in North Transylvania (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties), South Transylvania (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) and North Muntenia (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties) areas, ensuring the electricity distribution service by operating the installations that function at voltages ranging from 0,4 kV to 110 kV (power lines, substations and electrical transformer stations).

The Company's distribution subsidiaries (SDTN, SDTS and SDMN) invoice the electricity distribution service to electricity suppliers (mainly to EFSA subsidiary, the main electricity supplier in North Muntenia, North Transylvania and South Transylvania areas), which further invoice the electricity consumption to end consumers.

EFSA is an electricity supplier in the competitive market and bound supplier of last resort for the network regions: North Muntenia, North Transylvania and South Transylvania.

According to the regulations issued by ANRE, the bound suppliers of last resort ensure the electricity supply to the end consumers, which benefit, under the law, from universal service, to the non-household customers who have not exercised their eligibility right and to the non-household customers taken over because they have not ensured the supply of electricity from any other source.

In the competitive market, the electricity supply was done based on contracts and on negotiated prices.

3.2. Key information by segments

SUPPLY SEGMENT

Market data (according to ANRE Report for May 2020)

- The supply market comprises both the competitive segment and the regulated segment
- The regulated segment comprises five suppliers of last resort, while the competitive market segment comprises 87 suppliers (including those of last resort active in the retail market competitive segment, of which 78 are relatively small - less than 4% market share)
- EFSA has a market share of 19.97%; is the market leader on the regulated market, with a market share of 53.80%, while for the competitive market has a share of 11.40%. By comparison, at December 2019, EFSA had a market share of 51.70% on the regulated market and a 10.94% market share on the competitive market (December 2019 ANRE report)
- In H1 2020, the Group supplied 4.6 TWh of electricity to a number of approx. 3.6 mn final consumers (both in last resort regime and on the competitive market), representing a decrease of 0.8% y-o-y.

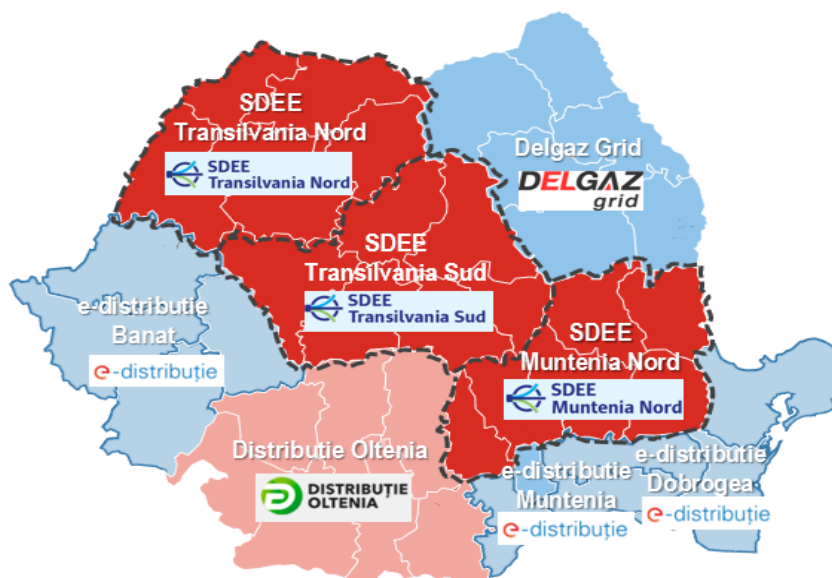
DISTRIBUTION SEGMENT

Information for the period ended 30 June 2020

- The estimated Regulated Assets Base (RAB) at the end of H1 2020 was RON 5.6 bn
- 199,390 km of electric lines – 7,598 km for High Voltage ("HV"), 46,140 km for Medium Voltage ("MV") and 145,652 km for Low Voltage ("LV")
- Total area covered: 97,196 km², 40.7% of Romania's territory
- 3.81 mn users at the end of H1 2020 for the distribution activity

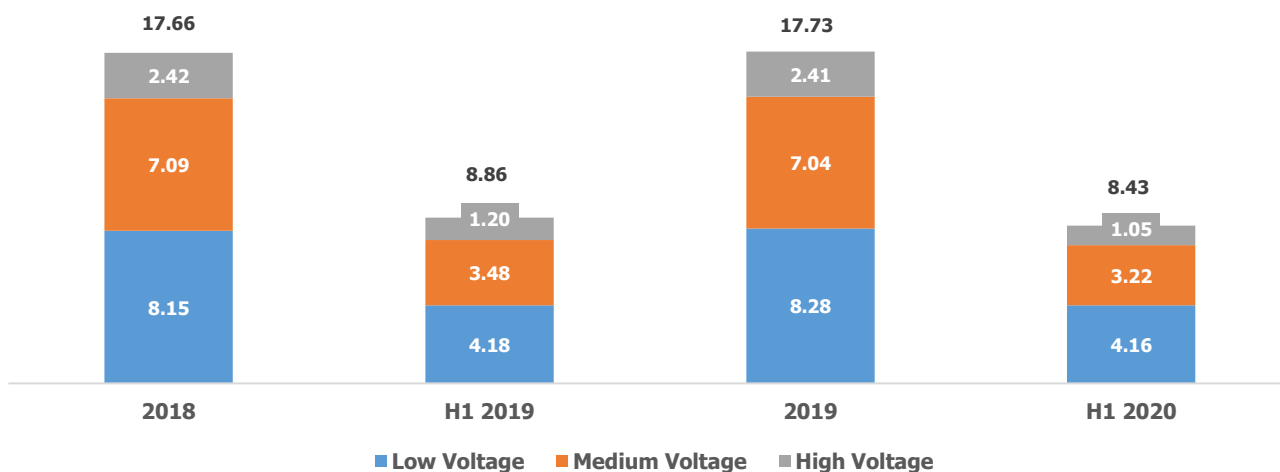
- 8.43 TWh of electricity distributed in H1 2020, a decrease of 4.8% as compared to H1 2019.

Figure 2: Romanian electricity distribution map



Source: Electrica

Figure 3: Quantity of electricity distributed on voltage levels (TWh)



Source: Electrica

4. Shareholders' Structure

Until July 2014, the Romanian state, acting through the Ministry of Energy was the sole shareholder of ELSA. Starting 4 July 2014 the Company's shares are listed on Bucharest Stock Exchange, and the GDRs are listed on London Stock Exchange. As of 30 June 2020, the shareholders' structure is the following:

Shareholder	Number of shares held	Stake held (% of the share capital)	Shares with voting right	Percent of shares with voting right
Romanian State through the Ministry for Economy, Energy and Business Environment	169,046,299	48.7948%	169,046,299	49.7850%
The European Bank for Reconstruction and Development	17,355,272	5.0096%	17,355,272	5.1112%
Electrica (no voting rights)	6,890,593	1.9890%	0	0.0000%
Bank of New York Mellon – GDRs	3,740,832	1.0798%	3,740,832	1.1017%
Other legal persons	132,848,919	38.3465%	132,848,919	39.1246%
Individual persons	16,561,682	4.7805%	16,561,682	4.8775%
TOTAL	346,443,597	100.0000%	339,553,004	100.0000%

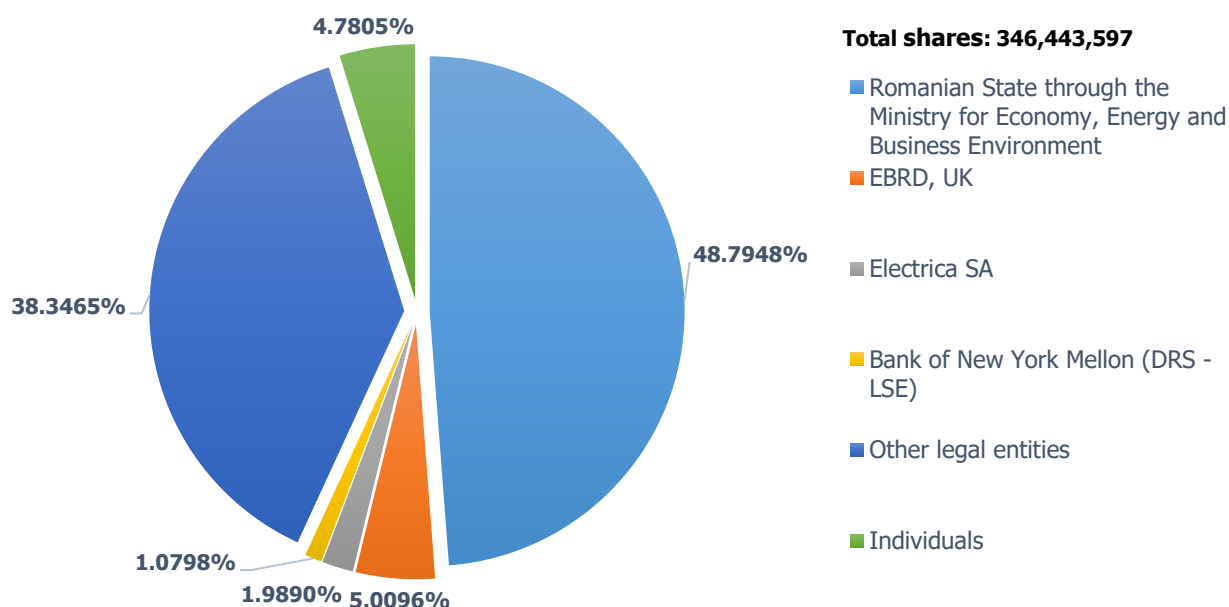
Source: Central Depository, Electrica

Note 1: The total shares with voting rights - 339,553,004, representing the total share capital (346,443,597) without the number of own shares held by Electrica (6,890,593 shares with suspended voting rights)

Note 2: Dedeman SRL, NN Group NV and Allianz SE own between 5% and 10% of the total number of shares with voting right

Following the stabilization process after the IPO, ELSA owns 6,890,593 of its own shares, representing 1.9890% (following the SPO that took place in 2019) of the total share capital, which do not entitle ELSA either to voting rights, or dividends.

Figure 4: Shareholders' Structure as of 30 June 2020



Source: Electrica

5. Operational Results

Selected financial information from the condensed consolidated statement of profit or loss – in RON mn:

Indicator	30 June 2020 (reviewed)	30 June 2019 (reviewed)	Variation (%)
Revenues	3,200.0	3,101.2	3.2%
Other income	72.6	78.8	-7.9%
Electricity purchased	(1,812.1)	(1,943.7)	-6.8%
Construction costs related to concession agreements	(360.1)	(351.1)	2.6%
Employee benefits	(376.0)	(311.1)	20.9%
Repairs, maintenance and materials	(47.8)	(47.3)	1.2%
Depreciation and amortization	(247.2)	(240.9)	2.6%
Other operating expenses	(192.0)	(162.1)	18.4%
Operating profit/(loss)	237.3	123.8	91.7%
Finance income	6.1	7.2	-14.7%
Finance costs	(13.6)	(6.2)	119.3%
Net finance result	(7.5)	1.0	-
Profit/(loss) before tax	229.8	124.7	84.2%
Income tax expense	(40.2)	(15.9)	152.5%
Result for the period	189.5	108.8	74.2%

Source: Electrica

Key financial indicators for the period ended 30 June 2020:

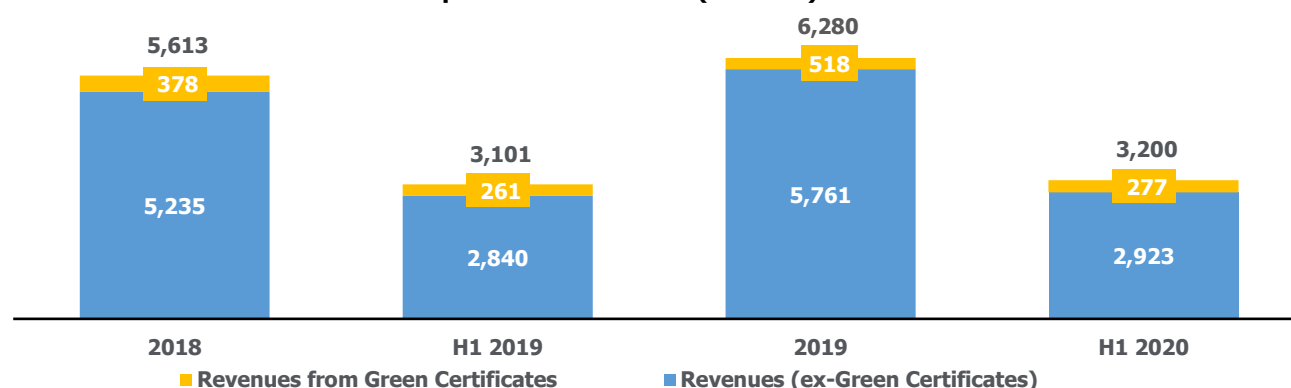
- **Revenues: RON 3.2 bn**, a 3.2% increase as compared with H1 2019;
- **EBITDA: RON 485.6 mn**, a RON 126.7 mn increase compared to same period of last year;
- **EBIT: RON 237.3 mn**, a RON 113.5 mn increase compared to H1 2019;
- **EBT: RON 229.8 mn**, a RON 105 mn y-o-y increase;
- **Net result: profit of RON 189.5 mn**, a RON 80.7 mn y-o-y increase compared to H1 2019.

Revenues and other income

Electrica's revenues and other income in the six month period ending 30 June 2020 and 30 June 2019 amounted to RON 3,272.5 mn and RON 3,180 mn, respectively, representing an increase of approx. RON 92.6 mn, or 2.9%; the variation is generated mainly by the revenues' evolution, the other operating income recording a decrease of approx. RON 6.2 mn.

Revenues

Figure 5: Revenue for H1 2020 and comparative information (RON mn)



Source: Electrica

The revenues increased by RON 98.8 mn, or 3.2%, being the net effect of the following main factors:

- increase of RON 70.3 mn on the supply segment;
- RON 47.4 mn increase of the distribution segment's revenues;
- external revenue (outside the Group): the Group's revenues towards third parties decreased by RON 20.5 mn, having an unfavorable impact.

During the six month period ended 30 June 2020, revenues from the electricity distribution segment increased by approx. RON 47.4 mn, or 3.6%, to RON 1,374.1 mn, from RON 1,326.7 mn in the same period of the previous year, as a result of the following factors:

- favorable impact of approx. RON 31.6 mn, from the increase of distribution tariffs, compared to S1 2019, which covers the negative effect generated by the reduction of the distributed electricity quantity;
- positive impact from the evolution of revenues recognized in accordance with IFRIC 12, since the revenues from electricity distribution segment are influenced by the recognition of investments into the network under concession agreements, these revenues increasing in H1 2020 by RON 12.8 mn, compared to the same period last year.

Regarding the supply segment, the revenue from the electricity supply increased by RON 70.3 mn, or 2.9%, to RON 2,455.6 mn, from RON 2,385.3 mn in H1 2019.

The variation of the supply segment revenue is mainly driven by the net effect between the 3.9% retail sale price increase and the 0.8% slight decrease in the supply of electricity on the retail market.

The green certificates value included in final consumer invoice, set by ANRE, increased from RON 59.1/MWh in the six month period ended 30 June 2019 to RON 62.7/MWh in the six month period ended 30 June 2020.

Electricity purchased

In the first semester of 2020, the expense for electricity purchased decreased by RON 131.6 mn, or 6.8%, to RON 1,812.1 mn, from RON 1,943.7 mn in the comparative period.

This variation is mainly generated by the reduction of electricity costs on the supply segment, a positive effect slightly alleviated by the increase in electricity costs needed to cover NL, as well as the costs of green certificates.

The table below presents the structure of the electricity purchased expenses for the indicated periods:

Three month period ending 30 June (RON mn)	2020	2019
Electricity purchased to cover network losses	358.4	348.6
Electricity purchased for supply	1,038.4	1,206.2
Transmission and system services related to supply activity	138.2	127.9
Green Certificates	277.2	261.1
Total electricity purchased	1,812.1	1,943.7

Source: Electrica

The cost of the electricity purchased for supply (including transmission and system services) decreased by RON 141.4 mn, or 8.9%, to RON 1,453.7 mn in H1 2020, from RON 1,595.2 mn recorded in the same period of 2019.

The evolution is mainly determined by the lower level of electricity purchase prices, especially on the regulated sector, reflecting the recovery in 2020, in the form of positive corrections, of some purchase losses from previous years, when the tariffs approved by ANRE were below the real electricity purchase price.

Green certificates' (GC) cost is recognized in the statement of profit and loss based on the quantitative quota set by the regulatory authority and influenced by GC amount that the Group has to purchase for the current year and GC purchase price on the centralized market. The green certificates cost is a pass through cost.

In the six month period ended 30 June 2020, the cost of GC increased by RON 16.1 mn or 6.2%, to RON 277.2 mn, from RON 261.1 mn in the same period of 2019.

The increase was mainly influenced by:

- lower supplied volumes, for which there is an obligation to purchase green certificates, by 0,4% (positive impact of RON 1.1 mn);
- 1.8% increase in the average purchase price from RON 136.4/GC in H1 2019 to RON 138.9/GC in H1 2020, cumulated with the increase in GC average regulated quota imposed to electricity suppliers by ANRE at 0.451 GC/MWh supplied from 0.433 GC/MWh supplied in H1 2019 (negative impact of RON 15.7 mn);
- the regularization impact – negative variance of RON 1.5 mn, reflected in both revenue and expenses, therefore with no impact on the margin (regularization from 2019 in amount of RON 2.3 mn. with impact in 2020).

Regarding the distribution segment, in the six month period ended 30 June 2020, the cost of the electricity purchased to cover network losses increased by RON 9.8 mn, or 2.8%, to RON 358.4 mn, from RON 348.6 mn, the evolution being mainly generated by the increase in the electricity purchase prices (negative effect of RON 10.6 mn), effect alleviated by the slight decrease in the quantity of electricity needed to cover network losses (positive impact of RON 0.8 mn).

Construction costs

In H1 2020, the costs related to concession agreements increased by RON 9 mn, or 2.6%, to RON 360.1 mn, from RON 351.1 mn in the comparative period, being correlated with the evolution of the investments realized, related to the Regulated Asset Base.

Employee benefits

The expenses for salaries and employee benefits increased by RON 64.9 mn, or 20.9%, to RON 376 mn in the six month period ending 30 June 2020, from RON 311.1 mn in the same period of the previous year, being mainly the effect of the changes in the structure of the benefits granted to the Group's employees, following the implementation of the new collective labour agreement; significant variations were recorded in the case of

distribution companies, following the salary increases granted during H1 2020, but especially in the case of the supply company where, apart from the salary increases, additional costs were generated related to the compensatory payments related to the voluntary leave program within the company.

Repairs, maintenance and materials

In H1 2020, the expenses with repairs, maintenance and materials remained at approximately the same level as in the same period of the previous year, recording only a slight increase of RON 0.6 mn.

