



CONSOLIDATED DIRECTORS' REPORT

for the nine month period ended 30 September 2020 (9M 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. 67 of the Law no. 24/2017 on issuers of financial instruments and
market operations and with annex no. 13 to ASF Regulation no. 5/2018 and the Bucharest
Stock Exchange Code**

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

Table of contents

Glossary	4
1. Identification Details Of The Issuer	6
2. Highlights	7
2.1. Key Events during the period January – September 2020 (9M 2020)	7
2.2. Summary of financial indicators.....	29
3. Organizational Structure	30
3.1. Group Structure	30
3.2. Key information by segments.....	31
4. Shareholders’ Structure	33
5. Operational Results	34
6. Outlook	40
7. Capital Expenditures	42
8. Statements	43
9. Annexes	44
9.1. Economic and financial indicators of Electrica Group as of 30 September 2020 according to Annex 13/ASF Regulation no. 5/2018.....	44

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
CMNG-AN	Centralized Market for Bilateral Natural Gas Contracts – Auction and Negotiation
CMNG-PA	Centralized Market for Bilateral Natural Gas Contracts – Public Auction
CMNG – OTC	Centralized Market for Bilateral Natural Gas Contracts – OTC
CMUS	Centralized Market for Universal Service
CNTEE	The National Transmission System Operator
DAM	Day Ahead Market
DAM-NG	Day Ahead Market – Natural Gas
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
FPM-LT	Medium and Long Term Flexible Products Market
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
IM-NG	Intraday Market for Natural Gas
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: 12 November 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: 9 months 2020 (period 1 January – 30 September 2020)

Audit/Review: The condensed consolidated interim financial statements as of and for the nine month period ended 30 September 2020 are not reviewed or audited 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 – September 2020 (9M 2020)

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

Events that took place in the period January – September 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 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; 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 remaining period until the expiry of the mandate for the vacant position, i.e. until 27 April 2022.

On 21 August 2020, ELSA's **Extraordinary General Meeting of Shareholders (OGMS)** took place at the company's headquarters, convened as a result of the need to complete the legal steps regarding the merger by absorption of the three distribution operators, respectively the merger by absorption of the two energy services companies within the Group. Therefore, during the meeting the shareholders approved the empowerment of the representative of ELSA to participate in the EGMS of the absorbed companies – Societatea de Distribuție a Energiei Electrice Transilvania Sud (SDTS) and Societatea de Distribuție a Energiei Electrice Muntenia Nord (SDMN), in case

of the Distribution Operators' Merger (DSO Merger), respectively Servicii Energetice Muntenia (SEM), in case of the Energy Services Companies' Merger (ES Merger), **and to express a favourable vote ("for")** regarding the approval of the dissolution without liquidation and of the deregistration from the Trade Register of the absorbed companies, the dissolution being a direct effect of the DSO Merger, respectively of the ES Merger.

Regarding the DSO Merger, the steps carried out from the beginning of the year until the date of this report are presented below.

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 principle of the initiation and participation at the merger through absorption between SDTN, SDTS and SDMN**, the absorbing company being SDTN.

In the meeting held on 3 July 2020, ELSA's BoD approved, in its capacity as majority shareholder of SDTN, SDTS, 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 plan for the merger by absorption 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.

Furthermore, ELSA's BoD approved, in its capacity as majority shareholder of SDTN, the participation of 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.

As a result of the resolution of ELSA's EGMS dated 21 August 2020, the EGMS of SDTN, SDTS and SDMN for the approval of the Merger by the merging companies took place on 26 August 2020. Afterwards, on 14 October 2020, the Cluj Specialized Court approved the merger request submitted by SDTN, as absorbing company, respectively by SDTS and SDMN, as absorbed companies, ascertained the legality of the resolutions of the shareholders of the participating companies approving the merger and ordered the registration with the Trade Register of the shareholders' resolutions, as well as of the articles of association updated as at 26 August 2020. The court also ordered the deregistration of the absorbed companies from the Trade Register.