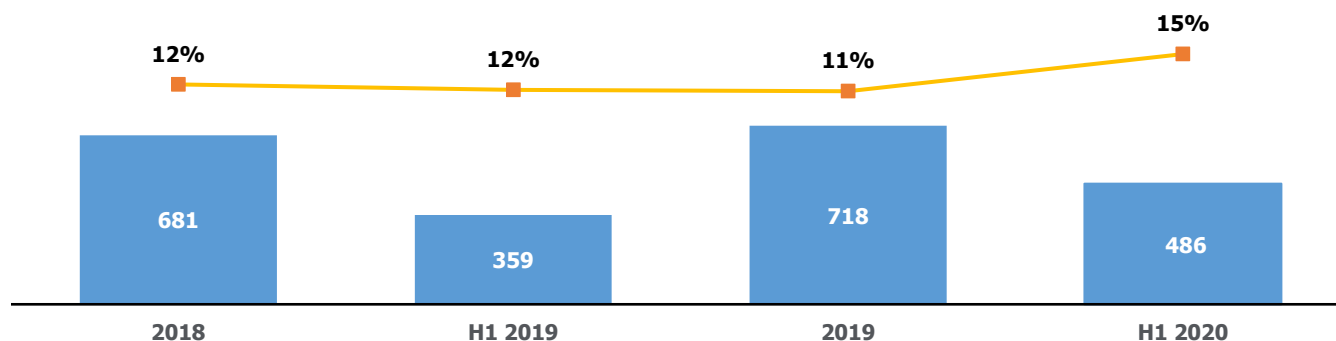
Other operating expenses

In the first six months of 2020, the other operating expenses increased by RON 29.9 mn, or 18.4%, to RON 192 mn, from RON 162.1 mn in the same period of 2019, mainly from:

- the significant negative impact of the variation of the impairment adjustments for trade and other receivables, of approx. RON 32 mn, mainly as a result of the receivables' recoverability assessment, considering the impact of COVID-19 on the customers' payment behaviour;
- lower operating expenses by RON 21.1 mn, especially on the distribution segment;
- the unfavorable impact of the net movement in provisions, of RON 12.1 mn, since in H1 2019 was recognized a revenue from the reversal of previously recorded provisions for potential fiscal obligations of the group; in H1 2020 there is no impact from this transaction;
- the variation of the impairment adjustments for non-current assets, which has a negative impact of RON 7 mn in H1 2020.

EBITDA and EBITDA margin

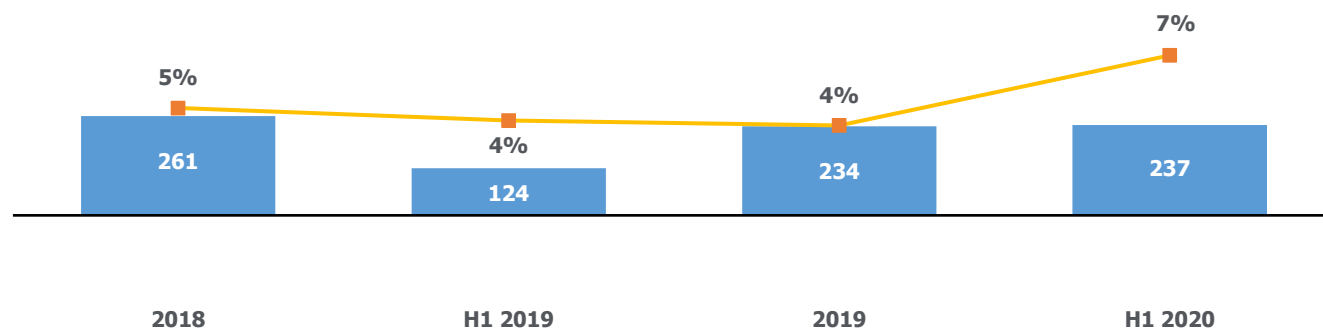
Figure 6: EBITDA and EBITDA margin for H1 2020 and comparative information (RON mn and %)



Source: Electrica

Operating result

The Group EBIT increased by approx. RON 113.5 mn y-o-y, adding to the EBITDA evolution mainly the impact of the depreciation and amortization, an increase of RON 6.3 mn, or 2.6%.

Figure 7: EBIT and EBIT margin for H1 2020 and comparative information (RON mn and %)

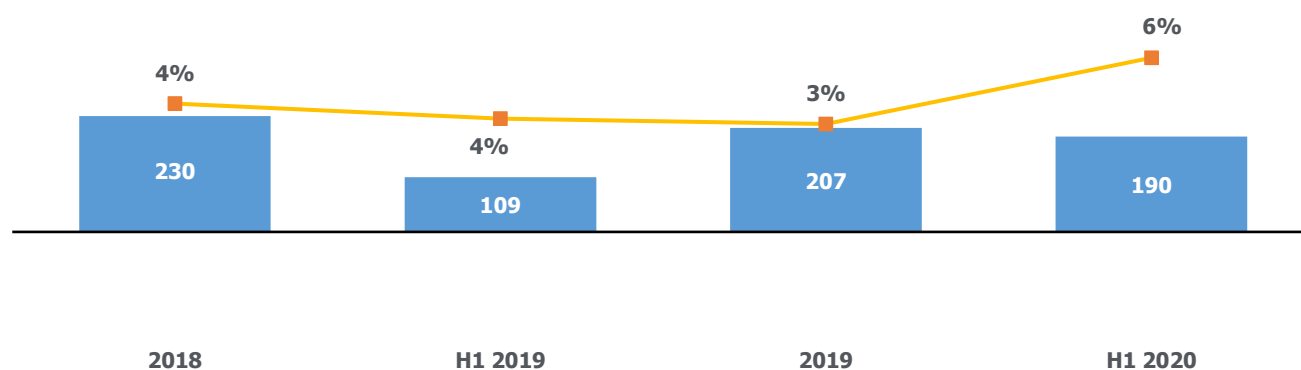
Source: Electrica

Net finance result

The net finance result at group level decreased by RON 8.5 mn in H1 2020 compared to the similar period in 2019, as a result of the increase in finance cost, correlated with the increase in external financing.

Net result for the period

As a result of the above described factors, in the six month period ended 30 June 2020, the net result increased by RON 80.7 mn, reaching a profit of RON 189.5 mn, from RON 108.8 mn in the comparative period.

Figure 8: Net profit and Net profit margin for H1 2020 and comparative information (RON mn and %)

Source: Electrica

6. Financial position

The following table presents the consolidated statement of the financial position (amounts in RON mn):

	30 June 2020 (reviewed)	31 December 2019 (audited)	Variation (%)
ASSETS			
Non-current assets			
Intangible assets related to concession agreements	5,350	5,188.2	3.1%
Other intangible assets	7.7	13.4	-42.5%
Property, plant and equipment	431.8	544.1	-20.6%
Restricted cash	320.0	320.0	-
Deferred tax assets	20.0	19.9	0.5%
Other non-current assets	1.3	1.8	-30.9%
Right of use asset	18.4	35.0	-47.5%
Total non-current assets	6,149.2	6,122.4	0.4%
Current assets			
Trade receivables	878.2	890.0	-1.3%
Other receivables	35.2	28.5	23.4%
Cash and cash equivalents	437.3	607.5	-28.0%
Deposits with maturity date more than three months	-	66.5	-100.0%
Inventories	67.8	74.4	-8.9%
Prepayments	8.9	2.7	231.0%
Current income tax receivable	5.0	8.3	-39.2%
Assets held for sale	15.5	17.0	-8.8%
Total current assets	1,447.9	1,694.8	-14.6%
Total assets	7,597.2	7,817.3	-2.8%
EQUITY AND LIABILITIES			
Equity			
Share capital	3,464.4	3,464.4	-
Share premium	103.0	103.0	-
Treasury share reserves	(75.4)	(75.4)	-
Pre-paid capital contributions in kind from shareholders	-	-	-
Revaluation reserve	79.7	87.7	-9.1%
Legal reserves	371.8	371.8	-
Retained earnings	1,588.6	1,637.9	-3.0%
Total equity attributable to shareholders of the Company	5,532.2	5,589.5	-1.0%
Total equity	5,532.2	5,589.5	-1.0%
Liabilities			
Non-current liabilities			
Lease liability – long term	6.2	9.6	-36.0%
Deferred tax liabilities	169.9	168.1	1.0%

	30 June 2020 (reviewed)	31 December 2019 (audited)	Variation (%)
Employee benefits	133.8	126.4	5.8%
Other liabilities	34.6	36.8	-5.8%
Long-term bank borrowings	582.0	432.8	34.5%
Total non-current liabilities	926.5	773.7	19.7%
Current liabilities			
Financing for network construction related to concession agreements	-	1.0	-100.0%
Lease liability – short term	13.3	26.9	-50.4%
Bank overdrafts	179.0	350.6	-48.9%
Trade payables	549.4	730.5	-24.8%
Other payables	230.2	218.3	5.4%
Deferred revenue	6.5	6.9	-5.6%
Employee benefits	85.8	87.9	-2.4%
Provisions	17.9	19.6	-8.6%
Current income tax liability	16.4	4.9	234.9%
Current portion of long-term bank borrowings	39.9	7.5	431.8%
Total current liabilities	1,138.5	1,454.0	-21.7%
Total liabilities	2,064.9	2,227.7	-7.3%
Total equity and liabilities	7,597.2	7,817.3	-2.8%

Source: Electrica

Non-current assets

The non-current assets increased by RON 26.8 mn in H1 2020 or 0.4%, to RON 6,149.2 mn as of 30 June 2020, from RON 6,122.4 mn at 31 December 2019, this variation being the cumulated effect of:

- network investments made by the distribution subsidiaries (the most relevant values of investments and commissioned assets are presented in Annex 2);
- decrease of tangible fixed assets, mainly following the transfer of the AMR system from ELSA to the three distribution companies, in the form of a contribution in kind to their share capital; at consolidated level, the Group has recognized the value of the AMR system under IFRIC 12 'Service Concession Agreements', thus increasing the value of intangible assets.

Current assets

At 30 June 2020, current assets decreased by RON 246.9 mn compared to 31 december 2019, or 14.6%, from RON 1,694.8 mn to RON 1,447.9 mn, this evolution being mainly the cumulated effect of lower value of cash and cash equivalents and of the deposits with a maturity of more than three months. Below is presented the evolution of current assets' elements that generate most of the variation.

Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits and deposits with maturities of up to three months that have insignificant exposure to the fair value change risk, being used by the Group for the management of short-term commitments.

Their value decreased by RON 170.2 mn in H1 2020, or 28%, reaching RON 437.3 mn, from RON 607.5 mn at 31

December 2019, the cash being used mainly for the distribution companies' investments' internal financing, as well as for working capital financing.

Deposits with maturity date more than three months

As of 30 June 2020, the Group no longer had deposits with a maturity of more than three months - the deposits held by ELSA of RON 66.5 mn were closed during H1 2020, the cash being subsequently used mainly by distribution companies for financing the investments and working capital, through cash pooling.

Non-current liabilities

The non-current liabilities recorded an increase H1 2020, of RON 152.7 mn, reaching the value of RON 926.5 mn, from RON 773.7 mn in 2019, mainly as a result of the increase in the long term bank borrowings, of RON 149.2 mn, in order to finance the distribution companies' investments.

Current liabilities

At 30 June 2020, the current liabilities decreased by RON 315.5 mn, to RON 1,138.5 mn, from RON 1,454 mn at the end of 2019, mainly as a result of the changes in the categories listed below.

Overdrafts

The overdrafts decreased in H1 2020 by RON 171.6 mn, reaching RON 179 mn, from RON 350.6 mn at the end of 2019, as the Group has streamlined its working capital financing methods, including the implementation of a cash pooling structure.

Trade payables

As of 30 June 2020, trade payables decreased by approx. RON 181 mn, to RON 549.4 mn, from RON 730.5 mn at 31 December 2019, mainly from lower balances related to suppliers of non-current assets.

7. Statement of cash flows

The following table presents the consolidated statement of cash flows of Electrica Group (amounts in RON mn):

	30 June 2020 (reviewed)	30 June 2019 (reviewed)	Variation (%)
Cash flows from operating activities			
Profit for the year	189.5	108.8	74.2%
Adjustments for:			
Depreciation	17.9	19.1	-6.4%
Amortization	229.3	221.8	3.4%
Impairment/(Reversal of impairment) of property, plant and equipment and intangible assets, net	1.0	(5.9)	-
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	0.2	4.2	-96.1%
Impairment/(Reversal of impairment) of trade and other receivables, net	27.8	(4.2)	-
Impairment of assets held for sale	0.1	0.2	-57.7%
Change in provisions, net	(1.7)	(13.8)	-87.9%
Net finance income	7.5	(1.0)	-
Corporate income tax expense	40.2	15.9	152.5%
	511.9	345.2	48.3%
Changes in:			
Trade receivables	(20.1)	(90.8)	-77.8%
Other receivables	(3.0)	21.6	-
Prepayments	(6.2)	(4.6)	36.4%
Inventories	6.6	(4.9)	-
Trade payables	(115.6)	39.9	-
Other payables	4.2	2.0	109.1%
Employee benefits	4.5	(19.0)	-
Deferred revenue	(0.4)	(0.1)	628.3%
Cash generated from operating activities	381.9	289.4	31.9%
Interest paid	(9.5)	(4.9)	92.9%
Income tax paid	(24.2)	(3.0)	709.4%
Net cash from operating activities	348.2	281.5	23.7%
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	(3.6)	(5.7)	-36.9%
Payments for network construction related to concession agreements	(335.2)	(478.0)	-29.9%
Payments for purchases of other intangible assets	(0.3)	(4.5)	-92.4%
Proceeds from sale of property, plant and equipment	2.1	4.8	-56.7%
Payments for deposits with maturity of 3 months or longer	-	(211.3)	-100.0%
Proceeds from deposits with maturity of 3 months or longer	66.5	224.0	-70.3%
Interest received	5.9	6.7	-11.6%

	30 June 2020 (reviewed)	30 June 2019 (reviewed)	Variation (%)
Net cash used in investing activities	(264.7)	(464.0)	-43.0%
Cash flows from financing activities			
Proceeds from long term bank loans	180.7	-	-
Payment of lease liabilities	(17.9)	(19.3)	-7.1%
Dividends paid	(244.9)	(246.3)	-0.6%
Repayment of financing for network construction related to concession agreements	-	(7.3)	-100.0%
Net cash from/(used in) financing activities	(82.1)	(272.9)	-69.9%
Net (decrease)/increase in cash and cash equivalents	1.4	(455.4)	0.0%
Cash and cash equivalents at 1 January	256.9	546.8	-53.0%
Cash and cash equivalents at 30 June	258.2	91.3	182.7%

Source: Electrica

In **H1 2020**, the net increase in cash and cash equivalents amounted to RON 1.4 mn.

The net cash generated by the operating activity was of RON 348.2 mn. The net profit was RON 189,5 mn; the main non-monetary elements adjustments for the net profit were: adding the depreciation and amortization of RON 247.2 mn, adding the impairment adjustments for current assets of RON 27.8 mn, of the financial gain of RON 7.5 mn and of the income tax of RON 40.2 mn.

Changes in working capital had an unfavorable effect, of RON 130 mn, the most significant impact being generated by the change in trade payables, of RON 115.6 mn, and the change in trade receivables of RON 20.1 mn, both having a negative impact. Income tax paid and interest paid amounted to RON 33.7 mn.

For the investment activity, the cash used was of RON 264.7 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements - RON 335.2 mn; these have recorded a decrease of approx. 29.9% y-o-y.

The financing activity generated a decrease in cash and cash equivalents of RON 82.1 mn, the main factors being the dividends paid to the shareholders - RON 244.9 mn, and the withdrawals related to the long term loans – positive effect of RON 180.7 mn.

In **H1 2019**, the net increase in cash and cash equivalents amounted to RON 455.4 mn.

The net cash generated by the operating activity was of RON 281.5 mn. The net profit was RON 108.8 mn; the main non-monetary elements adjustments for the net profit were: adding the depreciation and amortization of RON 240.9 mn, deducting the net change in provisions of RON 13.8 mn and adding the income tax of RON 15.9 mn.

Changes in working capital had a unfavorable effect, of RON 55.8 mn, the most significant impact being generated by the negative change in trade receivables of RON 90.8 mn, the positive variation of trade payables of RON 39.9 mn and the change in employee benefits of RON 19 mn. Income tax and interest paid amounted to RON 7.9 mn.

For the investment activity, the cash used was of RON 464 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements, of RON 478 mn.

The financing activity generated a decrease in cash and cash equivalents of RON 272.9 mn, the main reason being the dividends payment to the shareholders, of RON 246.3 mn.

8. Outlook

The first semester of 2020 was influenced by the recent public health events (on 11 March 2020, the OMS declared the COVID-19 pandemic) and the impact of these events on the business and social environment.

Electrica Group activates in a key economic sector and therefore is closely monitoring both the national and the international context, in order to be able to take the best decisions in the following period and for addressing the challenges on the short and medium term.

Globally, the budgets of countries where the number of pandemic infestations is high and economic sectors such as services, production, transportation, as well as commerce and international trade are affected, all these elements influencing the energy demand, the consumers' behavior, as well as the measures taken by the authorities, both for the energy sector and for the economic environment in general.

The current strategy of the Electrica Group is built on a set of trends and assumptions, and one of its goals is to accelerate the company's digitalization. This aspect is all the more important as during the following period it is necessary to support the measures of social distancing, the need for remote intervention and back-up, as very relevant aspects for its activities. Thus, it will continue the efforts already started to support investments in IT tools and automation, both for streamlining processes and for increasing the performance of its distribution networks.

Considering energy policies developed at both EU and national level, as well as the international context of the energy markets, the following trends are expected to characterize on medium and long term the local electricity market:

- Increased competition between the players in the electricity supply market at national level, especially regarding the diversification of the portfolio of products offered to customers (offers for natural gas, insurance, home appliances etc.) and digital services offered (mobile applications, invoices and online payments, extending the customer service through chat solutions);
- Customers who, in accordance with the legal provisions, have the right to benefit from the universal service and do not wish to migrate to the eligible segment, will be provided with electricity supply under regulated conditions;
- The new legislation introducing provisions related to transactions in the unregulated market, will also influence the electricity market and future strategies of the SoLR regarding portfolio management;
- A regulatory trend in electricity distribution area is the principle of remuneration of the distribution operator considering both the quality of the service, as well as the operational costs and efficiency based on comparative analyzes between DSOs;
- Electricity distributed generation technologies will determine the distribution operators to adapt their processes and strategies regarding the upgrade and development of the network and to offer solutions to the independent producers, considering the appearance of prosumers, which are active participants in the energy market; in this context, significant investments are necessary in order to improve both the transmission and the distribution infrastructure;
- On the long term, full electric vehicles, light commercial vehicles and electrification of railways are expected to increase the consumption of electricity in the transportation sector.
- Future development of technologies will support energy efficiency policies such as:
 - Development of transmission and distribution networks, including smart grid and smart metering;
 - End-use energy efficiency (thermal integrity of buildings, lighting, electric appliances, motor drives, heat pumps etc.);
- The implementation of smart metering will offer complex tariffs options to the consumers, detailed information

regarding the consumption profile, which might lead to increased flexibility and demand reduction during peak periods. Thus, the consumers shall be better informed and involved in decision-making process, as active participants. The smart metering implementation pace depends on the implementation timetable to be adopted at national level;

- The significant reduction in the cost of photovoltaic technologies is an opportunity for the development of small-scale generation projects, especially in the household area;
- The development of the transmission and distribution infrastructure and long-distance interconnection will become a necessity. The electricity market target model, which implies the development of Europe's internal electricity market, will continue to evolve and be in line with future trends and challenges in the energy industry.

The key drivers of changes in the electricity market are presented in the following table:

Key drivers	Description	Impact on
GDP evolution and industry structure	<p>The economic growth is a determinant factor of electricity demand. Although there is not a one-to-one relationship between GDP growth rate and electricity demand growth rate, there is a positive correlation, mainly between the industrial demand for electricity and economic growth. In the future, household and industrial electricity demand will also be influenced by energy efficiency policies.</p> <p>Intensification of electricity consumption is a major trend in Romania. Over 2010 - 2018, there was a significant increase in electricity consumption, as opposed to a decrease of the gas consumption over the same period, mainly due to the curtailment of heavy industry production.</p>	Electricity consumption
Demographic evolution and technology development	<p>Despite the demographic decline recorded at EU and Romanian level, the electricity consumption is impacted by the changes in the consumer behaviour and the increase in urbanization. For example, smart devices are expected to generate a massive increase in connected devices and implicitly in the electricity consumption and revenue growth across multiple industries.</p>	Electricity consumption
Changes in regulatory framework	<p>The regulatory framework has undergone major changes with the aim of aligning the Romanian legislation with the EU legislation. Although important steps have been taken, other major changes are expected to occur in the next decade, particularly following the new Framework Strategy for a European Energy Union, which highlights the need for integration and cooperation amongst member states.</p> <p>In the distribution segment, in 2019, the 4th regulatory period began, and ANRE approved significant changes to the methodology for all tariff elements (regulated rate of return, regulated assets base, network losses, operating and maintenance expenses, dynamic distribution tariffs starting with 2020).</p> <p>In the supply segment, following the approval by ANRE of the methodology for setting regulated tariffs and prices applied by suppliers of last resort to final customers for the period from 1 July to 31 December 2020, it was ensured the coverage by regulated contracts of all the consumption requirements of household customers linked to regulated tariffs. Although tariffs decreased by an average of 1.9%, corrections and associated costs were fully recognized. However, due to the full coverage of consumption needs through regulated contracts, there is a surplus of energy that will be traded at a price lower than the purchase price.</p>	Electricity prices
Technological development	<p>Smart networks and smart meters will create benefits for the end consumers, distributors and suppliers in terms of energy efficiency, resource optimization and network operation, implementation of demand response etc. It is necessary to prepare the networks and to integrate the distributed resources (storage solutions, micro-grids, local production, electric machines, etc.), considering also the management of their impact.</p>	Electricity prices and consumption
Increase in environmental awareness	<p>Romania has adopted the EU 20-20-20 targets, aiming to reduce greenhouse gas emissions, improve energy efficiency and raise the share of renewable energy. Moreover, the 2030 Framework provides even more ambitious targets and therefore more efforts are needed from governments and market players to achieve them.</p>	Electricity prices and consumption, regulatory framework

Source: Electrica

The regulatory framework perspective and the impact on the energy market

The energy regulatory framework has experienced major changes in the past decade, including market liberalization, unbundling and implementation of the support scheme for renewable energy.

For the distribution segment, the significant changes in the Romanian legislation were detailed *at chapter 2.1*. Based on these changes, it is expected that:

- the changes brought about by the new methodology for setting the distribution tariffs and the RRR level will generate a negative impact on the DSOs' operational and financial performances, as a result of the approval by ANRE of values of the operating and maintenance costs lower than the necessary costs requested by the DSO, as well as of ANRE carrying out the annual corrections of the costs and of the forecast investments.

The changes to the Romanian legislation with impact for the **supply segment**, which were detailed at *chapter 2.1*, are the following:

- Ordinances and decrees regarding the state of emergency on the Romanian territory: Decree no. 195/2020 and 240/2020, GEO no. 29/2020, based on which electricity prices can only be diminished depending on demand and supply, there being on the Romanian electricity market a considerably higher supply in relation to demand, mainly due to closures or reduction of companies' activities;
- GEO no. 74/14 May 2020, ANRE Orders no. 61, 64, 65, 88 from 2020.

9. Capital Expenditures

A core part of Electrica business strategy includes implementing the investment plan. Electrica's activities require significant capital expenditures mostly connected with its operations in the electricity distribution segment. Furthermore, Electrica's assets require periodic maintenance and modernization in order to improve the operational efficiency.

Electrica's capital expenditures in the six month periods ending 30 June 2020 and 30 June 2019 amounted to RON 277.1 mn and RON 363 mn, respectively.

The volume of investments in the distribution network reflects the Group's effort to accomplish the planned level of investments for 2020, especially in the distribution segment.

The volume of investments had a material impact and, according to Electrica's expectations, will continue to have such impact on the results of Electrica's operations, Electrica's indebtedness and future cash flows.

Capital expenditures in the distribution network will only have the anticipated positive impact on Electrica's result of operations to the extent they are recognized in the Regulated Asset Base by ANRE and considering the rate of return approved by the regulatory authority.

10. Statements

Based on the best available information, we confirm that the interim condensed consolidated financial statements reviewed for the six month period ended 30 June 2020 prepared in accordance with the International Accounting Standard IAS 34 – Interim Financial Reporting, provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 65 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 14 to ASF Regulation no. 5/2018 for the six month period ended 30 June 2020, comprises accurate and real information regarding the Group's development and performance.

Chair of the Board of Directors,

Iulian Catalin BOSOANCA

Chief Executive Officer,

Corina Georgeta POPESCU

Chief Financial Officer,

Mihai DARIE

11. Annexes

11.1. Agreements concluded reported according to art. 82 of Law 24/2017

In 2020 up to date, seven current reports were issued with regard to the agreements concluded according to art. 82 of Law 24/2017:

- Current report from 31 January 2020:
 - Addendum no. 1 to the services agreement no. 8/16 January 2019 with Societatea de Distributie a Energiei Electrice „Transilvania Sud”: Rendering of services using AMR system – extension by one month of the agreement
- Current report from 7 February 2020:
 - Internal treasury agreement nr. 24/5 February 2020 with SDTN, SDTS, SDMN, EFSA, SERV and SEM. These conventions are part of the documentation related to the implementation of banking service structures for liquidity concentration (“cash-pooling”), necessary for improving the efficiency of the treasury operations within the Group;
- Current report from 19 February 2020:
 - Addendum no. 4 to agreement no. 167/29 May 2018 concluded by ELSA with Servicii Energetice Muntenia – granting a credit facility in total value of RON 5.5 mn - maturity change of the first installment for reimbursement of the credit facility granted, until 30 April 2020 (previously 31 January 2020);
- Current report from 15 April 2020:
 - Addendum no. 1 to the products supply agreement no. 137/19 December 2019 with Electrica Furnizare – installation of automatically adjustable compensation batteries – extension of the agreement by 4 months;
- Current report from 23 April 2020:
 - Services agreement no. 50/22 April 2020 with Societatea de Distributie a Energiei Electrice „Transilvania Nord” - rendering of services using AMR system.
- Current report from 13 May 2020:
 - Addendum no. 5 to agreement no. 167/29 May 2018 concluded by ELSA with Servicii Energetice Muntenia – granting a credit facility in total value of RON 5.5 mn - maturity change of the first installment for reimbursement of the credit facility granted, until 29 May 2020 (previously 30 April 2020) and the amendment of the clause according to which ELSA has the right at any time to request the loan repayment, including all ancillary financial obligations, within a maximum of 1 day from SEM notification (previously 14 days).
- Current report from 2 June 2020:
 - Agreement for sale and give in payment according to the authentication agreement No. 863/28.05.2020 - The contract of sale and give in payment concerns the give in payment and sale of the property right over the building located in Bucharest, 146 Calea Serban Voda, 4th district, in order to pay off in full the obligation to repay the loan in amount of RON 5.5 mn, granted by the Loan Agreement no. 167/29 May 2018.

11.2. Details of the main investments of Electrica Group during the first semester of 2020

During 1 January 2020 – 30 June 2020, the most significant investments of Electrica Group are the following:

DESCRIPTION	Value (RON mn)
MUNTENIA NORD	
Modernization of 110 kV OHL Vulturii - Tataranu, pillars 36-85	4.78
Upgrading of 110kV protection system and SCADA system integration for Ploiesti Sud Substation	4.38
Modernization and SCADA system integration of 110/20 kV Satuc Substation	3.12
Voltage level improvements for consumers powered from pole mounted transformer substations no. 4085, 4091, 4092, 4093, 4094, 4095, 9012 in Runcu locality, vol. 2	2.98
Modernization of transformer substations powered from 20 kV Independenta underground cable line, 24 Ianuarie, Substatia Obor, Patinoar, in Buzau city	2.95
Extension of SMART Measurement System (SMS) in the localities Padureni, Cornetu, Slobozia Bradului, Olareni, Valea Beciului, Salcia Veche, Tataru, Maicanesti, Obrejita, Slimnic, Vanatori, Dumbraveni, Garoafa, Sihlea, Golestii de Sus, Dumitresti, Dumitrestii Fata, Dumitrestuii de Sus, Lupoaia, Gugesti, Rastoaca, Lamotesti, Vrancea county	2.66
Modernization and SCADA system integration of 110/20/6 kV SNG Substation	2.55
Modernization and SCADA system integration of 110/20 kV Mizil Substation	2.03
Modernization and SCADA system integration of 110/20 kV Valea Larga Substation	1.90
Modernization of 20kV OHL by replacing the insulation and conductors (20kV OHL Pisc – SPP 4, 20kV OHL Cuza Voda- Tufesti, 20kV OHL Maxeni Scortaru, 20kV OHL Romanu – Traianu)	1.75
Voltage level improvements in Tudor Vladimirescu locality, Galati county	1.74
Extension and modernization of 110/20/6 kV Tecuci Substation, Galati county	1.68
Increasing the network voltage from 6 kV to 20 kV in Tecuci city, stage III – neighbourhoods N.Balcescu, Gh.Petrascu and Criviteni, Galati county	1.60
Extension of SMART Measurement System (SMS) in the localities Marasesti, Gologanu, Slobozia Ciorasti, Jiliste, Balta Ratei, Liesti, Gura Calitei, Cocosari, Groapa Tufei, Rasca, Sotarcari, Rachitosu, Bicestii de Jos, Vulturii, Popesti, Tamboiesti, Nanesti, Vitanesti de sub Magura, Urechesti, Sarbi, Biliesti, Mircestii Noi, Dragosloveni, Budesti, Valea Cotesti, Hangulesti, Ciorasti, Codresti, Spatareasa, Ciuslea, Bordesti, Bordestii de Jos, Bordestii de Sus, Chiojdeni, Maracini, Seciu, Lojnita, Martinesti, Jitia, Candesti, Candesti Deal, Candesti Vale, Precistanu, Poiana Cristei, Mihalceni, Armeni, Belciugele, Coroteni, Balesti, Faurei, Bordeasca Veche, Vrancea county,	1.55
Increasing energy efficiency of distribution network and improving technical conditions of power supply by increasing the transformer substations voltage to 20 kV in the Hipodrom, Obor, Victoriei neighbourhoods of Braila city	1.49
Modernization and SCADA system integration of 110/20/6 kV Ramnicu Sarat Substation	1.49
Upgrading protections for 110 kV and 6 kV cells, installation of the second neutral treatment group by resistor at 20 kV and SCADA system integration in 110/27,5/20/6 kV Ploiesti Nord Substation	1.48
Modernization and SCADA system integration of 110/20 kV Ianca Substation	1.41
Voltage level improvements for users of Sotanga locality, Sotanga village, streets Campulet, Fagetel and Principala.	1.40
Modernization of LV OHL and LV connections for consumers of locality Surdila Gaiseanca	1.35
Modernization of 110 kV OHL Focsani Vest - Tataranu, pillars 1-125	1.32
Mounting the second 110/20 kV power transformer in 110/20 kV Substations: Vidra, Jugureanu, Bujoru, Cudalbi, Galati Centru – Vol. 1 Vidra 110/20 kV Substation	1.31
Modernization of LV OHL and LV connection for users of Razvad village, streets Gimnaziului, Garii, Bisericii, Gatejesti, Scoala de Fete, Redeventa, Rezvedeanca, Luca,,Campului, Valea Mare,Lunca	1.19
Modernization of electrical network and LV connections belonging to pole mounted transformer substation no.3204, in neighbourhood Ploiesti Vest (Mitica Apostol), Ploiesti city	1.09
Modernization of electrical networks in Tecuci city, street Dacia corner with cu street Vrancei, Galati county	1.08
Modernization of electricity distribution installations belonging to Buzau branch, at apartment buildings from Dorobanti 1+2 neighbourhood, Buzau county	1.04

DESCRIPTION	Value (RON mn)
TRANSILVANIA NORD	
Increasing the quality of the distribution service vol.2B modernization of 31 wall cabin transformation substations from OC Sighet	4.89
Regulating 110 kV OHL of Oradea metropolitan area	4.86
Modernization of 110/20 kV Baci Substation	3.98
Modernization of MV OHL Mihai Viteazu -Tv, Cluj county semi axis and related connections	3.00
Modernization of Cluj Nord 110/10 kV Substation and introduction of 20 kV busbar	2.44
Modernization of Baia Sprie 1 110/35/6kV Substation and introduction of 20kV busbar	2.31
Increasing the quality of the distribution service vol.2A - modernization of 32 wall cabin transformation substations from Baia Mare, Somcuta Mare, Targu Lapus, Ulmeni, Maramures county	2.29
Modernization of SM2 110 kV Substation and introduction of 20 kV busbar	1.83
Increasing the network voltage to 20 kV belonging to Satu Mare branch: Distributor SM1 – PA 1001 CIR – PA 1002 Martirilor Deportati – PT 507 Aurora	1.66
Modernization of pole mounted transformer substations belonging to Bistrita branch	1.51
Integrated security, monitoring and intervention System for the substations of SDTN	1.49
Modernization of 110/20 kV Alesd Substation	1.40
Modernization of electrical networks and LV connections in the locality Vadu Crisului, Bihor county	1.07
TRANSILVANIA SUD	
Integration of substations from 110 kV Operation and Maintenance Center into the SCADA DMS system of SDTS	9.78
Modernization, securing and systematization of LV connections in Brasov city (str.Minerva, Mercur, Cometei, Soarelui, Constelatiei, Neptun, Saturn, Apollo, b-dul Victoriei, Aleea Sanzienelor, Aleea Lacramioarelor, MIMOZEI, Cocorului, Stefan Mironescu, Aleea Petuniei, Zizinului nr.81-99, Gen Mociulschi, Colonia Metrom, Oltet, Aleea Constructorilor, Barbu Lautaru, b-dul Garii, Szemler Ferencz no.3, 5, 7, Infratii no. 6, 8, 9, 16, 21, 22, 23, 13 Decembrie no.86-88, Spicului, Bobului, Lacramioarelor, Garii Noua, Anghel Saligny, Calea Bucuresti), Brasov county - stages 2 and 5	5.92
Integration in SCADA-DMS system of transformers substations prepared for MTCU installation (Monitoring and data Transmission Control Unit)	5.83
Increasing distribution capacity and supply reliability for the developing area adjacent to the new objective, Clinical Hospital BV: Realization of new 110/20 kV Substation, in the axis of 110 kV OHL Bartolomeu-FS Rasnov, common circuit with 110 kV OHL ICA Ghimbav-Ghimbav in area of pillars no. 54-56, Brasov county	5.03
Increasing the supply reliability for the users connected to 110/20 kV Corunca Substation, Mures county	3.69
Modernization of transformer substations by MV cell replacement, indoor network distribution board replacement, integration in Distribution Automation System and repair of buildings of transformer substations in Codlea, Brasov county	2.85
Voltage level improvements and modernization of LV OHL and LV electrical connection in Sanraiu de Mures and Nazna, Mures county	2.78
Modernization of LV OHL and LV connections in Teius, Alba county	1.99
Modernization of wall cabin transformer substations no.28 Alba and LV OHL, str. Calea Motilor and Horea Boulevard, Alba Iulia city, Alba county	1.95
Modernization of 110/27.5/20/6kV Zizin Substation, Brasov county	1.92
Modernization of electricity supply installations in Medias city – Vitrometan neighbourhood, Sibiu county	1.89
Modernization of LV OHL of transformer substations no.37, Sebes locality, Alba county	1.82
Neutral treatment group upgrading for 20 kV busbar in Fagaras Substation, Brasov city	1.60
Voltage level improvements in Ditrau locality, Jolotca area, pole mounted transformer substations no. 14 and 15 Ditrau, Harghita county	1.56
Voltage level improvements and modernization of LV OHL and LV connections in Sincai Fanete and Sabed localities, Mures county	1.52
Conductor replacements, securing and systematization of LV connections of LV OHL Soars, reconfiguration of 20 kV OHL Cincu, Brasov county	1.34
Voltage level improvements and LV network modernization (pole mounted transformer substations no. 1, 2, 4 and 5) in Cartisoara locality, Sibiu county	1.30

DESCRIPTION	Value (RON mn)
Increasing the supply reliability in area of transformer substations: Polico Imbent, no. 56 Agip, no. 49 and no.27, Sebes locality, Alba county	1.25
Voltage level improvements in Toplita, Zencani area, Harghita county	1.23
Voltage level improvements and LV network modernization in Terezian neighbourhood, apartment buildings on Str. Rusciorului, str. Lunga, Sibiu city, Sibiu county	1.1

Source: Electrica

During 1 January 2020 – 30 June 2020, the largest transfers from tangible assets in progress to tangible assets, representing mainly commissioning of investments, are the following:

COMMISSIONING

DESCRIPTION	Value (RON mn)
MUNTENIA NORD	
Modernization and SCADA system integration of 110/20 kV Satuc Substation	3.54
Voltage level improvements for consumers powered from pole mounted transformer substations no. 4085, 4091, 4092, 4093, 4094, 4095, 9012 in Runcu locality, vol. 2	3.49
Extension of SMART Measurement System (SMS) in the localities Padureni, Cornetu, Slobozia Bradului, Olareni, Valea Beciului, Salcia Veche, Tataru, Maicanesti, Obrejita, Slimnic, Vanatori, Dumbraveni, Garoafa, Sihlea, Golestii de Sus, Dumitresti, Dumitrestii Fata, Dumitrestuii de Sus, Lupoaia, Gugesti, Rastoaca, Lamotesti, Vrancea county	2.51
Modernization of 110 kV OHL Vulturu - Tataranu, pillars 36-85	1.92
Modernization of 110 kV OHL Focsani Vest - Tataranu, pillars 1-125	1.75
Increasing energy efficiency of distribution network and improving technical conditions of power supply by increasing the transformer substations voltage to 20 kV in the Hipodrom, Obor, Victoriei neighbourhoods of Braila city	1.66
Mounting the second 110/20 kV power transformer in 110/20 kV Substations: Vidra, Jugureanu, Bujoru, Cudalbi, Galati Centru – Vol. 1 Vidra 110/20 kV Substation	1.54
Modernization of transformer substations powered from 20 kV Independenta underground cable line, 24 Ianuarie, Substatia Obor, Patinoar, in Buzau city	1.49
Voltage level improvements in Tudor Vladimirescu locality, Galati county	1.35
Modernization of electrical network and LV connections belonging to pole mounted transformer substation no.3204, in neighbourhood Ploiesti Vest (Mitica Apostol), Ploiesti city	1.20
Upgrading protections for 110 kV and 6 kV cells, installation of the second neutral treatment group by resistor at 20 kV and SCADA system integration in 110/27,5/20/6 kV Ploiesti Nord Substation	1.14
Extension of SMART Measurement System (SMS) in the localities Marasesti, Gologanu, Slobozia Ciorasti, Jiliste, Balta Ratei, Liesti, Gura Calitei, Cocosari, Groapa Tufei, Rasca, Sotarcari, Rachitosu, Bicestii de Jos, Vulturu, Popesti, Tamboiesti, Nanesti, Vitanesti de sub Magura, Urechesti, Sarbi, Biliesti, Mircestii Noi, Dragosloveni, Budesti, Valea Cotesti, Hangulesti, Ciorasti, Codresti, Spatareasa, Ciuslea, Bordesti, Bordestii de Jos, Bordestii de Sus, Chiojdeni, Maracini, Seciu, Lojnita, Martinesti, Jitia, Candesti, Candesti Deal, Candesti Vale, Precistanu, Poiana Cristei, Mihalцени, Armeni, Belciugele, Coroteni, Balesti, Faurei, Bordeasca Veche, Vrancea county,	1.11
Modernization and SCADA system integration of 110/20/6 kV SNG Substation	1.09
Modernization and SCADA system integration of 110/20/6 kV Ramnicu Sarat Substation	1.08
Modernization of electrical networks in Tecuci city, street Dacia corner with cu street Vrancei, Galati county	1.05
Increasing energy efficiency of distribution network and improving technical conditions of power supply for consumers in area of transformer substation no.1020 Lipanesti	1.00
TRANSILVANIA NORD	
Increasing the quality of the distribution service vol.2B modernization of 31 wall cabin transformation substations from OC Sighet	3.59
Modernization of Cluj Nord 110/10 kV Substation and introduction of 20 kV busbar	2.72
Modernization of MV OHL Mihai Viteazu -Tv, Cluj county semi axis and relted connections	1.30