Further, the three participating companies will complete all the procedural and operational steps necessary to implement the merger, starting with the effective date, 31 December 2020 (at the end of the day), moment from which the merger takes effect according to the merger plan and to the EGMS resolutions of SDTN no. 1933/26 August 2020, respectively of SDTS no. 1935/26 August 2020, and SDMN no. 1937/26 August 2020, on the approval of the merger.

Therefore, the Merger will produce its effects starting with the Effective Date when SDTS and SDMN, as absorbed companies, will cease to exist, being dissolved without going into liquidation, and all of their assets and liabilities will be transferred through the effect of the merger by absorption process to SDTN, as absorbing company, with the increase of its share capital as a result of the Merger and with the issuance and distribution of new shares in favour of the shareholder of the absorbing company, namely Electrica.

Following the merger of the three distribution companies within Electrica Group, the name of the company will be Distributie Energie Electrica Romania S.A.

Regarding the ES Merger, the process carried out from the beginning of the year until the date of this report is presented below.

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.

In the meeting held on 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 companies' EGMS and the expression of a favorable vote ("for") regarding, mainly, the following:

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

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

As a result of the resolution of ELSA's EGMS dated 21 August 2020, on 25 August 2020, the EGMS of EL SERV, respectively of SEM, took place for the approval of the Merger by the merging companies. On 17 September 2020, the Bucharest Court, VI Civil Section, approved the merger request submitted by EL SERV, as the absorbing company, respectively by SEMU, as the absorbed company, ascertained the legality of the merger process and approved the registration with the Trade Register of the corresponding merger mentions.

Further, as a result of the approval of the merger process by the court, the two participating companies will complete all the procedural and operational steps necessary to implement the merger starting with the effective date of 30 November 2020, the date from which the merger takes effect, according to the Merger Plan and to the Resolutions of the EGMS of EL SERV no. 5/25 August 2020, respectively of SEMU no. 2/25 August 2020, on the approval of the merger.

Therefore, the Merger will produce its effects starting with the Effective Date, when SEM, as absorbed company, will cease to exist, being dissolved without going into liquidation, and its assets and liabilities will be universally and by law transferred as the effect of the merger through absorption process to EL SERV, as absorbing company, in exchange for the issuance of new shares in the share capital of the absorbing company in favour of the shareholder of the absorbed company, namely ELSA.

The main decisions of ELSA's Board of Directors (BoD) referred to:

■ The change of ELSA's BoD Chair

On 17 July 2020, ELSA's BoD 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 held this position.

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.

■ The 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.

On 22 July 2020, ELSA published on the website the Corporate Governance Code revised with regard to Chapter 6 on the risk management system. Also, ELSA's BoD approved the revised version of the Policy on Transactions with Related Parties.

■ 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.

During the meeting held on 13 August 2020, ELSA's BoD approved **the supplementation of the Consolidated Investment Plan** (CAPEX plan) of the Group for 2020, from the total amount of RON 678.2 mn to the total amount of RON 698.3 mn. The supplementation of RON 20.1 mn refers to the increase of the 2020 annual financial plan regarding investments (the financial part of the individual annual investment plan) of SDTS, from RON 177 mn, to RON 197.1 mn.

Mergers and acquisitions

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 October 2020, the CEZ Group announced that an agreement had been reached with Macquarie Infrastructure and Real Assets regarding the sale of assets in Romania.

On 23 June 2020, EFSA 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. (LBM), company which owns Stanesti Photovoltaic Farm in Giurgiu County**, with an installed capacity of 7.5 MW (operational power limited to 6.8 MW). 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.

On 31 August 2020, the transaction have been closed and the transfer of shares' ownership to EFSA was realized, these being subject to fulfilment of the conditions precedent agreed by the parties as well as to the relevant formalities. The purchase price of the shares is EUR 1,637,515. Amongst various elements of the transaction, EFSA took over the loans granted by the former shareholders of LBM to the acquired company, in total outstanding amount of EUR 3,817,749.