DESCRIPTION	Value (RON mn)
Increasing the power supply reliability in Alesd area, Lugasu de Jos, Tinaud, by construction of new MV underground cable, Bihor county	1.29
Modernization of 110/20 kV Zalau Substation	1.29
Modernization of power transformers 25/16/25 MVA - 110/38,5/22 kV and rewind 25/25/12 MVA - 110/20/10 kV	1.28
Modernization of wall cabin transformer substations of SDTN – Cluj branch, Cluj county – Vol. 3 – COR Turda area	1.24
Integrated security, monitoring and intervention System for the substations of SDTN	1.23
Modernization of MV OHL from 110/20KV Prundu Bargaului Substation to Piatra Fantanele Hotel Dracula Castle transformer substation, in Piatra Fantanele locality, Bistrita Nasaud county	1.02
Modernization of electrical networks and LV connections in the locality Vadu Crisului, Bihor county	1.02
Increasing the power supply reliability in Osorhei area by construction of new MV underground cable, Bihor county	1.01
TRANSILVANIA SUD	
Integration of substations from 110 kV Operation and Maintenance Center into the SCADA DMS system of SDTS	10.69
Modernization of transformer substations by MV cell replacement, indoor network distribution board replacement, integration in Distribution Automation System and repair of buildings of transformer substations in Codlea, Brasov county	9.35
Modernization, securing and systematization of LV connections in Brasov city (str.Minerva, Mercur, Cometei, Soarelui, Constelatiei, Neptun, Saturn, Apollo, b-dul Victoriei, Aleea Sanzienelor, Aleea Lacramioarelor, Mimozei, Cocorului, Stefan Mironescu, Aleea Petuniei, Zizinului nr.81-99, Gen Mociulschi, Colonia Metrom, Oltet, Aleea Constructorilor, Barbu Lautaru, b-dul Garii, Szemler Ferencz no.3, 5, 7, Infratirii no.6, 8, 9, 16, 21, 22, 23, 13 Decembrie no. 86-88, Spicului, Bobului, Lacramioarelor, Garii Noua, Anghel Saligny, Calea Bucuresti), Brasov county - stages 2 and 5	6.37
Modernization of 110/27.5/20/6kV Zizin Substation, Brasov county	4.9
Increasing the supply reliability for the users connected to 110/20 kV Corunca Substation, Mures county	2.97
Increasing the supply reliability at the interconnection of 20 kV OHL Blaj 1, 20 kV OHL PT 51, 20 kV OHL Jidvei, in Blaj locality, Alba county	2.54
Integration in SCADA-DMS system of transformers substations prepared for MTCU installation (Monitoring and data Transmission Control Unit)	2.21
Modernization of LV OHL and LV connections in Teius, Alba county	2.10
Modernization of transformer substation no.28 and LV OHL, str. Calea Motilor and B-dul Horea, in Alba Iulia city, Alba county	2.06
Modernization of LV OHL of transformer substations no.37, Sebes locality, Alba county	1.85
Increasing the supply reliability in area of transformer substations: Polico Imbent, no. 56 Agip, no. 49 and no.27, Sebes locality, Alba county	1.73
Decentralization of MV network, voltage level improvements - str. Poarta Campului, Mechenndorfer, Dealului, Sanpetru locality, Brasov county	1.64
Voltage level improvements and modernization of LV OHL and LV electrical connection in Sanraiu de Mures and Nazna, Mures county	1.52
Modernization of electricity supply installations in Medias city – Vitrometan neighbourhood, Sibiu county	1.38
Voltage level improvements and modernization of LV OHL in Musca locality, Lupsa commune, Alba county	1.33
Voltage level improvements in Bradesti commune, Harghita county	1.27

Source: Electrica

11.3. Litigations

Electricra Group litigations in 2020 (updated as of 3 August 2020):

1. Disputes with ANRE

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1	Plaintiff: ELSA Defendant: ANRE 192/2/2015	Cancellation of the Order of the president of ANRE no. 146/2014 regarding the establishment of the regulated rate of return considered to the approval of the tariffs for the electricity distribution service provided by concessionary DSOs starting with 1 January 2015 and the abrogation of Art. 122 of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – suspended until the settlement of case no. 7341/2/2014.
2	Plaintiff: ELSA; Defendant: ANRE; 361/2/2015	Cancellation of ANRE Order no. 155/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTN.	High Court of Cassation and Justice	Suspended until the settlement of the case file no. 192/2/2015.
3	Plaintiff: ELSA; Defendant: ANRE; 360/2/2015	Cancellation of ANRE Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTS.	High Court of Cassation and Justice	Suspended until the settlement of the case file no. 192/2/2015.
4	Plaintiff: ELSA; Defendant: ANRE; 340/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order 171/2015.	High Court of Cassation and Justice	Appeal - Suspended until the settlement of the case file no. 192/2/2015.
5	Plaintiff: ELSA; Defendant: ANRE; 342/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order. No. 172/2015.	High Court of Cassation and Justice	Appeal - Suspended until the settlement of the case file no. 192/2/2015.
6	Plaintiff: ELSA; SDTN; SDTS; SDMN; Defendant: ANRE; 7614/2/2018	Action for partial annulment of ANRE Order no. 169/2018 regarding the approval of the Tariff Setting Methodology for the Electricity Distribution Service.	Bucharest Court of Appeal	In course of settlement.
7	Plaintiff: ELSA; SDTN; SDTS; SDMN; Defendant: ANRE 7591/2/2018	Action for the annulment of the ANRE Order no. 168/2018 regarding the regulatory rate of return and obliging ANRE to issue a new order.	Bucharest Court of Appeal	On 16.03.2020, a request for reinstatement was filed.
8	Plaintiff: ELSA; SDTN; SDTS; SDMN; Defendant: ANRE 8436/2/2018	Action for partial annulment of ANRE Order no. 169/2018 regarding the approval of the Tariff Setting Methodology for Electricity Distribution Service.	Bucharest Court of Appeal	In the cause was accepted the exception of the pendency, the file being connected with the file 7614/2/2018.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
9	Plaintiff: ELSA; SDTN; SDTS; SDMN; Defendant: ANRE 8430/2/2018	Action for the annulment of the ANRE Order no. 168/2018 regarding the regulated rate of return and obliging ANRE to issue a new order.	Bucharest Court of Appeal	In the cause was accepted the exception of the pendency, the file being connected with the file 7591/2/2018.
10	Plaintiff: Fondul Proprietatea Defendant: ANRE Intervenient: ELSA; SDTN; SDTS; SDMN; 7341/2/2014	Legal action for the partial annulment of ANRE Order no. 112/2014 regarding the amendment and completion of the tariff setting methodology for the electricity distribution service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	ANRE's appeal admitted by the court. The case was sent to the first instance, for the re-judgement of the main action and of the accessory intervention requests.
11	Plaintiff: ELSA, SDMN Defendant: ANRE 434/2/2019	Legal action for annulment of ANRE Order 197/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive electric energy for SDMN.	Bucharest Court of Appeal	In course of settlement.
12	Plaintiff: ELSA, SDTS Defendant: ANRE 435/2/2019	Legal action for annulment of ANRE Order 199/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive electric energy for SDTS.	Bucharest Court of Appeal	On 09.06.2020, the court rejected the action as unfounded. The decision can be appealed within 15 days from the communication.
13	Plaintiff: ELSA, SDTN Defendant: ANRE 436/2/2019	Legal action for annulment of ANRE Order 198/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive electric energy for SDTN.	Bucharest Court of Appeal	In course of settlement.
14	Plaintiff: SDMN Defendant: ANRE 184/2/2015	Contentious administrative litigation – Cancellation of ANRE Order no. 146/2014 regarding the setting of the regulated rate of return applied at the approval of the tariffs for the electricity distribution service provided by the DSOs starting with 1 January 2015 and the abrogation of art. 122 of the tariff setting methodology for the electricity distribution service, approved by the ANRE order no. 72/2013.	High Court of Cassation and Justice	Suspended case file until the final settlement of the Bucharest Court of Appeal case 7341/2/2014. The Plaintiff quit the judgement of the appeal against the suspension decision. The Court rejects the appeal filed by Fondul Proprietatea SA against the Decision of the Bucharest Court of Appeal of 25 June 2015 – the Section VIII Administrative and Fiscal Litigation, as unfounded. The case file no. 7341/2/2014 is in course of settlement.
15	Plaintiff: SDMN Defendant: ANRE 164/2/2016	Cancellation of Order no. 165/2014, of the President of ANRE regarding the modification of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	The case file no 1574/2/2016 has been linked to this case file. The court of first instance rejected the application as unreasonable. SDMN filed an appeal, in course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
16	Plaintiff: SDMN; SDTS Defendant: ANRE 8901/2/2018	Action in administrative litigation to oblige ANRE to issue an address of response to the request of DSOs from Electrica Group to issue a decision stating whether or not they have exclusive or special rights in accordance with the provisions of Law 99/2016.	Bucharest Court of Appeal	The action was admitted by first instance.
17	Plaintiff: ELSA; SDMN; SDTN; SDTS; Defendant: ANRE 8019/2/2017	Annulment of administrative act for the refusal to issue a favorable opinion regarding the transfer of the AMR system and requiring the issue of favorable administrative documents for the cession of the AMR system from ELSA to DSOs, also obliging ANRE to make adjustments of the distribution tariffs of DSOs.	High Court of Cassation and Justice	The Court of First Instance upheld the plea of inadmissibility of all three heads of claim, dismissing them as inadmissible. An appeal was filed – in course of settlement.
18	Plaintiff: SDTN Defendant: ANRE 213/2/2015	Cancellation of ANRE Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by the DSOs from 1 January 2015 and the abrogation of Art. 122 of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – suspended.
19	Plaintiff: SDTS Defendant: ANRE 87/64/2016	Contentious administrative litigation (request for suspension of administrative act) – ANRE President's Order no. 165/2015 regarding the modification of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	Bucharest Court of Appeals	Considering that case no.18/64/2016 was rejected, there is no reason for refiling the case.
20	Plaintiff: SDTS Defendant: ANRE 371/2/2015	Cancellation of ANRE Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTS.	Bucharest Court of Appeals	Suspended until the settlement of the case file no. 208/2/2015.
21	Plaintiff: SDTS Defendant: ANRE 208/2/2015	Cancellation of the ANRE President's Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by DSOs from 1 January 2015 and the abrogation of Art. 122 of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Suspended. Waiver of the trial at the appeal regarding the suspension decision.
22	Plaintiff: SDTS Defendant: ANRE 73/197/2019	Complaint against the contravention report no. 97341/18 December 2018.	Brasov Court	In course of settlement.

Source:Electrica

2. Fiscal matter disputes

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: ELSA Defendant: NAFA 17237/299/2017	1. Suspension of forced execution initiated by NAFA-DGAMC in the enforcement file no. 13267221 under the enforceable order no. 13725/3 May 2017 and of the no. 13739/03 May 2017; 2. Cancellation of the enforcement order no. 13725/3 May 2017, of the no. 61/90/1/2017/263129 (which also bears the No. 13739/3 May 2017) issued by NAFA-DGAMC for the amount of RON 39,248,818 and all subsequent execution orders issued in connection with the forced execution of the amount of RON 39,248,818 in the execution file no. 13267221.	District Court 1	Suspended until the final settlement of case no. 9131/2/2017.
2	Plaintiff: ELSA Defendant: NAFA 9131/2/2017	Annulment of the tax decisions issued by NAFA and communicated to the company by address no. 665/17 March 2017, new accessories amounting to RON 39,000,000.	Bucharest Court of Appeal	Action admitted on first instance - the court orders the restoring of the parties in the previous situation through repaying/compensating according to the provisions of the Fiscal Procedure Code of the amounts established by the annulled decisions. Establishes the obligation of the defendant to carry out the regularization of the tax file; It accepts the request for an increase of the expert's fee and orders the increase with the amount of RON 3,920. ANAF filed an appeal, in course of settlement.
3	Plaintiff: ELSA Defendant: NAFA 6043/2/2018	1. Obligation of NAFA to correct the evidence of tax receivables, so that it reflects the decisions given by the courts in the disputes between the parties, through decisions that have come into the power of the judicial work. 2. In particular, in order to adjust the fiscal statement in the sense indicated in paragraph 1, the NAFA shall be obliged to draw up those corrective administrative acts or operations which: a) to reflect in the fiscal file the extinguishing by prescription of the amount of RON 16,915,950 representing the profit tax registered in Decision no. 3/2008 (the "Main Claim") and the removal from its tax records, b) to reflect in the fiscal file the corresponding extinction of all the accessories calculated by NAFA in the Main Claim (expired by prescription) and the removal from their tax records	High Court of Cassation and Justice	In first instance, Electrica's action was admitted. ANAF filed an appeal – in course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
		(including the amount of RON 30,777,354 included in the Decision no. 357/2008).		
4	Plaintiff: ELSA Defendant: NAFA - DGAMC 25091/299/2018	Appeal to execution and suspension of forced execution - cancellation of the enforcement order no. 13566/22 June 2018 and the notice 13567/22 June 2018, issued in the execution file no. 13267221/61/90/1/2018/278530, amounting to RON 10,024,825 (representing the partial fine from the Competition Council).	District Court 1	Suspended until the settlement of case no. 3889/2/2018.
5	Plaintiff: ELSA Defendant: NAFA 7949/2/2018	Cancellation of administrative act: Decision no. 231/09/05/2018 issued by NAFA-DGS in the procedure for solving the fiscal administrative appeal against the following tax decisions (communicated to the company through the address no. 665/17 March 2017): 1. Decision no. 607/EV2/15 March 2017 - interest and penalties calculated on the profit tax amounting to RON 38,687,726; 2. The taxation decisions regarding the obligations established following the fiscal corrections which corrects the Decision no. 607/EV2/15 March 2017, by establishing minus differences, in the amount of RON 2,125,229; 3. The taxation decisions regarding the obligations established following the fiscal corrections that corrects the Decision no. 607/EV2/15 March 2017, by establishing additional differences, in the amount of RON 2,447,528; 4. Decision no. 620/EV2/15 March 2017 regarding the related tax liabilities representing interests and penalties for late payment in the amount of RON 21,548.	Bucharest Court of Appeal	Attached to case no 9131/2/2017.
6	Plaintiff: SDMN Defendant: NAFA 1018/2/2016	Cancellation of administrative act – Decision no. 462/23 November 2015, litigation amount of RON 7,731,693 (RON 4,689,686 income tax + RON 3,042,007 VAT) and for the amount of RON 6,154,799 (RON 3,991,503 interests/penalties and late fees related to income tax + RON 2,163,296 interests/penalties and delay fees related to the VAT).	High Court of Cassation and Justice	The first court dismissed the request as unfounded. The plaintiff filed an appeal, in course of settlement.
7	Plaintiff: EL SERV Defendant: NAFA 5786/2/2018	Cancellation of administrative act NAFA RIF 2017 and decision no. 305/30 May 2017, value of RON 46,260,952, the amount with which the fiscal loss of the Company was diminished; RON 7,563,561 established as additional VAT for payment by the refusal to deduct the VAT + related accessories.	Bucharest Court of Appeal	First instance partly admitted the action and partially annulled Decision no. 22/18.01.2018 regarding the resolution of the appeal, the Taxation Decision no. F-MC 305/30.05.2017, Provision regarding the measures

Crt. no.	Parties/Case file number	Object	Court	Case status
				established by the fiscal inspection bodies' no. 115046/30.05.2017 and RIF no. F-MC 177/05.05.2017. The sentence was pronounced on 03.07.2019 and has not been communicated so far.
8	Plaintiff: EL SERV Defendant: NAFA 31945/3/2018	Cancellation of administrative decision no. 221/19 July 2017 - cancellation of penalties related to the decision no. 305/2017 from above, RON 118,215.	Bucharest Court	Suspended until the final settlement of the case no. 5786/2/2018.
9	Plaintiff: SDTN Defendant: MFP- NAFA – DGRFP Cluj – AJFP Maramures 371/33/2017	Appeal of the tax decision no. F-MM-180/2016 regarding tax and additional VAT, as well as interest/late payment and late payment penalties. Preliminary administrative procedures were conducted in 2017, prior to the case filing. Amount: RON 32,295,033.	High Court of Cassation and Justice	Appeal – in course of settlement.
10	Plaintiff: EFSA Defendant: NAFA – DGAMC 8709/2/2018	Cancellation of: <ul style="list-style-type: none"> • DGSC Decision no. 325/26 June 2018 • Decision F-MC 678/28 December 2017 • Report F-MC 385/28 December 2017 • Decision no. 511/24 October 2018 • Decision no. 21095/24 July 2018 Value: RON 11,483,652	Bucharest Court of Appeal	Suspended - until the settlement of case no. 2213/2/2017 – Court of Accounts (appeal at High Court of Cassation and Justice)

Source:Electrica

3. Other significant litigations (with a value higher than EUR 500 th)

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: SPEEH Hidroelectrica S.A. Defendant: ELSA 13268/3/2015	Obligation of Electrica to pay to SPEEH Hidroelectrica SA the amount of RON 5,444,761 (the loss suffered by selling energy at an average price per MWh under the production cost of 1 MWh); partial obligation to pay the unrealized benefit of Hidroelectrica by selling the total amount of 398,300 MWh, calculated according to the ANRE regulations (RON 9,646,826, according to the written instructions dated 5 May 2015/RON 5,444,761 according to the applicant's conclusions mentioned in the Conclusion of 15 March 2017); ordering the defendant to pay the legal interest from the date of the decision until the effective payment, court costs.	High Court of Cassation and Justice	The court of first instance rejects the exception of the prescription of the material right to action as unreasonable and the action as unfounded. Both parties have appealed, dismissed as unfounded. Both parties filed an appeal. Hidroelectrica's appeal was rejected. The ELSA appeal was admitted, the case being sent for retrial to the Bucharest Court of Appeal.
2	Creditor: ELSA Debtor: Petprod S.A.	Insolvency proceedings, registering to the list of creditors for the amount of	Bucharest Court	Ongoing procedure.

Crt. no.	Parties/Case file number	Object	Court	Case status
	47478/3/2012/a1	RON 2,591,163		
3	Creditor: ELSA Debtor: CET Braila S.A. 2712/113/2013	Insolvency proceedings - bankruptcy, enter a claim to the list of creditors for the amount of RON 3,826,035	Braila Court	Ongoing procedure.
4	Creditor: ELSA, AAAS, BCR SA and others Debtor: Oltchim S.A. 887/90/2013	Bankruptcy, registering to the list of creditors in amount of RON 614,124,366	Valcea Court	Ongoing procedure.
5	Creditor: ELSA Debtor: Romenergy Industry SRL 2088/107/2016	Insolvency proceedings - bankruptcy, registering to the list of creditors in amount of RON 2,917,266	Alba Court	Ongoing procedure.
6	Creditor: ELSA Debtor: Transenergo Com S.A. 1372/3/2017	Insolvency proceedings. Amount RON 37,088,830.	Bucharest Court	Ongoing procedure
7	Creditor: ELSA Debtor: Electra Management & Supply SRL 41095/3/2016	Bankruptcy. Amount: RON 6,027,537.	Bucharest Court	Ongoing procedure
8	Creditor: ELSA Debtor: Fidelis Energy SRL 3052/99/2017	Insolvency proceedings. Amount: RON 11,354,912.	Iasi Court	Ongoing procedure
9	Plaintiff: SAPE Defendant: ELSA 46365/3/2016	Action for damages – RON 3,629,529,920.	Bucharest Court	On first instance, the court admits the lack of passive procedural quality of the defendant, ELSA, on the subsidiary claim based on contractual liability and rejects the subsidiary claim based on contractual civil liability made by the applicant in contradiction with the defendant ELSA as being formulated against a person without a passive procedural quality. It rejects the exception of the lack of passive procedural quality invoked by ELSA on the main claim based on tort liability and the exception of the lack of passive procedural quality invoked by the other defendants. Admits the exception to the limitation of the right of action and, as a consequence: Dismisses the application for a lawsuit based on the civil liability of the

Crt. no.	Parties/Case file number	Object	Court	Case status
				<p>plaintiff in contravention of the defendant ELSA as prescribed and rejects as prescribed the request for legal action as formulated and completed (based on the tort liability, mainly, and the contractual liability, in the subsidiary) formulated by the applicant in contradiction with the other defendants. Appealable within 30 days of communication. Decision 1878/2019 remained final by non-appeal. SAPE was obliged to pay to ELSA the amount of 329,993.37 RON as court costs. The amount was collected on 07.07.2020.</p>
10	Plaintiff: SEM Defendant: ELSA 5930/3/2016	Obligation to increase the share capital of SEM, with the value of the lands located in Dobroiesti, str. Zorilor no. 71, Ilfov County ("Deposits land and Fundeni thermal power station"), with an area of 6,480 sqm, CADP M03 no. 10982/2008, respectively from Bucharest, Timisoara Boulevard no. 104, sector 6 ("Land for energy equipment repair shop", with an area of 8,745 sqm, CADP M03 no. 12917/2014 – amounting to RON 7,344,390.	High Court of Cassation and Justice	<p>The court of first instance admitted the exception of the prescription of the material right to action, dismissing the action as prescribed, but the court of appeal annulled the sentence, sending the case for re-judgment. ELSA filed an appeal – admitted by court – the case being in rejudgement proceedings. Considering the Decision of EGMS SEM no. 9/07.11.2019 by which the social capital of SEM was increased with these 2 lands, the request will remain without object.</p>
11	Plaintiff: ELSA Defendant: Competition Council 3889/2/2018	Action in administrative litigation - annulment of Competition Council Decision no. 77/20 December 2017, by which an ELSA charge is set through a fine of RON 10,800,984 and, in the subsidiary, the reduction of the fine set up to the legal minimum of 0.5% of ELSA's turnover, by re-individualizing the alleged anticompetitive facts, with the retention and full use of all mitigating circumstances applicable to ELSA.	High Court of Cassation and Justice	<p>The court dismissed ELSA's action as unfounded; ELSA filed an appeal – in course of settlement.</p>
12	Plaintiff: ELSA Defendant: EL SERV	Action for damages - request payment of penalty interest in the amount of RON 4,671,287, related to the amount of RON	Bucharest Court	<p>The first court partly admitted the action and ordered the payment of the legal interest</p>

Crt. no.	Parties/Case file number	Object	Court	Case status
	39968/3/2018	10,327,442.		calculated for the period 20.11.2015-22.05.2018. On 22.05.2020 El Serv declared an appeal.
13	Plaintiff: ELSA Defendant: Elite Insurance Company 44380/3/2018	Claims - request against the insurance policy issued to guarantee the obligations of Transenergo Com S.A., in the amount of RON 4,000,000.	Bucharest Court	Suspended based on art. 307 Civil Procedure Code.
14	Plaintiff: ELSA Defendant: former directors and administrators of ELSA 35729/3/2019	Claims - claim for damages calculated as a result of the control of the Court of Accounts, in an amount of 322,835,121 RON.	Bucharest Tribunal	In course of settlement.
15	Plaintiff: EFSA Defendant: ELSA 2869/3/2019	Claims: request of payment of invoices paid without justificative documents, as it has been stated by the Court of Account, in amount of RON 17,274,162.	High Court of Cassation and Justice	Action dismissed on first instance. EFSA filed an appeal – dismissed by the court. The Decision may be appealed within 30 days of its communication. EFSA has filed an appeal. The file is in the filter procedure at the ICCJ.
16	Plaintiff: VIR Company International S.R.L. Defendant: SDMN 7507/105/2017	Claims - the amount requested by VIR Company International SRL consists of: - EUR 5,000,000, damage caused by delayed issuance of the connection certificate for the photovoltaic plant located in Valea Calugareasca commune, Darvari village; - EUR 155,000, equivalent of the amount of electricity produced by the plant during the technological tests period; - EUR 145,000, green certificates related to the amount of energy produced by the photovoltaic plant during the technological tests period. In addition, it requires to SDMN to pay the penalty interest of 5.75%/year for all the amounts of money claimed and court costs.	Prahova Court	In course of settlement.
17	Creditor: SDMN Debtor: Transenergo Com S.A. 1372/3/2017	Insolvency proceedings. Amount: RON 8,418,833.	Bucharest Court	Ongoing proceedings.
18	Plaintiff: SDMN Debtor: ELSA 33763/3/2019	Claims, according to the Court of Accounts Decision, representing payments not owed of RON 20.350.189	Bucharest Court	Preliminary proceedings.

Crt. no.	Parties/Case file number	Object	Court	Case status
		made by SDMN.		
19	Plaintiff: SDTN Defendant: Romenergy Industry S.A. 2088/107/2016	Bankruptcy - amount: RON 5,439,537.	Alba Court	Ongoing proceedings.
20	Plaintiff: Asirom Vienna Insurance Group S.A. Defendant: SDTN 439/111/2017	Recourse claims – for the amount of RON 2,842,347, representing the compensation paid by the plaintiff to the insured company SC Ciocorom SRL following a fire that occurred on 7 March 2013. SDTN fault is invoked for the over-voltage after a power outage.	Bihor Court	In course of settlement.
21	Plaintiff: Energo Proiect SRL Defendant: SDTN 374/1285/2018	Claims of RON 2,387,357.	Cluj Commercial Court	In first court, the case was dismissed. Appeal – in regularization proceedings.
22	Plaintiff: SDTS Defendant: Romenergy Industry S.A. 2088/107/2016	Bankruptcy - amount: RON 3,987,508.	Alba Court	Ongoing proceedings.
23	Plaintiff: SDTS Defendant: Romenergy Industry S.A. 3086/62/2016	Payment ordinance - amount: RON 2,806,318.	Brasov Court	Suspended case file until the settlement of the case file regarding the bankruptcy of Romenergy Industry S.A. (file no. 2088/107/2016).
24	Plaintiff: SDTS Defendant: ELSA 4469/62/2018	Claims according to the Courts of Account findings – RON 8,951,811	High Court of Cassation and Justice	First instance. The High Court of Cassation and Justice will solve the negative competence conflict between Brasov Court and Bucharest Court.
25	Plaintiff: EL SERV Defendant: Best Recuperare Creante SRL 2253/3/2011 (former 58348/3/2010)	Insolvency – amount to be recovered: RON 3,938,811.	Bucharest Court	Ongoing proceedings.
26	Plaintiff: EL SERV Defendant: National Leasing IFN S.A. 18711/3/2010	Insolvency – remaining amount to be recovered: RON 12,204,221.	Bucharest Court	Ongoing proceedings.
27	Plaintiff: EL SERV Defendant: Servicii Energetice Banat S.A. 8776/30/2013 (joint with cu 2982/30/2014)	Bankruptcy - amount RON 73,453,299.	Timis Court	Ongoing proceedings.
28	Plaintiff: EL SERV Defendant: SEO	Bankruptcy - amount RON 26,448,134.	Dolj Court	Ongoing proceedings.

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Crt. no.	Parties/Case file number	Object	Court	Case status
	2570/63/2014			
29	Plaintiff: EL SERV Defendant: SED 8785/118/2014	Bankruptcy - amount RON 12,297,491.	Constanta Court	Ongoing proceedings.
30	Plaintiff: EL SERV Defendant: SE Moldova 4435/110/2015	Bankruptcy – amount: RON 73,708,083.	Bacau Court	Ongoing proceedings.
31	Plaintiff: EL SERV Defendant: New Koppel Romania 20376/3/2016	Claims – EUR 655,164, equivalent of RON 2,948,240.	Bucharest Court	Ongoing proceedings.
32	Plaintiff: Integrator S.A. Defendant: EL SERV, SAP Romania 34479/3/2016**	Claims – RON 17,677,309	Bucharest Court of Appeal	The first court dismissed the request. The plaintiff filed appeal. The case was suspended on 12.06.2019 until the jurisdiction was established in case 30 266/2017 registered with the Karlsruhe Court and declined in favor of the Mannheim Tribunal.
33	Plaintiff: EL SERV Defendant: SED 8785/118/2014/a1	Bankruptcy – opposition to the preliminary table - debt RON 3,025,622.	Constanta Court	Settled on 08.10.2019 by the action being partially admitted.
34	Plaintiff: EL SERV Defendant: directors and administrators 2013-2014 35815/3/2019	Action in attracting the liability of directors and administrators - measure II.7 of Decision no. 13/27.12.2016 issued by the Court of Accounts of Romania – RON 7,165,549.	Bucharest Court	In regulating proceedings.
35	Plaintiff: EL SERV Defendant: directors and administrators 2010-2014 35828/3/2019	Action in attracting the liability of directors and administrators - measure II.8 of Decision no.13/27.12.2016 issued by the Court of Accounts of Romania for the amount of RON 19,611,812.	Bucharest Court	In course of settlement.
36	Creditor: EFSA Debtor: Apaterm S.A. Galati 4783/121/2011*	Bankruptcy – registering to the list of creditors for the amount of RON 2,547,551.	Galati Court	Ongoing proceedings.
37	Creditor: EFSA Debtor: Vegetal Trading	Insolvency proceedings - registering to the list of creditors for the amount of	Braila Court	Ongoing proceedings.

Crt. no.	Parties/Case file number	Object	Court	Case status
	SRL Braila 1653/113/2014	RON 1,851,392.		
38	Creditor: EFSA Debtor: Ariesmin S.A. Branch 7375/107/2008	Bankruptcy - registering to the list of creditors for the amount of RON 20,711,588.	Alba Court	Ongoing proceedings.
39	Creditor: EFSA Debtor: Zlatmin S.A. Branch 6/107/2003	Bankruptcy - registering to the list of creditors for the amount of RON 9,314,176.	Alba Court	Ongoing proceedings.
40	Creditor: EFSA Debtor: Hidromecanica S.A. 3836/62/2009	Bankruptcy - registering to the list of creditors for the amount of RON 4,792,026.	Brasov Court	Ongoing proceedings.
41	Creditor: EFSA Debtor: Nitrarmonia S.A. 1183/62/2004	Bankruptcy - registering to the list of creditors for the amount of RON 2,321,847	Brasov Court	Ongoing proceedings.
42	Creditor: EFSA Debtor: Remin S.A. 32/100/2009	Insolvency proceedings - registering to the list of creditors for the amount of RON 71,443,402.	Timisoara Court	Ongoing proceedings.
43	Creditor: EFSA Debtor: Oltchim S.A. 887/90/2013	Insolvency proceedings - registering to the list of creditors for the amount of RON 56,533,826.	Valcea Court	Ongoing proceedings.
44	Creditor: EFSA Debtor: Energon Power and Gas S.R.L. 53/1285/2017	Insolvency proceedings - registering to the list of creditors for the amount of RON 2,421,236.	Cluj Specialized Court	Ongoing proceedings.
45	Creditor: EFSA Debtor : CUG S.A. 2145/1285/2005	Bankruptcy - registering to the list of creditors for the amount of RON 7,880,857.	Cluj Specialized Court	Ongoing proceedings.
46	Plaintiff: EFSA Defendant: ELSA 6665/3/2019	Claims: request of payment of invoices paid without justificative documents, as it has been stated by the Court of Account – RON 7,025,632.	Bucharest Court	Suspended until the settlement of case no. 2213/2/2017 (Court of Accounts – High Court of Cassation and Justice – appeal)
47	Plaintiff: EFSA Defendant: natural persons 35647/3/2019	Claims according to art. 155 of Companies Law no. 31/1990 for the amount of RON 7,128,509.	Bucharest Court	In course of settlement.
48	Plaintiff: EFSA Defendant: natural	Claims regarding the call in guarantee	Bucharest	Ongoing proceedings.

Crt. no.	Parties/Case file number	Object	Court	Case status
	persons Called in gurantee: ELSA 35647/3/2019	action of ELSA, filed Mr. Mircea Patrascoiu, Mrs. Anca Dobrica and Mrs. Victoria Lupu – RON 6,232,398	Court	
49	Plaintiff: ELSA Defendant: Zurich Broker de Asigurare Reasigurare SRL 3310/3/2020	Claims - RON 4,000,000 – regarding the insurance policy issued to guarantee the payment obligations of Trasenergo Com	Bucharest Court	In regularization proceedings.
50	Plaintiff: Transenergo Defendant: Zurich Broker de Asigurare Reasigurare SRL Intervenient: ELSA 3474/299/2020	Claims of Transenergo Com against Zurich Broker, in which ELSA is intervening, formulating its own claims	Bucharest, District 1 Court	Ongoing proceedings.

Source: Electrica

4. Litigations against the Romanian Court of Accounts

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: ELSA Defendant: Romanian Court of Accounts 2268/2/2014*	Suspension and cancelling of the administrative act: Decision no.3/14 January 2014 and the Resolution no. 23/17 March 2014.	High Court of Cassation and Justice	First court: the claim is partly admitted, partially cancels the Resolution no. 23 on 17 March 2014 regarding the items 1 and 5 and the Decision no. 3/14 January 2014 regarding the items 4 and 8. Dismisses, as ungrounded the claim regarding items 2, 3 and 4 in the Resolution no. 23/17 March 2014 and items 5, 6 and 7 in the Decision no 3/14 January 2014. Rejects the request to suspend the execution of Decision no. 3/14 January 2014, as unfounded. ELSA and CCR filed an appeal. The court partly admits ELSA's request and sent the case for rejudgement to the first instance, regarding the annulment of point 5 of the Decision no. 23/17 March 2014, related to point 8 of the Decision no. 3/14 January 2014. Rejudgement phase: On first instance, the court rejected the plaintiff's request for annulment of point 5 of the Resolution no. 23/17.03.2014, with correspondent in point 8 of the Decision no. 3/14.01.2014 issued by the defendant. ELSA has

Crt. no.	Parties/Case file number	Object	Court	Case status
				appealed the case. In the filter procedure at the ICCJ.
2	Plaintiff: ELSA Defendant: Romanian Court of Accounts 2229/2/2017	Partial annulment of Decision no. 12/27 December 2016, issued by the director of the 2 nd Direction from the IV th Department of the Court of Accounts, regarding the faults from point 1 to 8, with the consequence of dismissing the actions from point 1, 3 to 9 inclusive, imposed to ELSA by the disputed Decision; the partial annulment of the conclusion no. 12/27 February 2017 of the Court of Accounts, rejecting the objection raised by ELSA against Decision no. 12, regarding the faults and orders mentioned above. In subsidiary, the extension of the deadlines for carrying out all the measures ordered by ELSA through Decision no. 12/27 December 2016 with at least 12 months; the suspension of the enforceability of Decision no. 12 until final settlement of the present dispute.	Bucharest Court of Appeal	In course of settlement.
3	Plaintiff: ELSA Defendant: Romanian Court of Accounts 7780/2/2018	Action in administrative litigation for annulment of Decision no. 38/9 October 2018, the annulment of the conclusion by which the appeal imposed by Decision no. 12/1 of 27 December 2016 was dismissed, the revocation of the Decision no. 12/1 and the cessation of any CCR control act.	High Court of Cassation and Justice	The court of first instance dismissed the action as inadmissible. With right of appeal within 15 days of communication. On 19.06.2020 ELSA filed an appeal. The case is in the filter procedure at the ICCJ.
4	Plaintiff: Romanian Court of Accounts Defendant: ELSA 36484/3/2019	Complaint for the settlement/non-referral solution - complaint against the Public Prosecutor's Order dated 06.09.2019, pronounced in the criminal file no. 208/P/2017, by which the classification of the case was ordered according to the aspect of committing the offense of abuse in service, in relation to the facts presented in the notification of the CCR no. IV/40.269/26.04.2017, recorded in the Control Report no. 9900/20307/29.11.2016 (CCR decision no. 12/27.12.2016)	Bucharest Court	The complaint filed by the Romanian Court of Accounts was rejected as unfounded. Final decision.
5	Plaintiff: EFSA Defendant: Romanian Court of Accounts	Disputes with the Romanian Court of Accounts (Law no. 94/1992), action for the annulment of the Decision no.	High Court of Cassation and Justice	The first instance rejected the request filed by EFSA as unfounded. EFSA filed an appeal,

Crt. no.	Parties/Case file number	Object	Court	Case status
	2213/2/2017	11/2016, of the Decision no. 23/2017 and of the Control Report no. 5799/2016.		in course of settlement.
6	Plaintiff: EL SERV Defendant: Romanian Court of Accounts 2098/2/2017	Disputes with the Romanian Court of Accounts for the annulment of the administrative act – Decision no. 11/27 February 2017, for the amount of RON 2,351,034.	Bucharest Court of Appeal	Ongoing procedure.
7	Plaintiff: SDMN Defendant: Romanian Court of Accounts Intervenient: EL Serv 1677/105/2017	Suspension and annulment of the Control Report of the Prahova Chamber of Accounts no. 6618/11 November 2016 and of the Decision no. 45/2016.	Prahova Court	In course of settlement.