Transactions with affiliates

ELSA reports legal acts such as those listed in art. 82 of law no. 24/2017, representing mainly transactions with affiliated parties. These can be found on the company's website, at <https://www.electrica.ro/en/investors/results-and-reports/current-reports/>.

Following the amendment of law 24/2017 regarding the issuers of financial instruments and market operations by law no. 158/2020, the transactions falling within the scope of art. 92³ of law 24/2017 (art. 82 being repealed).

ELSA has the obligation to report the significant transactions concluded by ELSA or its subsidiaries with related parties, by drawing up and publishing reports on this aspect. "Significant transaction" means any transfer of resources, services or obligations, whether or not it involves the payment of a price, the individual or cumulative value of which represents more than 5% of ELSA's net assets, according to the latest individual financial statements published by ELSA (in this case on 31 December 2019, RON 199,406,795). Thus, ELSA has published numerous current reports on this type of transactions, these can be found on the company's website, at <https://www.electrica.ro/en/investors/results-and-reports/current-reports-art-92-ind-3/>.

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.

Afterwards, on 24 August 2020, ELSA received an additional notification of major holdings from Allianz SE due to the fact that Fondul de pensii administrat privat AZT Viitorul Tau, entity managed by Allianz-Tiriac Pensii Private SAFPP, exceeded the threshold of 5%. Therefore, the entities indirectly held by Allianz SE increased their holdings, reaching a holding of 5.30% of the voting rights of ELSA.

On 22 September 2020, ELSA received the notifications of major holdings from Paval Holding SRL and Dedeman SRL. According to the notifications, starting with 18 September 2020, Dedeman SRL has transferred part of the shares to an affiliated company, respectively Paval Holding SRL. Following the transfer, Dedeman SRL held at the moment of the announcement 0.79% of ELSA's voting rights, while Paval Holding SRL exceeded the 5% threshold, respectively reached a direct holding of 7.46% of ELSA's voting rights. The voting rights held directly or indirectly by Paval Holding are 8.25%.

Maintaining the BBB corporate rating for Electrica

On 17 April 2020, the rating agency Fitch Ratings confirmed 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 from 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 3 February 2020, the company was notified about an action in court by a former Chief Human Resources Officer 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. The person was Chief Human Resources Officer for a limited period of 1 year; 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 his charge as quality of employee.

Taking into account that, according to the provisions of the mandate agreement concluded between ELSA and the former Chief Human Resources Officer, 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 the former Chief Human Resources Officer. The solution is final, no appeal being filed.

- On 5 February 2020, the company has received two claims under warranty against ELSA by Mr. Mircea Patrascioiu, 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. All

of them are 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.

On 1 October 2020, Bucharest Tribunal admitted the exceptions of limitation periods regarding the claim filed by EFSA and consequently rejected as devoid of object the warranty claims filed by Mircea Patrascoiu, Anca Dobrica and Victoria Lupu in file no. 35647/3/2019, having as object the underscoring of the liability of the members of the Board of Directors and the Chief Executive Officer of EFSA, claim submitted by the company concerned, following the damages ascertained by the Court of Accounts of Romania in the Decision no. 11/23 December 2016 and in the Control Report no. 5799/29 November 2016. The solution is not final and can be appealed.

- 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. The file has been registered at the Bucharest Court of Appeal for retrial, under no. 4804/2/2020, with term on 20 November 2020.
- On 24 February 2020, the Bucharest Court of Appeal rejected the appeal filed by EFSA requesting financial 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 being set for 19 November 2020.
- SDMN filed to the Bucharest Court a lawsuit for damages (file no.18976/3/2020), communicated to ELSA on 15 September 2020, having as object the obligation of ELSA: (i) to pay the amount of RON 20,350,189, representing the undue payment made by SDMN to ELSA; (ii) to pay the amount representing legal fees made in regard with this lawsuit. Following the investigation carried out by the Romanian Court of Accounts in 2016, this institution established a series of measures under SDMN's responsibility by Decision no. 45/2016, based on the Control report no. 618/11 November 2016. Among these measures there is also the recovery of RON 20,350,189, amount paid by SDMN to ELSA based on consultancy, services and mandate contracts, in the period between 1 January 2013 and 30 June 2014.

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 and to limit a potential expansion of COVID-19. 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 have been 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**, have 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 front line**, the personnel that carry out activities in the installations and ensure the continuity of the electricity supply has been provided with 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 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, and subsequently, with the monthly assessment 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, users 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 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.

Other key events

In order to support the liquidity of its listed shares, **ELSA concluded a Market Making services agreement with Wood&Co**, starting 30 September 2020.

At the end of August 2020, the Competition Council included ELSA on **the updated list of companies that were involved in investigations regarding some public tenders' rigging**. We remind that, by Decision no. 77/20 December 2017 (the "Decision"), ELSA was sanctioned by the Competition Council, the authority retaining the quality of "facilitator" of ELSA (concept not definitively confirmed by the Romanian courts), ELSA not being retained in the evidence of the competition authority as a participant to the market agreements. The events covered by the Decision refer to the sale, by several companies, of meters and related electricity measuring equipment in Romania in the procedures for the award of supply contracts in the period from 27 November 2008 to 30 September 2015 and by ELSA, as a facilitator, in the period from 24 November 2010 to 30 September 2015.

In the context in which ELSA fully cooperated with the Competition Council, beyond the legal obligation to cooperate, during this investigation in order to identify practices that may affect the company, and considering that ELSA is not a producer of electric meters, we believe that it cannot be considered that the company participated in any agreement aimed to share the market for the trading of meters and related electricity measurement equipment in Romania. Therefore, ELSA filed an appeal against the Decision and the case is pending before the High Court of Cassation and Justice, with the settlement deadline as of 9 February 2022, so that, at this moment, there is no final court decision.

Although ELSA challenged the Decision and formulated the remedies provided by law, the Company paid in full the fine established by the Decision, in order to prove good faith and to avoid the negative consequences of the foreclosure of the amounts.

Therefore, the inclusion of ELSA on the updated list of companies that were involved in investigations regarding some public tenders' rigging violates ELSA's rights and harms ELSA's reputation, as a list of this kind is associated with the idea of definitely proven guilt, and this is not true in ELSA's case. As a result, we consider that the inclusion of ELSA in the List has no legal basis. ELSA's representatives immediately contacted the representatives of the Competition Council in order to request the removal of ELSA from the list drawn up by the authority. ELSA will be removed from the list at the end of the third year after the decision, on 20 December 2020.

Distribution segment

In the first nine months 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 expenses 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 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 take into account 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 is established at 6.39% starting May 13, 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 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 a purchase price for the electricity needed to cover network losses recognized ex-ante 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 subject to efficiency;
 - 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 approved **Order no. 207/28 October 2020** amending the *Methodology for distribution tariffs setting* approved by ANRE Order No. 169/2018, in force from 1 November 2020, the changes being:

Regarding the **merger projects**, the changes will have the following impact for Electrica:

- The shareholder's and DSOs' legal representatives must send to ANRE until 1 December a document as to assume the benefits of the merger for each year of RP4, including the cost reductions compared to the approved costs;
- DEER shall annually separately report the cost reductions from the approved costs, called gross benefits, as well as the merger associated expenses, which are not recognized in the tariffs;
- the gross benefits will be shared between the operator and the network users (the DSO shall keep 40% of the benefits);

- DEER 2024 tariffs can increase in real terms by a maximum of 10% compared to the 2023 zonal tariffs.