Source: Electrica

5. Other litigations with significant impact

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: Niculescu Vladimir Defendant: SDMN, City Hall Valenii de Munte 1580/105/2008	Claim under Law no. 10/2001 – for a land of 1,558 sqm and built area of 202 sqm, located in Valenii de Munte, N. Iorga str. No.129 and being used by the Exploitation Center Valeni.	Ploiesti Court of Appeal	In first instance, the plaintiff's action was partly admitted, it is acknowledged the right to reparative measures by equivalent for the land of 1,402 sqm located in Valenii de Munte, Blvd. Nicolae Iorga no. 129 (currently no. 131), Prahova County. The Plaintiff and Valenii de Munte Town Hall filed an appeal - suspended for failure by the appellant-applicant to fulfill the obligations established by the court.
2	Plaintiff: SDTN Defendant: Local Council of Oradea City, RCS&RDS 3340/111/2015	Cancellation of Oradea LCD no. 108/17 February 2014 regarding the organization of the public auction for the concession of the 100,000 sqm land area, in order to realize an underground sewerage for the placement of electronic and electrical communications networks.	Bihor Court	At the request of RCS-RDS, the case was suspended until the case file 2414/2/2016 was settled with Delalina SRL, a file that is in the role of the Bucharest Court of Appeal. RCS-RDS filed a request for re-examination of the stamp duty, so the case file 3340/111/2015/a1 was formed, in which the exception of unconstitutionality of the provisions 39 paragraph 1 and para. 3 of GEO 80/2013 was invoked. The exception was admitted in principle, and the case was suspended until it was resolved by the Constitutional Court. At the term from January 31, 2018, the court rejects as inadmissible the request made by SC RCS & RDS SA for re-examining the stamp duty established in case no. 3340/111/2015.

Crt. no.	Parties/Case file number	Object	Court	Case status
3	Plaintiff: Delalina S.R.L. Defendant: SDTN 910/111/2016	The obligation to issue technical permit for connection in the favour of SC Delalina SRL.	Bihor Court	The case file was suspended until the settlement of the case file no. 2414/2/2016 with Delalina SRL, case file on the lawsuit of the Bucharest Court of Appeal.
4	Plaintiff: Carei City and others Defendant: SDTN 15600/211/2016	Claims - it is requested to grant compensation in the form of material and moral damages, caused, by interrupting the supply of electricity to the consumers, in the Carei municipality, during 31.12.2014-02.01.2015.	Cluj Napoca Court	Re-examination – regularization proceedings.
5	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: SDTN, ANRE, Romanian Government, Ministry of Economy, Commerce and Relationships with the Business Environment, Ministry of Energy, Banat Enel Distribution, Muntenia Enel Distribution, Dobrogea Enel Distribution 2414/2/2016	Cancellation of administrative acts (Order 73/2014, Concession agreements).	High Court of Cassation and Justice	First court has rejected the exceptions and the action filed by the plaintiffs, which have initiated an appeal; in course of settlement.
6	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: ANRE Intervener: SDTN 4013/2/2016	The cancellation of the ANRE decision on refusal to give licenses for electricity distribution.	Court of Appeal Bucharest	The file was suspended until the settlement of case file no. 2414/2/2016.
7	Plaintiff: ELSA Defendant: E – Distributie Banat S.A. 30399/325/2018	Obligation to do - Mainly obliging the defendant to hand over the documentation for the land in Bocsa. In subsidiary, the obligation to draw up the CADP documentation and payment of damages.	Timis Court	Case rejected by first court. ELSA filed an appeal. In course of settlement.
8	Plaintiff: ELSA Defendant: Baile Herculane City 4572/208/2018	Claim for land Lot 1-NC 32024 (area of 259 sqm) and lot 2 NC 31944 (with a surface of 1,394 sqm), both located in Baile Herculane, Uzinei str. 1 and FC rectification.	Caras Severin Court	The first court admits the exception of the lack of active procedural quality of ELSA and dismisses the action. ELSA filed an appeal.
9	Plaintiff: E-Distributie Banat Defendant: ELSA 12857/3/2019	(i) ELSA's compliance with the obligation of not to do regarding the share capital and the AoA of the EDB and the termination of abusive actions consisting of the requests addressed to the ONRC to change the structure of the	Bucharest Court	Suspended until the settlement of the file 1994/30/2019.

Crt. no.	Parties/Case file number	Object	Court	Case status
		share capital and the articles of association of the EDB by increasing the share capital with the value of the land in the Certificates of attestation of the property right held by ELSA on the land used by EDB in order to carry out the activity; (ii) Stating the fact that Electrica does not hold the quality of public authority involved in the privatization process and, consequently, finding the absence of the right of ELSA to request ONRC to modify the constitutive act of the EDB by increasing the share capital with the value of the land owned by ELSA based on CADP on the used land from EDB; (iii) As against to the abusive actions taken in the EDB's opinion, ELSA's obligation to pay the damages whose existence and amount will be proved by the deadline provided by law.		
10	Plaintiff: ELSA Defendant: E-Distributie Banat Intervenient: SAPE 988/30/2019	Action for de annulment of Shareholders Decision 5/06.12.2018 (share capital increase for SAPE).	Timis Court	Connected to case no. 949/30/2019 (parties: SAPE and EDB).
11	Plaintiff: E-Distributie Banat Defendant: ELSA 1994/30/2019	Complaint against the resolution of the ORC director.	Timisoara Court of Appeal	The action was dismissed by first court, appealed by EDB; ELSA filed an incident appeal, in course of settlement.
12	Plaintiff : Dana Dragan Defendant: ELSA 38532/3/2019	1. obligation of Electrica to pay to the plaintiff the non-competition fee provided by art. 5.2.3 of the Mandate Agreement no. 15 / 25.09.2017, in a total gross value of EUR 102,576, as well as updating these amounts with the inflation rate; 2. re-qualification of the activity carried out in Electrica, between 05.10.2016-30.08.2017, as being specific to a commercial mandate agreement and the obligation of Electrica to pay the difference between the remuneration provided by the mandate	Bucharest Court	The request was rejected as not being within the competence of the courts. With the right to appeal within 30 days from the communication.

Crt. no.	Parties/Case file number	Object	Court	Case status
		<p>agreement and the salaries paid under the employment agreement during the period 05.10.2016-30.08.2017, in estimated total gross value of RON 189,501, as well as updating these amounts with the inflation rate;</p> <p>3. obligation of Electrica to recalculate and pay the gross annual variable remuneration due for 2017, according to the Mandate Agreement, by reference to the recognition of the activity carried out during the period 05.10.2016-30.08.2017 as being specific to a commercial mandate agreement, as well as to the recalculated value of the remuneration due for this period, in a total gross value of EUR 6,865.71, including updating these amounts with the inflation rate.</p> <p>4. Obligation to pay the court costs.</p>		
13	<p>Plaintiff: ELSA Defendant: UAT Targu Neamt 122/321/2020</p>	<p>1. obliging the defendant to leave us in full ownership and possession the land with an area of 3,389 sqm, located in Targu Neamt, 2. rectification of the entries from the land book no. 55409 of the City of Targu Neamt, in the sense of suppressing the inappropriate registrations made in it, in order to agree the tabular status with the real legal situation of the building, respectively the cancellation of the property right of the tabular owner Targu Neamt and the registration of the property right of the Energy Company Electrica SA 3. Order the defendant to pay the court costs.</p>	Targu Neamt Court	In course of settlement.
14	<p>Plaintiff: ELSA Defendant: UAT Bicaz 91/188/2020</p>	<p>1.obliging the defendant to leave us in full ownership and possession the land in the area of 10,524 sqm (from documents 22,265 sqm), located in Bicaz,, Jud. Neamt. 2. rectification of the entries from</p>	Bicaz Court	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
		the land book no. 52954 of Bicaz City, in the sense of suppressing the inappropriate entries made in it, in order to agree on the tabular status with the real legal situation of the building, respectively the cancellation of the property right of the tabular owner Bicaz City registration of the property right of Societatea Energetice Electrica S.A. 3. Order the defendant to pay the court costs.		
15	Plaintiff: ELSA Defendant: Videle City, through Mayor 948/335/2020	1.obliging the defendants to leave us in full ownership and possession the land surfaces that overlap with the land located in Aleea FRE street no. 1, Videle, Teleorman county, for which we hold CADP. 2. the delimitation of the above-mentioned properties, by establishing the boundary line according to the property deeds of the parties; 3. rectification of the entries in the land book and registration of the property right of the plaintiff ELSA on this area of land	Videle Court	In regularization proceedings.

Source: Electrica



SOCIETATEA ENERGETICA ELECTRICA S.A.

Condensed Consolidated Interim Financial Statements

as at and for the six month period ended

30 June 2020

prepared in accordance with

International Accounting Standard 34 – “Interim Financial Reporting”, as
adopted by the European Union

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
PREPARED IN ACCORDANCE WITH IAS 34 "INTERIM FINANCIAL REPORTING" AS ADOPTED BY THE EUROPEAN UNION

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SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	30 June 2020 (reviewed)	31 December 2019 (audited)
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		5,350,048	5,188,155
Other intangible assets		7,716	13,410
Property, plant and equipment		431,806	544,098
Restricted cash	13	320,000	320,000
Deferred tax assets		19,989	19,887
Other non-current assets		1,275	1,845
Right of use asset		18,385	35,034
Total non-current assets		6,149,219	6,122,429
Current assets			
Trade receivables	12	878,216	889,979
Other receivables		35,179	28,503
Cash and cash equivalents		437,265	607,506
Deposits with maturity date more than three months	14	-	66,471
Inventories		67,779	74,370
Prepayments		8,934	2,699
Current income tax receivable		5,035	8,288
Assets held for sale		15,535	17,027
Total current assets		1,447,943	1,694,843
Total assets		7,597,162	7,817,272
EQUITY AND LIABILITIES			
Equity			
Share capital		3,464,436	3,464,436
Share premium		103,049	103,049
Treasury shares reserve		(75,372)	(75,372)
Pre-paid capital contributions in kind from shareholders		7	7
Revaluation reserve		79,689	87,665
Legal reserves		371,833	371,833
Retained earnings		1,588,570	1,637,909
Total equity attributable to the owners of the Company		5,532,212	5,589,527
Total equity		5,532,212	5,589,527

(Continued on page 2)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	30 June 2020 (reviewed)	31 December 2019 (audited)
Liabilities			
Non-current liabilities			
Lease liability – long term		6,152	9,607
Deferred tax liabilities		169,880	168,138
Employee benefits		133,786	126,424
Other payables	15	34,637	36,775
Long-term bank borrowings	16	582,010	432,786
Total non-current liabilities		926,465	773,730
Current liabilities			
Financing for network construction related to concession agreements		-	1,008
Lease liability – short term		13,337	26,900
Bank overdrafts		179,017	350,624
Trade payables		549,449	730,455
Other payables	15	230,168	218,285
Deferred revenue		6,532	6,918
Employee benefits		85,750	87,857
Provisions	17	17,884	19,558
Current income tax liability		16,402	4,898
Current portion of long-term bank borrowings	16	39,946	7,512
Total current liabilities		1,138,485	1,454,015
Total liabilities		2,064,950	2,227,745
Total equity and liabilities		7,597,162	7,817,272

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

13 August 2020

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Six month period ended	
		30 June 2020 (reviewed)	30 June 2019 (reviewed)
Revenue	6	3,199,985	3,101,205
Other income	7	72,561	78,791
Electricity and natural gas purchased	8	(1,812,133)	(1,943,716)
Construction costs related to concession agreements		(360,098)	(351,065)
Employee benefits		(376,015)	(311,141)
Repairs, maintenance and materials		(47,839)	(47,279)
Depreciation and amortization		(247,201)	(240,889)
Other operating expenses		(191,993)	(162,141)
Operating profit		237,267	123,765
Finance income		6,111	7,162
Finance costs		(13,623)	(6,211)
Net finance (cost)/income		(7,512)	951
Profit before tax		229,755	124,716
Income tax expense	11	(40,229)	(15,930)
Profit for the period		189,526	108,786
Profit for the period attributable to:			
- owners of the Company		189,526	108,786
Profit for the period		189,526	108,786
Earnings per share			
Basic and diluted earnings per share (RON)	9	0.56	0.32

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer
 Georgeta Corina Popescu

Chief Financial Officer
 Mihai Darie

13 August 2020

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Three month period ended	
	30 June 2020 (unaudited and not reviewed)	30 June 2019 (unaudited and not reviewed)
Revenue	1,542,281	1,517,490
Other income	35,458	36,222
Electricity and natural gas purchased	(774,897)	(808,502)
Construction costs related to concession agreements	(231,796)	(212,807)
Employee benefits	(199,067)	(161,794)
Repairs, maintenance and materials	(25,467)	(25,742)
Depreciation and amortization	(123,329)	(119,321)
Other operating expenses	(85,911)	(54,713)
Operating profit	137,272	170,833
Finance income	2,408	3,304
Finance costs	(7,689)	(2,643)
Net finance (cost)/income	(5,281)	661
Profit before tax	131,991	171,494
Income tax expense	(22,551)	(21,853)
Profit for the period	109,440	149,641
Profit for the period attributable to:		
- owners of the Company	109,440	149,641
Profit for the period	109,440	149,641
Earnings per share		
Basic and diluted earnings per share (RON)	0.32	0.44

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

13 August 2020

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Profit for the period	189,526	108,786
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of the defined benefit liability	(751)	-
Tax related to re-measurements of the defined benefit liability	18	-
Other comprehensive income, net of tax	(733)	-
Total comprehensive income	188,793	108,786
Total comprehensive income attributable to:		
- owners of the Company	188,793	108,786
Total comprehensive income	188,793	108,786

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer
 Georgeta Corina Popescu

Chief Financial Officer
 Mihai Darie

13 August 2020

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Three month period ended	
	30 June 2020 (unaudited and not reviewed)	30 June 2019 (unaudited and not reviewed)
Profit for the period	109,440	149,641
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of the defined benefit liability	(751)	-
Tax related to re-measurements of the defined benefit liability	18	-
Other comprehensive income, net of tax	(733)	-
Total comprehensive income	108,707	149,641
Total comprehensive income attributable to:		
- owners of the Company	108,707	149,641
Total comprehensive income	108,707	149,641

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer
 Georgeta Corina Popescu

Chief Financial Officer
 Mihai Darie

13 August 2020

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
 (All amounts are in THOUSAND RON, if not otherwise stated)

Note	Attributable to the owners of the Company							
	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity
Balance at 1 January 2020 (audited)	3,464,436	103,049	(75,372)	7	87,665	371,833	1,637,909	5,589,527
Comprehensive income								
Profit for the period (reviewed)	-	-	-	-	-	-	189,526	189,526
Other comprehensive income	-	-	-	-	-	-	(733)	(733)
Total comprehensive income (reviewed)	-	-	-	-	-	-	188,793	188,793
Transactions with owners of the Company (reviewed)								
Contributions and distributions								
Dividends to the owners of the Company	10	-	-	-	-	-	(246,108)	(246,108)
Total transactions with the owners of the Company (reviewed)	-	-	-	-	-	-	(246,108)	(246,108)
Other changes in equity (reviewed)								
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(7,976)	-	7,976	-
Balance at 30 June 2020 (reviewed)	3,464,436	103,049	(75,372)	7	79,689	371,833	1,588,570	5,532,212

(Continued on page 8)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
 (All amounts are in THOUSAND RON, if not otherwise stated)

Note	Attributable to the owners of the Company							
	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity
Balance at 1 January 2019 (audited)	3,459,399	103,049	(75,372)	5,144	108,704	352,038	1,675,479	5,628,441
Comprehensive income								
Profit for the period (reviewed)	-	-	-	-	-	-	108,786	108,786
Total comprehensive income (reviewed)	-	-	-	-	-	-	108,786	108,786
Transactions with owners of the Company (reviewed)								
Contributions and distributions								
Dividends to the owners of the Company	-	-	-	-	-	-	(247,506)	(247,506)
Total transactions with the owners of the Company (reviewed)	-	-	-	-	-	-	(247,506)	(247,506)
Other changes in equity (reviewed)								
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(9,686)	-	9,686	-
Balance at 30 June 2019 (reviewed)	3,459,399	103,049	(75,372)	5,144	99,018	352,038	1,546,445	5,489,721

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Chief Executive Officer
 Georgeta Corina Popescu

Chief Financial Officer
 Mihai Darie

13 August 2020

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Six month period ended	
		30 June 2020 (reviewed)	30 June 2019 (reviewed)
Cash flows from operating activities			
Profit for the period		189,526	108,786
Adjustments for:			
Depreciation		17,882	19,107
Amortisation		229,319	221,782
Impairment/ (Reversal of impairment) of property, plant and equipment and intangible assets, net		1,043	(5,922)
Loss on disposal of property, plant and equipment and intangible assets		164	4,241
Impairment/ (Reversal of impairment) of trade and other receivables, net	12	27,791	(4,203)
Impairment on assets held for sale		83	196
Change in provisions, net	17	(1,674)	(13,780)
Net finance cost/(income)		7,512	(951)
Expense with corporate income tax	11	40,229	15,930
		511,875	345,186
Changes in:			
Trade receivables	12	(20,133)	(90,796)
Other receivables		(2,955)	21,608
Prepayments		(6,235)	(4,570)
Inventories		6,591	(4,919)
Trade payables		(115,643)	39,936
Other payables		4,218	2,017
Employee benefits		4,522	(18,973)
Deferred revenue		(386)	(53)
Cash generated from operating activities		381,854	289,436
Interest paid		(9,512)	(4,931)
Income tax paid		(24,176)	(2,987)
Net cash from operating activities		348,166	281,518

(Continued on page 10)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Six month period ended	
		30 June 2020 (reviewed)	30 June 2019 (reviewed)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(3,576)	(5,667)
Payments for network construction related to concession agreements		(335,205)	(478,005)
Payments for purchase of other intangible assets		(342)	(4,513)
Proceeds from sale of property, plant and equipment		2,072	4,781
Payments for deposits with maturity of 3 months or longer	14	-	(211,286)
Proceeds from deposits with maturity of 3 months or longer	14	66,471	224,000
Interest received		5,891	6,666
Net cash used in investing activities		(264,689)	(464,024)
Cash flows from financing activities			
Proceeds from long term bank borrowings	16	180,725	-
Payment of lease liabilities		(17,895)	(19,272)
Dividends paid		(244,941)	(246,340)
Repayment of financing for network construction related to concession agreements		-	(7,302)
Net cash used in financing activities		(82,111)	(272,914)
Net increase/(decrease) in cash and cash equivalents		1,366	(455,420)
Cash and cash equivalents at 1 January		256,882	546,758
Cash and cash equivalents at 30 June	13	258,248	91,338

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

The non-cash transactions are disclosed in Note 13.

Chief Executive Officer

Georgeta Corina Popescu

Chief Financial Officer

Mihai Darie

13 August 2020

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
(All amounts are in THOUSAND RON, if not otherwise stated)

1 Reporting entity and general information

These financial statements are the condensed consolidated interim financial statements of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the six month period ended 30 June 2020.

The registered office of the Company is no. 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register registration number J40/7425/2000.

As at 30 June 2020 and 31 December 2019, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Economy, Energy and Business Environment (registered as shareholder by the Central Depository on 11 February 2020) with a share of ownership of 48.79% from the share capital.

The Company's shares are listed on the Bucharest Stock Exchange and the global depository receipts ("GDRs") are listed on the London Stock Exchange.

As at 30 June 2020 and 31 December 2019, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 30 June 2020	% shareholding as at 31 December 2019
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. ("SDEE Muntenia Nord S.A.")	Electricity distribution in geographical area of Muntenia Nord	14506181	Ploiesti	99.9999679033583%	99.9999719027621%
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. ("SDEE Transilvania Nord S.A.")	Electricity distribution in geographical area of Transilvania Nord	14476722	Cluj-Napoca	99.9999733405763%	99.9999731116341%
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. ("SDEE Transilvania Sud S.A.")	Electricity distribution in geographical area of Transilvania Sud	14493260	Brasov	99.9999769092%	99.999977637%
Electrica Furnizare S.A.	Electricity and Natural Gas Supply	28909028	Bucuresti	99.9998390431663%	99.9998390431663%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%	100%
Servicii Energetice Muntenia S.A.	Services in the energy sector (maintenance, repairs, construction)	29384120	Bucuresti	100%	100%

The main activities of the Group include operation and construction of electricity distribution networks and electricity and natural gas supply to final consumers. The Group is the electricity distribution operator and the main electricity supplier in Muntenia Nord area (Prahova, Buzau, Dambovită, Braila, Galati and Vrancea counties), Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties) and Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with transformation station and 0.4 kV to 110 kV power lines.

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
(All amounts are in THOUSAND RON, if not otherwise stated)

Electricity distribution is a monopoly activity and the distribution tariffs are established through a “tariff basket-price cap” mechanism and are based on, inter alia, the return on the regulated asset base. The regulated asset base calculation is based on capital expenditure and the regulated rate of return is set by the regulator.

The distribution tariffs approved by the National Authority for Energy Regulation (“ANRE”) are as follows (RON/MWh, presented cumulatively for medium and low voltage levels):

Order 198,199,197/20.12.2018			
1 January-28 February 2019			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.16	60.00	158.67
SDEE Transilvania Sud S.A.	20.27	60.10	160.31
SDEE Muntenia Nord S.A.	15.21	48.29	162.46
Order 25,26,24/25.02.2019			
1 March-30 June 2019			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.58	61.40	162.38
SDEE Transilvania Sud S.A.	20.75	61.52	164.08
SDEE Muntenia Nord S.A.	15.56	49.40	166.20
Order 228,229,227/16.12.2019			
1 January-15 January 2020			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.11	65.48	171.98
SDEE Transilvania Sud S.A.	20.69	62.49	169.01
SDEE Muntenia Nord S.A.	16.97	54.09	180.15
Order 8,9,7/15.01.2020			
Starting with 16 January 2020			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.77	64.31	168.91
SDEE Transilvania Sud S.A.	20.31	61.34	165.90
SDEE Muntenia Nord S.A.	16.68	53.16	177.06

ANRE Order no. 75/2020 for establishing the regulated rate of return for the electricity and natural gas distribution and transport tariffs until the end of the fourth regulatory period entered into force on 13 May 2020.

Thus, for the year 2020, the regulated rate of return is as follow:

- For the period 1 January 2020 – 29 April 2020: 6.9%;
- For the period 30 April 2020 – 12 May 2020: 5.66% plus an incentive of 1 percentage point for new investments;
- For the period 13 May 2020-31 December 2020: 6.39% plus an incentive of 1 percentage point for new investments.

Merger of the two energy services companies within the Group

On 27 March 2020, Electrica SA’s Board of Directors approved in principle the merger through absorption between Electrica Serv S.A. and Servicii Energetice Muntenia S.A. and the participation of the companies to the merger, with Electrica Serv S.A. as absorbing company.

Subsequently, on 3 July 2020, Electrica SA’s Board of Directors approved the merger through absorption between Electrica Serv S.A. and Servicii Energetice Muntenia S.A. according to the merger project no. 934 dated 12 June 2020

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
(All amounts are in THOUSAND RON, if not otherwise stated)

that was registered with the Trade Register Office of Bucharest Court and submitted for publication in the Official Gazette of Romania Part IV. Therefore, the effective merger date has been established to be 30 November 2020.

The merger will take place after the approval of the absorbed company's dissolution by the Extraordinary General Meeting of the Shareholders of Electrica which is convened on 21 August 2020.

Merger of the three distribution companies within the Group

On 27 May 2020, Electrica SA's Board of Directors approved in principle the merger through absorption between Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., the absorbing entity being Societatea de Distributie a Energiei Electrice Transilvania Nord S.A..

Subsequently, on 3 July 2020 Electrica SA's Board of Directors approved the merger through absorption between the aforementioned distribution entities, the absorbing entity being Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. according to the merger project no. 1404 dated 26 June 2020 that was registered with the Trade Register Office of Cluj Court, the Trade Register Office of Prahova Court and the Trade Register Office of Brasov Court and submitted for publication in the Official Gazette of Romania Part IV. Therefore, the effective merger date has been established to be 31 December 2020.

The merger will take place after the approval of the absorbed companies' dissolution by the Extraordinary General Meeting of the Shareholders of Electrica which is convened on 21 August 2020.

Share purchase agreement in relation to the acquisition of a photovoltaic park

On 23 June 2020, Electrica Furnizare S.A. signed a share purchase agreement for the acquisition of 100% of a company that owns a photovoltaic park located in Stanesti, Giurgiu County, with an installed capacity of 7.5 MW (operational power limited at 6.8 MW). The photovoltaic park was built between October 2012 and January 2013 and has been delivering electricity into the national grid since February 2013.

Closing of the transaction and the transfer of shares' ownership to Electrica Furnizare S.A. are subject to fulfilment of the conditions precedent agreed by the parties as well as to the relevant formalities. The purchase price will be determined at the closing of the transaction, pursuant to the terms of the share purchase agreement.

COVID-19 impact

On 11 March 2020 the World Health Organization (hereinafter "WHO") declared the COVID – 19 outbreak a pandemic and on 16 March 2020 Romania entered into a state of emergency. Measures taken by the Romanian Government included restrictions on the cross-border movement of people, entry restrictions on foreign visitors and lock-down of certain industries. Furthermore, significant key players on the market decided to shut down their operations, especially in the automotive and heavy industries, while some smaller businesses decided to curtail or temporarily suspend their operations. Therefore, on a macroeconomic level, the COVID – 19 pandemic generated a downturn of the economy leading to a decrease in the demand for electricity, especially from non-household consumers.

In the fight against the COVID -19 pandemic, the Group has adopted all the necessary measures for the activity of the companies within the Group to continue to be carried out under normal conditions and issued guidelines aimed at preventing and/or mitigating the effects of contagion at the workplace. Most important measures included strict adherence to hygiene and social distancing rules as well as working from home where possible. In addition, technicians who perform field work received special equipment in order to minimize the risk of infection. A resilience plan was developed for each company within the Group, identifying essential activities and critical roles through scenario analysis and ensuring staff backup. All the aforementioned resilience plans were integrated at Group level in order to ensure that actions taken were appropriate for each company individually as well as for the Group overall. As a result all key

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functions of the Group were maintained, enabling the Group to provide secure energy distribution and supply services while maintaining the safety of employees and customers.

The aforementioned difficult conditions led to an increase in the operating expenses, mainly for the purchase of protective equipment as well as cleaning services. For the first six months of 2020 these costs amount to RON 6,509 thousand. However, despite the unstable economic environment, through a close monitoring of financial performance on multiple tiers, the Group financial performance maintained a positive trend as compared with the first half of 2019 with improvements in profit, revenues and operating cash flows. Furthermore, the liquidity of the Group remained at a good level, with no significant difficulties in receivables collection and consequently payment of debts being noted. Therefore, based on the publicly available information and considering actions already implemented, the Group does not anticipate a significant adverse impact of the COVID – 19 outbreak on its operations and no significant threat over the Group's ability to continue as a going concern over a period covering at least 12 months from the date of this interim financial statements has been identified. However, considering the recent developments of the market, the long term effects of the COVID -19 outbreak cannot be reliably estimated currently as the Group cannot preclude the possibility of further lock downs or an escalation in the severity of current measures.

Where it was possible to determine the financial impact based on professional judgment made by management, this has been recognized in the condensed consolidated statement of profit or loss for the six month period ended 30 June 2020 (see Note 12 for bad debt allowances). The Group continues to closely monitor the macroeconomic outlook and as additional information will be available, their effects on the activity of Group companies and over the financial results will be analyzed.

Moreover, the Group will build on its policy to promptly and transparently communicate any information that is reasonably expected to affect investor's perception and as further effects of the COVID-19 pandemic over the financial results of the Group can be established such information will be included in the future financial statements and will be made available to investors.

2 Basis of accounting

These condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("IFRS-EU") and these should be read together with the annual consolidated financial statements as at and for the year ended 31 December 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

These condensed consolidated interim financial statements have been prepared for submission to the Bucharest Stock Exchange. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 13 August 2020.

The Company also issues an original version of these condensed consolidated interim financial statements prepared in Romanian language.

Judgements and estimates

In preparing these interim financial statements, management has made professional judgements, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant professional judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements

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as at and for the year ended 31 December 2019.

3 Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for land and buildings which are measured based on the revaluation model.

4 Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2019.

The new amendments to existing standards that are effective starting with 1 January 2020 do not have a significant impact over the Group's condensed consolidated interim financial statements.

5 Operating segments

(a) Basis for segmentation

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Electricity and natural gas supply	Buying and supplying electricity and natural gas to final consumers
Electricity distribution	Electricity distribution service (includes Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Electrica Serv S.A. and the activity performed by Societatea Energetica Electrica S.A. within the distribution network)
External electricity network maintenance	Repairs, maintenance and other services for electricity networks owned by other distributors (includes Servicii Energetice Muntenia S.A.)
Headquarter	Includes corporate activities at parent company level

The Board of Directors of the Company reviews management reports of each segment. Segment earnings before interest, tax, depreciation and amortisation ("EBITDA") is used to measure performance because management believes that such information is one of the most relevant in evaluating the results of the segments.

There are varying levels of integration between the Electricity supply, Electricity distribution and External electricity network maintenance segments. This integration includes electricity distribution and shared electricity network maintenance services. Inter-segment pricing policy is determined on an arm's length basis.

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(b) Information about reportable segments

Six month period ended 30 June 2020 (reviewed)	Electricity and natural gas supply	Electricity distribution	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
External revenues	2,435,404	747,900	16,681	-	3,199,985	-	3,199,985
Inter-segment revenue	20,177	626,193	92	-	646,462	(646,462)	-
Segment revenue	2,455,581	1,374,093	16,773	-	3,846,447	(646,462)	3,199,985
Segment profit/(loss) before tax	219,396	23,300	(1,919)	203,948	444,725	(214,970)	229,755
Net finance income/(cost)	2,264	(32,694)	(125)	238,013	207,458	(214,970)	(7,512)
Amortization and depreciation	(6,345)	(230,616)	(548)	(9,692)	(247,201)	-	(247,201)
Impairment of property, plant and equipment and intangible assets, net	-	860	-	(1,903)	(1,043)	-	(1,043)
Impairment of assets held for sale	-	(83)	-	-	(83)	-	(83)
EBITDA*	223,477	285,833	(1,246)	(22,470)	485,594	-	485,594
(Impairment)/Reversal of impairment of trade and other receivables, net	(25,254)	(2,549)	12	-	(27,791)	-	(27,791)
Segment net profit	185,707	14,730	115	203,944	404,496	(214,970)	189,526
Employee benefits	(60,173)	(292,886)	(8,281)	(14,675)	(376,015)	-	(376,015)
Capital expenditure	1,194	274,743	149	970	277,056	-	277,056
Six month period ended 30 June 2019 (reviewed)							
External revenues	2,366,765	720,265	14,175	-	3,101,205	-	3,101,205
Inter-segment revenue	18,545	606,408	1,028	-	625,981	(625,981)	-
Segment revenue	2,385,310	1,326,673	15,203	-	3,727,186	(625,981)	3,101,205
Segment profit/(loss) before tax	82,781	40,969	(1,530)	255,639	377,859	(253,143)	124,716
Net finance income/(cost)	1,786	(23,336)	(112)	275,500	253,838	(252,887)	951
Amortization and depreciation	(7,361)	(221,761)	(1,002)	(10,765)	(240,889)	-	(240,889)
Impairment of property, plant and equipment and intangible assets, net	-	5,922	-	-	5,922	-	5,922
Impairment of assets held for sale	-	(196)	-	-	(196)	-	(196)
EBITDA*	88,356	280,340	(416)	(9,096)	359,184	(256)	358,928
(Impairment)/Reversal of impairment of trade and other receivables, net	7,966	(3,791)	28	-	4,203	-	4,203
Segment net profit/(loss)	70,199	37,577	(1,486)	255,639	361,929	(253,143)	108,786
Employee benefits	(35,679)	(255,557)	(7,743)	(12,162)	(311,141)	-	(311,141)
Capital expenditure	2,289	360,221	213	254	362,977	-	362,977

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At 30 June 2020 (reviewed)	Electricity and natural gas supply	Electricity distribution	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
Segment assets	1,138,242	7,513,442	100,773	474,525	9,226,982	(1,629,820)	7,597,162
Trade and other receivables	778,858	706,539	7,841	148	1,493,386	(579,991)	913,395
Cash and cash equivalents	238,028	116,463	8,923	73,851	437,265	-	437,265
Restricted cash	-	-	-	320,000	320,000	-	320,000
Trade and other payables and short term and employee benefits	774,744	574,483	7,506	108,224	1,464,957	(564,953)	900,004
Bank overdrafts	-	179,017	-	-	179,017	-	179,017
Lease liability	1,545	16,103	389	1,452	19,489	-	19,489
Financing for network construction related to concession agreements and bank borrowings	-	621,956	-	-	621,956	-	621,956
At 31 December 2019 (audited)							
Segment assets	1,131,164	7,270,810	130,554	633,104	9,165,632	(1,348,360)	7,817,272
Trade and other receivables	745,470	455,539	15,053	919	1,216,981	(298,499)	918,482
Cash and cash equivalents	258,960	167,077	1,192	180,277	607,506	-	607,506
Restricted cash	-	-	-	320,000	320,000	-	320,000
Deposits with maturity date more than three months	-	-	-	66,471	66,471	-	66,471
Trade and other payables and short term and employee benefits	838,054	492,300	4,058	9,771	1,344,183	(270,811)	1,073,372
Bank overdrafts	-	350,624	-	-	350,624	-	350,624
Lease liability	1,736	32,542	420	1,809	36,507	-	36,507
Financing for network construction related to concession agreements and bank borrowings	-	441,306	-	-	441,306	-	441,306

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The breakdown of the Electricity distribution reportable segment is as follows:

Six month period ended 30 June 2020 (reviewed)	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
External revenues	223,673	256,499	257,117	10,611	-	747,900
Inter-segment revenue	228,831	201,178	192,805	64,463	(61,084)	626,193
Segment revenue	452,504	457,677	449,922	75,074	(61,084)	1,374,093
Segment (loss)/profit before tax	(214)	19,401	6,553	(3,577)	1,137	23,300
Net finance (cost)/income	(10,980)	(10,764)	(11,380)	430	-	(32,694)
Amortization and depreciation	(67,052)	(74,840)	(74,111)	(15,750)	1,137	(230,616)
Impairment of property, plant and equipment and intangible assets, net	689	3	163	5	-	860
Impairment of assets held for sale	-	-	-	(83)	-	(83)
EBITDA*	77,129	105,002	91,881	11,821	-	285,833
(Impairment)/Reversal of impairment of trade and other receivables, net	(3,441)	(878)	1,481	289	-	(2,549)
Net (loss)/profit	(3,999)	15,956	5,170	(3,534)	1,137	14,730
Employee benefits	(91,704)	(90,619)	(91,963)	(18,600)	-	(292,886)
Capital expenditure	93,831	85,168	94,584	1,160	-	274,743
Six month period ended 30 June 2019 (reviewed)						
External revenues	201,034	221,929	289,880	7,422	-	720,265
Inter-segment revenue	214,199	189,894	198,760	64,280	(60,725)	606,408
Segment revenue	415,233	411,823	488,640	71,702	(60,725)	1,326,673
Segment (loss)/profit before tax	(486)	26,450	5,608	8,259	1,138	40,969
Net finance cost	(8,064)	(8,255)	(6,989)	(28)	-	(23,336)
Amortization and depreciation	(63,017)	(74,831)	(70,671)	(14,380)	1,138	(221,761)
Impairment of property, plant and equipment and intangible assets, net	5,365	-	557	-	-	5,922
Impairment of assets held for sale	-	-	-	(196)	-	(196)
EBITDA*	65,230	109,536	82,711	22,863	-	280,340
(Impairment)/Reversal of impairment of trade and other receivables, net	(398)	287	(3,680)	-	-	(3,791)
Net (loss)/profit	(2,605)	22,312	6,186	10,546	1,138	37,577
Employee benefits	(81,372)	(76,544)	(81,965)	(15,676)	-	(255,557)
Capital expenditure	99,196	94,223	164,667	2,135	-	360,221

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At 30 June 2020 (reviewed)	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
Segment assets	2,501,780	2,380,889	2,322,680	337,807	(29,714)	7,513,442
Trade and other receivables	173,030	215,725	258,730	83,271	(24,217)	706,539
Cash and cash equivalents	58,017	22,505	20,268	15,673	-	116,463
Trade and other payables and short term employee benefits	129,800	210,702	239,348	18,850	(24,217)	574,483
Bank overdrafts	20,053	118,176	40,788	-	-	179,017
Lease liability	2,232	921	1,946	11,004	-	16,103
Financing for network construction related to concession agreements and bank borrowings	196,354	174,584	251,018	-	-	621,956
At 31 December 2019 (audited)	2,469,585	2,303,039	2,173,687	407,150	(82,651)	7,270,810
Segment assets	2,469,585	2,303,039	2,173,687	407,150	(82,651)	7,270,810
Trade and other receivables	146,780	143,733	141,236	99,807	(76,017)	455,539
Cash and cash equivalents	73,024	35,394	6,353	52,306	-	167,077
Trade and other payables, and short term employee benefits	166,738	188,382	166,554	46,643	(76,017)	492,300
Bank overdrafts	68,719	166,613	115,292	-	-	350,624
Lease liability	4,383	4,976	485	22,698	-	32,542
Financing for network construction related to concession agreements and bank borrowings	94,222	123,711	223,373	-	-	441,306

**Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation) for operating segments is defined and calculated as segment profit/(loss) before tax of a given operating segment adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets in the operating segment, ii) impairment of assets held for sale and iii) net finance income in the operating segment. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.*

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(c) Reconciliation of information on reportable segments to consolidated amounts

	30 June 2020 (reviewed)	31 December 2019 (audited)
Total assets		
Total assets for reportable segments	9,226,982	9,165,632
Elimination of inter-segment assets	(1,649,809)	(1,368,247)
Unallocated amounts	19,989	19,887
Consolidated total assets	7,597,162	7,817,272
Trade and other receivables		
Trade and other receivables for reportable segments	1,493,386	1,216,981
Elimination of inter-segment trade and other receivables	(579,991)	(298,499)
Consolidated trade and other receivables	913,395	918,482
Trade and other payables and short term employee benefits		
Trade and other payables and short term employee benefits for reportable segments	1,464,957	1,344,183
Elimination of inter-segment trade and other payables and short term employee benefits	(564,953)	(270,811)
Consolidated trade and other payables and short term employee benefits	900,004	1,073,372

6 Revenue

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Electricity distribution and supply	2,768,348	2,677,554
Supply of natural gas	24,237	32,077
Construction revenue related to concession agreements	370,900	358,086
Repairs, maintenance and other services rendered	29,922	29,730
Re-connection fees	2,419	3,684
Sales of merchandise	4,159	74
Total	3,199,985	3,101,205

In respect to the timing of the revenue recognition, most of the Group's services provided are transferred to the customer over time, only a small part amounting to RON 1,039 thousand (six month period ended 30 June 2019: RON 1,075 thousand) being transferred at a point in time (e.g. metering services provided by the distribution companies, providing periodic data analysis to customers for certain taxes collected on behalf of them).

7 Other income

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Rental income	47,012	60,382
Late payment penalties from customers	9,340	9,316
Revenues from notices	3,295	6,889
Other	12,914	2,204
Total	72,561	78,791

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8 Electricity and natural gas purchased

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Electricity and natural gas purchased	1,812,133	1,943,716

The cost of electricity and natural gas purchased includes the cost of the green certificates purchased by the supply subsidiary in amount of RON 277,188 thousand (six month period ended 30 June 2019: RON 261,118 thousand). The supply subsidiary has a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. The cost of green certificates is then invoiced to final customers separately from electricity tariffs.

9 Earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit or loss attributable to Company's shareholders and weighted-average number of ordinary shares outstanding:

Profit or loss attributable to Company's shareholders

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Profit for the period attributable to the owners of the Company	189,526	108,786
Profit attributable to Company's shareholders	189,526	108,786

Weighted-average number of outstanding ordinary shares (in number of shares)

For the calculation of the basic and diluted earnings per share, treasury shares (6,890,593 shares) were not treated as outstanding ordinary shares and were deducted from the number of issued ordinary shares.

The weighted average number of outstanding ordinary shares (reviewed) as at 30 June 2020 is of 339,553,004 (30 June 2019: 339,049,336).

Earnings per share

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Basic and diluted earnings per share (RON)	0.56	0.32

10 Dividends

On 29 April 2020 the General Shareholders Meeting of the Company approved dividend distribution of RON 246,108 thousand (2019: RON 247,506 thousand). The dividend per share distributed is RON 0.7248 per share (2019: RON 0.73 per share).

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11 Income tax

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2020 (reviewed)
Current period tax expense	38,571	13,684
Deferred tax expense	1,658	2,246
Total income tax expense	40,229	15,930

12 Trade receivables

	30 June 2020 (reviewed)	31 December 2019 (audited)
Trade receivables, gross	1,927,535	1,912,119
Bad debt allowance	(1,049,319)	(1,022,140)
Total trade receivables, net	878,216	889,979

Receivables from related parties are disclosed in Note 19.

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables is as follows:

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Bad debt allowance		
Balance as at 1 January (audited)	1,022,140	1,025,714
Impairment recognized	37,745	27,480
Impairment reversed	(9,954)	(31,683)
Amounts written off	(612)	(170)
Balance as at 30 June (reviewed)	1,049,319	1,021,341

Bad debt allowances are determined according to IFRS 9 "Financial instruments" based on "expected credit loss" model. In applying IFRS 9, the Group has identified 5 clusters of customers based on shared risk characteristics: 3 separate clusters for the distribution subsidiaries and 2 clusters (households and non-households) for the supply subsidiary.

A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Group will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. These receivables were treated separately in computing the allowance according to IFRS 9.

In the light of the impact generated by COVID-19 pandemic, the Group has identified the probability of default, taking into account a number of factors to ensure that the classification to default is done not only based on the historical expected credit loss but also based on circumstances according to which economic losses are likely to occur. IFRS 9 is based on a set of principles that, by nature are not mechanical and require the application of a certain degree of professional judgement. In applying IFRS 9 as of 30 June 2020, the Group has considered all the information available without undue costs (including forward looking information) that may affect the credit risk of its receivables since original recognition, thus recording a bad debt allowance in amount of RON 37,745 thousand.

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13 Cash and cash equivalents

	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Total cash and cash equivalents in the condensed consolidated statement of financial position	437,265	385,356
Overdrafts used for cash management purposes	(179,017)	(294,018)
Total cash and cash equivalents in the condensed consolidated statement of cash flows	258,248	91,338

As at 30 June 2020, Electrica SA has collateral deposits at BRD - Groupe Societe Generale as guarantees for the long term borrowings received from BRD – Groupe Societe Generale by Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.. The amount of the collateral deposits as at 30 June 2020 is RON 320,000 thousand (30 June 2019: RON 320,000 thousand) presented in the condensed consolidated statement of financial position as long-term restricted cash (see also Note 16).

The Group has overdrafts from various banks (ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, BNP Paribas and Banca Comerciala Intesa Sanpaolo) with a total overdraft limit of up to RON 830,000 thousand and maturities ranging from January 2021 to June 2021. The overdraft facilities are used for financing the current activity. The outstanding balance of the overdraft facilities used as at 30 June 2020 is of RON 179,017 thousand (30 June 2019: RON 294,018 thousand).

The following information is relevant in the context of the statement of cash-flows. Non-cash activity includes:

- set-off between trade receivables and trade payables of RON 4,104 thousand during the six month period ended 30 June 2020 (six month period ended 30 June 2019: RON 27,379 thousand).

14 Deposits with maturity date more than three months

	30 June 2020 (reviewed)	31 December 2019 (audited)
Deposits with maturity of more than three months	-	66,471
Total deposits with maturity of more than three months	-	66,471

As at 30 June 2020, the Group no longer has deposits with original maturity of more than three months. As at 31 December 2019, deposits with original maturity of more than three months have an average interest rate of 2.6%.

15 Other payables

	30 June 2020 (reviewed)		31 December 2019 (audited)	
	Current	Non-current	Current	Non-current
VAT payable	125,261	-	107,546	-
Liabilities towards the State	8,921	-	10,478	-
Other liabilities	95,986	34,637	100,261	36,775
Total	230,168	34,637	218,285	36,775

Other liabilities include mainly guarantees, sundry creditors, connection fees, habitat tax and cogeneration contribution. Other non-current liabilities refer to guarantees from customers related to electricity supply.

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16 Long-term bank borrowings

Drawings of borrowings during the six month period ended 30 June 2020 were as follows:

	Currency	Interest rate	Maturity year	Amount
Balance at 1 January 2020 (audited)				440,298
Drawings during the period, out of which:				
BRD	RON	3.99%	2026	101,888
UniCredit Bank	RON	3.85%	2026	50,573
Banca Transilvania	RON	4.59%	2027	28,264
Total drawings				180,725
Accumulated interest				971
Total reimbursements				-
Payment of interest				(38)
Balance at 30 June 2020 (reviewed)				621,956

As at 30 June 2020, respectively 31 December 2019, the long term portion of bank borrowings is as follows:

Lender	Borrower	Balance at 30 June 2020 (reviewed)	Balance at 31 December 2019 (audited)
BRD	SDEE Muntenia Nord S.A.	80,000	80,000
BRD	SDEE Transilvania Nord S.A.	114,000	114,000
BRD	SDEE Transilvania Sud S.A.	126,000	126,000
Banca Transilvania	SDEE Transilvania Sud S.A.	125,018	96,751
UniCredit Bank	SDEE Transilvania Nord S.A.	60,584	9,432
BRD	SDEE Muntenia Nord S.A.	116,354	14,115
Total		621,956	440,298
Less: current portion of the long-term bank borrowings		(38,975)	(7,474)
Less: accumulated interest		(971)	(38)
Total long term borrowings, net of current portion		582,010	432,786

During the six month period ended 30 June 2020, the Group has concluded the following new investment loans granted by BRD – Groupe Societe Generale:

- On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 100,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 30 June 2020, the outstanding balance is nil.
- On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 80,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 30 June 2020, the outstanding balance is nil.

All financial covenants specified in the long term borrowing contracts have been fulfilled as at 30 June 2020.

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17 Provisions

	Fiscal	Other	Provisions
Balance at 1 January 2020 (audited)	1,592	17,966	19,558
Provisions recognised	-	1,136	1,136
Provisions utilised	-	(21)	(21)
Provisions reversed	(392)	(2,397)	(2,789)
Balance at 30 June 2020 (reviewed)	1,200	16,684	17,884

As at 30 June 2020, provisions refer mainly to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause amounting to RON 5,761 thousand (31 December 2019: RON 5,792 thousand) and for various claims and litigations involving the Group companies in amount of RON 12,123 thousand (31 December 2019: RON 13,766 thousand).

18 Financial instruments – fair values

(a) Accounting classifications and fair values

According to IFRS 9, financial assets are measured at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Group assessed that the carrying amount is a reasonable approximation of the fair value for the financial assets and financial liabilities.

(b) Measurement of fair values

Fair value hierarchy

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (eg. prices) or indirectly (eg. derived from prices);
- Level 3: inputs from an asset or a liability that are not based on observable market data (unobservable inputs).

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19 Related parties

(a) Main shareholders

As at 30 June 2020 and 31 December 2019, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Economy, Energy and Business Environment (registered as shareholder by the Central Depository on 11 February 2020) with a share of ownership of 48.79% from the share capital.

(b) Executive Management and administrators' compensation

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Executive Management compensation	14,090	13,653

Executive management compensation refers to both the managers with mandate contract and those with labour contract, from both the subsidiaries and Electrica SA. This also includes the benefits paid in the event of the termination of mandate contracts for executive directors.

Compensations granted to the members of the Board of Directors were as follows:

	Six month period ended	
	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Members of the Board of Directors	1,473	1,509

(c) Transactions with companies in which the State has control or significant influence

The Group has transactions with companies in which the State has control or significant influence in the ordinary course of business, related mainly to the acquisition of electricity, transport and system services and sale of electricity. Significant purchases and balances are mainly with energy producers/suppliers, as follows:

Supplier	Purchases (excluding VAT)		Balance (including VAT)	
	Six month period ended 30 June 2020 (reviewed)	Six month period ended 30 June 2019 (reviewed)	30 June 2020 (reviewed)	31 December 2019 (audited)
Hydroelectrica	264,509	200,282	56,516	26,835
Transelectrica	205,512	235,683	77,634	92,691
Nuclearelectrica	175,593	208,904	37,110	29,987
OPCOM	130,913	305,508	422	4,164
Complexul Energetic Oltenia	62,135	145,924	9,620	36,269
Electrocentrale Bucuresti	59,368	63,765	-	1,285
ANRE	8,898	25,798	7,827	3,909
Others	1,483	2,002	1,744	2,536
Total	908,411	1,187,866	190,873	197,676

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The Group also makes sales to other entities in which the State has control or significant influence representing electricity supply, of which the significant transactions are the following:

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Six month period ended 30 June 2020 (reviewed)	30 June 2020 (reviewed)		
	C.N.C.F CFR	22,570	4,339	-
SNGN Romgaz	12,185	6,212	-	6,212
Transelectrica	11,805	3,724	-	3,724
OPCOM	8,411	562	-	562
CN Romarm	6,249	460	-	460
Hidroelectrica	6,170	3,407	-	3,407
CFR Electrificare	3,887	1,612	-	1,612
Transgaz	2,485	1,831	-	1,831
CN Remin	335	71,194	71,194	-
CET Braila	4	4,073	4,073	-
Oltchim	-	670,526	670,526	-
C.N.C.A.F. MINVEST	-	26,802	26,802	-
Termoelectrica	-	1,204	1,204	-
Others	17,178	3,576	658	2,918
Total	91,279	799,522	774,457	25,065

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Six month period ended 30 June 2019 (reviewed)	31 December 2019 (reviewed)		
	Transelectrica	16,261	3,347	-
OPCOM	15,019	4,343	-	4,343
CNCF CFR Bucuresti	7,963	2,203	-	2,203
CN Romarm	7,290	1,479	-	1,479
SNGN Romgaz	6,712	1,445	-	1,445
Cupru Min S.A. Abrud	5,496	-	-	-
Hidroelectrica	3,762	1,840	-	1,840
CFR Electrificare	3,460	1,654	-	1,654
CNAIR	2,841	-	-	-
CN Posta Romana	1,546	266	-	266
CN Remin	310	71,260	(71,260)	-
CET Braila	10	4,075	(4,075)	-
Oltchim	-	670,526	(670,526)	-
C.N.C.A.F. MINVEST	-	26,802	(26,802)	-
Others	11,389	3,634	(1,780)	1,854
Total	82,059	792,874	(774,443)	18,431

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20 Contingencies

Contingent Liabilities

Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of tax payers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities demonstrate inconsistency in interpretation of the law.

Income tax returns may be subject to revision and corrections by tax authorities, generally for a five year period after they are completed.

The Group may incur expenses related to previous years' tax adjustments as a result of controls and litigations with tax authorities. The management of the Group believes that adequate provisions and liabilities were recorded in the consolidated financial statements for all significant tax obligations; however a risk persists that the tax authorities might have different positions.

Tax inspection report for SDEE Muntenia Nord S.A.

The subsidiary SDEE Muntenia Nord S.A. was subject to a tax audit performed by the Local Taxes Department of Galati City Hall that referred to the building taxes paid for the period 2012-2016. The tax audit was finalized in December 2019, when the fiscal inspection report was communicated to the subsidiary. The fiscal report established additional payment obligations for the subsidiary representing building tax for the period 01.01.2012-31.12.2015 in the total amount of RON 24,831 thousand, of which principal in amount of RON 12,051 thousand and related late penalties computed as of October 2019, in amount of RON 12,780 thousand. Against Galati City Hall, SDEE Muntenia Nord S.A. filed a legal request registered at Ploiesti City Hall, request which is in the regularization procedure, no term being set at the moment.

The Group recognised an expense in amount of RON 12,051 thousand during the year ended 31 December 2019 in accordance with IFRIC 23 „*Uncertainty over Income Tax Treatments*”.

Tax inspection report for Electrica Serv S.A.

In May 2017 a tax inspection at Electrica Serv S.A. was finalized and the tax authorities concluded that additional tax obligations of RON 12,281 thousand should be paid by the subsidiary. This amount represents VAT (including related interest and penalties) that was considered tax deductible in the period 2012-2013 by the subsidiary in relation with certain invoices issued by a lease supplier who was inactive at that time. The company appealed in Court the measures imposed by the tax authorities. On 3 July 2019 the Bucharest Court of Appeal partially admitted the appeal through the partial annulment of the fiscal decision for the amount of RON 7,264 thousand representing the VAT and the related interest and penalties, unlawfully retained as non-deductible. The solution is not final, being susceptible for appeal, after the release of the sentence.

As at 30 June 2020 and 31 December 2019, the Group recognised a receivable from the fiscal authorities in amount of RON 12,281 thousand, without a related bad debt allowance, taking into account that management's best estimate is that Electrica Serv S.A. shall be able to obtain a favourable final Court decision in this case.

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Litigation with the National Agency of Fiscal Administration ("NAFA")

In May 2017, after the revision of Electrica's tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,249 thousand as a result of certain tax record allocations for prior periods. Electrica filed a complaint with the tax authorities against the enforcement order and also filed a legal action to suspend the enforced payment by the resolution of the above mentioned complaint. These additional interest and penalties are related to the prior enforcement orders received by Electrica SA in the prior years of RON 72,460 thousand.

In February 2018, Electrica SA has obtained a favourable Supreme Court ruling in one of the litigations with NAFA, which essentially maintains into force a prior Court of Appeal decision, which is favourable for the Group. Based on this Court ruling and in conjunction with all other litigations with NAFA on the same historical amounts, for taxes including penalties and interest, as well as based on analysis with internal and external lawyers, the management best estimate is that Electrica SA shall be able to obtain favourable Court rulings with the end result of no future cash outflows.

Also, in April 2019, Electrica SA obtained another favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the Court obliges NAFA to correct the evidence of the tax receivables so that it reflects the extinction by prescription of the amount of RON 16,916 thousand representing income tax as well as all the related accessories. This decision forms the object of the appeal declared by NAFA, with the Court term on 17.11.2021, at the High Court of Cassation and Justice.

Moreover, in November 2019, Electrica SA obtained one more favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the Court obliges NAFA to cancel the administrative documents issued regarding the accessory fiscal obligations in the amount of RON 39,249 thousand and ordered the refund/compensation of the amount and the correction of the tax record. Against this decision, NAFA filed an appeal, registered to the High Court of Cassation and Justice, with the Court term on 23.03.2022.

Thus, as at 30 June 2020 and 31 December 2019, the Group did not recognize any provision in this respect, taking into account that management's best estimate is that Electrica SA shall be able to obtain a final favourable Court decision in this case.

Other litigations and claims

The Group is involved in a series of litigations and claims (eg. with SAPE, ANRE, NAFA, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 17, the Group set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

The Group discloses below information on the most significant items of litigations or claims for which the Group did not set-up provisions as they relate to possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group (eg. litigations for which different inconsistent sentences were issued by the Courts, or litigations which are in early stages and no preliminary ruling were issued so far):

- Electrica SA was sued by Societatea de Administrare a Participatiilor in Energie S.A. ("SAPE") for the joint payment of the amount of RON 1,569,144 thousand and the amount of EUR 458,381 thousand for the alleged damages suffered by the Romanian State as a result of the inaction regarding the monitoring, coordination and verification of the performance with the observance of the conditions of legality of the privatization contracts of Electrica SA subsidiaries. Electrica SA filed a pleading in which it invoked the exception of the lack of passive procedural quality,

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exception regarding the statute of limitation, as well as other arguments on the merit of the case against SAPE's allegations. By decision dated 20 June 2019, the Court dismissed SAPE's action for claims of approx. EUR 800 million, admitting:

- the exception of Electrica's lack of passive processing quality, for the claim based on contractual civil liability;
- the exception of the prescription of the material right to action, for the claim based on civil tort liability.

The decision remained final by non-appeal.

21 Subsequent events

Change of the Chairman of Electrica SA's Board of Directors

Starting with 18 July 2020, Mr. Valentin Radu resigned from his position as Chairman of the Board of Directors, 17 July 2020 being the last day he held this quality. The Board of Directors elected Mr. Iulian Cristian Bosoanca as Chairman of the Board of Directors starting with 18 July 2020 and until 31 December 2020.

Convening of the Extraordinary General Meeting of Shareholders of Electrica SA on 21 August 2020

Electrica convenes the Extraordinary General Meeting of Shareholders (EGMS) on 21 August 2020, as per the approval of the Company's Board of Directors meeting dated 3 July 2020. The agenda of the EGMS will be the following:

- information on the approval by Electrica's Board of Directors of the merger between the two energy services companies within the Group, respectively Electrica Serv S.A. and Servicii Energetice Muntenia S.A.;
- approval of the dissolution without liquidation and of the deregistration from the Trade Register and from the financial administration's records of the absorbed company Servicii Energetice Muntenia S.A. starting with the effective date of the merger;
- information on the approval by Electrica's Board of Directors of the merger between the three distribution companies within the Group, respectively Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.;
- approval of the dissolution without liquidation and of the deregistration from the Trade Register and from the financial administration's records of the absorbed companies Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. starting with the effective date of the merger.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

13 August 2020

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders,
Societatea Energetica Electrica S.A.

Introduction

1. We have reviewed the accompanying condensed consolidated statement of financial position of Societatea Energetica Electrica S.A. (the "Company") and its subsidiaries (together "the Group") as at June 30, 2020 and the related condensed consolidated statement of profit and loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard 34 – "Interim Financial Reporting" ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

2. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements does not present fairly, in all material respects the condensed consolidated financial position of the Group as at June 30, 2020, and of its condensed consolidated financial performance and its condensed consolidated cash flows for the six months period then ended in accordance with International Financial Reporting Standard 34 – Interim Financial Reporting" as adopted by the European Union.

Other matters

4. We draw attention to the fact that we have not audited nor reviewed the accompanying condensed consolidated statements of profit or loss and condensed consolidated statement of comprehensive income for the three months period ended June 30, 2020 and June 30, 2019 and accordingly, we do not express an opinion nor a conclusion on them.
5. This report is made solely to the Group's shareholders, as a body. Our review work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders as a body, for our review work, for this report, or for the conclusion we have formed.

Răzvan Ungureanu, Audit Director



Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 4866

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
August 13, 2020

Autoritatea Pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)
Auditor financiar: **Ungureanu Razvan Gabriel**
Registru Public Electronic: **AF4866**

Autoritatea Pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)
Auditor financiar: **Deloitte Audit S.R.L.**
Registru Public Electronic: **FA25**