Regarding the **decisions of state authorities:**

- In the case where ANRE is aware that, by a decision of a state authority, which has not been challenged in court and/or can no longer be challenged, it was found that the DSO violated the legislation in force by nature to affect the regulated tariffs, the revenues based on which the DSO regulated tariffs are established decrease accordingly with the value of the previously recognized costs. It applies, as the case may be, also in the event that commitments or other documents have been signed between the DSO and a state authority, by which the facts have been acknowledged.

Other changes:

- ANRE will not correct the inflation rate (IR) between the regulatory periods;
- fiber optic (FO) investments are recognized in the RAB, and in case of rental, the FO is maintained in the RAB but the income is corrected;
- granting the 1% incentive on the RRR within the annual corrections during RP4;
- the network losses reference price will include the costs of BRP administration;
- internalization/outsourcing is allowed during the period, but the costs related to them must not exceed the equivalent of the costs with third parties/within the company.

b) Investments Procedure

- ANRE approved the amendment of the Investment Procedure through **Order no. 155/2 September 2020** and the following changes were made:
 - (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 shall be permitted to exceed the limit of 10% of the number of works replaced, when sending to ANRE the works replacement proposal on 1 October;
 - (iii) investment plans will be allocated on counties.
- ANRE approved through the **Order no. 205/28 October 2020** the *Methodology regarding the regulation of the conditions for taking over the ownership of energy distribution capacities*, as a result of the amendments introduced by Law no. 155/2020 - which stipulate the situations in which the concessionaire DSO have the obligation to take over, in 120 days, energy distribution capacities held by third parties, at the value established by an independent authorized expert. Capacity takeover will be made without ANRE's approval, but the recognition in investments will be conditioned by the observance of the prudence criteria. Correlated with capacity takeover, will change:
 - The investment procedure modified by **ANRE Order no. 206/28 October 2020:**
 - (i) the cumulative annual value of all distribution energy capacities taken over by the sale-purchase agreement shall not exceed 10% of the investment program value for the voltage level related to the capacities taken over;
 - (ii) it is accepted to exceed this ceiling in case of takeovers made according to the Law, because for these cases the Law imposes a deadline for taking over the respective capacities;
 - Distribution tariff methodology modified by **ANRE Order no. 207/28 October 2020:** the regulated income does not include the cost of rent related to the energy capacities taken over by the lease contract which exceeds by more than 5% the accounting depreciation as a result of the amendments introduced by Law no. 155/2020.

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 approved through the **Order no. 197/28 October 2020** 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;
- ANRE approved through the **Order no. 196/28 October 2020** the *General conditions associated with the license for the aggregation activity*.

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 Orders regarding the connection activity:
 - (i) **ANRE Order no. 160/2020** regarding the amendment of the *Regulation for users' connection*;
 - (ii) **ANRE Order no. 164/2020** regarding the amendment of the *Connection Framework Agreement*;
 - (iii) **ANRE Order no. 162/2020** regarding the modification and completion of the *Framework Content of the technical connection approvals*;
 - (iv) **ANRE Order no. 163/2020** regarding the amendment and completion of the *Framework Content of the connection certificates*.
- Important changes regarding the connection process starting with 1 January 2021:
 - the connection agreement 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 installation remains the property of the user, and the distribution operator (DSO) is obliged to operate them, to maintain them and to use them later for the connection of other users, based on an in-service agreement;
 - DSO will finance and purchase from their own sources both the meters and the fully equipped measuring and protection blocks (MPB);
 - the terms related to the connection process are reduced.
- ANRE approved **Order no. 159/2020** amending and supplementing the *Methodology for evaluating the financing conditions for investments for the electrification of localities or for the extension of electricity distribution networks* approved by Order no. 36/2019:

- the possibility of requesting directly the DSO by a single user, or a group of users natural/legal persons, the development of the electricity distribution network, the elimination of the obligation to carry out the zonal urbanistic plan by the local public authority;
- the concessionaire DSO co-finances the works to be developed within the efficient quota established by the Methodology.
- ANRE approved the **Order no. 205/28 October 2020** the *Procedure regarding the connection to the public interest electricity networks of the consumption places belonging to the non-household end users through connection installations with lengths up to 2,500 meters*:
 - the design and execution costs of the connection installation of the consumption places owned by them, with a length of up to 2,500 meters, are supported by DSO;
 - the deadline for the completion of the connection activities of the respective consumption places imposed by the Law is 90 days from the date of obtaining the agreement/authorization for the connection installation, including its reception and commissioning;
 - users are obliged, until the date of the contract conclusion for the execution of the connection installation by the DSO, to complete the user installation (the objective at the consumption place) and to submit the file of the user installation prepared by its executor;
 - the DSO costs with the realization of the connection installations will be recognized in the distribution tariffs;
 - the non-household user concludes a connection contract with the DSO by which he undertakes to use the consumption place and to keep its destination for a period of 5 years from the commissioning of the connection installation;
 - if the non-household customer does not comply with the provisions assumed by the contract, he is obliged to return the DSO the value of the design and execution of the connection installation, in proportion to the period left unused;
 - for the purposes of the above, ANRE required the establishment of a financial guarantee in case of connection of a consumption place with an installed capacity of more than 1 MW/approval of a consumption power increase leading to an approved power of more than 1 MW, submitted by the applicant in favor of the distribution operator who will execute the guarantee in case of non-compliance with the obligations assumed by the non-household final customer;
 - the procedure applies to users who have submitted requests for connection to the DSO after 30 July 2020 and for whom no connection contracts have been concluded.
- ANRE approved the **Order no. 184/21 October 2020** for 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 managers in the case of national highways and roads;
 - 50% is co-financed by DSO if the administrator is 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 change without the DSO consent;

- new procedure regarding the prosumers' connection to the electricity networks.
- ANRE approved **Order no. 165/2020** amending and supplementing Order no. 226/2018:
 - the value of the installed power for a prosumer is changed from 27kW to 100kW.

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 injured 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 deleted.
- On 11 January 2020, **Law no. 7** 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 for the execution construction works, referring to the authorization of the connections/connection installations.
- On 24 July 2020, **Law no. 155** was approved for amending and supplementing Law no. 123/2012:
 - **Licenses** - the situations in which the distribution service can be provided without a license are defined; the concessionaire DSO has the right to refuse the agreement for granting the license, only conditioned by the connection in advantageous technical and economic conditions for the applicant. The distribution of electricity is made by the DSO, the legal person, license holder or exempted from licensing.
 - **Networks takeover** - DSO has the obligation to take over in 120 days the capacity of a third party at the value established by an independent expert; the refusal of DSO to take over is sanctioned with a fine that can be included in the value range: 5-10% of turnover;
 - **Non-domestic connections with lengths < 2500 m** - DSO has the obligation to ensure the financing and realization in 90 days of the connections of non-domestic clients, with a length below 2500 m;
 - **Carrying out public purchases according to the Methodology approved by ANRE** - by derogation from the legal provisions regarding the purchases and the realization of purchases according to the regulations approved by ANRE;
 - **Thefts** - in case of theft, DSO interrupts the supply immediately if there is no supply contract, or after a court decision if there is a supply contract;
 - **Contraventions** - numerous fines calculated as a percentage applied to the value of turnover, for non-compliance with the license and connection provisions.

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 has such a 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 markets, either directly or by aggregation, in a non-discriminatory way.
- 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:

15 minutes settlement

- **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* (comes into force on 1 January 2021); until then, each DSO must comply with the measures approved by the Program.

Operation of the electricity market

- **Order no. 61/2020** for the *approval of regulations regarding the functioning of the energy market* (into force on 1 September 2020) establishes the minimum and maximum technical price limits between which it must fall, thus eliminating the price gap between DAM and BM:
 - the regulation of the functioning and settlement of the balancing market;
 - regulation of calculation and settlement of the imbalances of balance responsible parties;
 - the regulation for programming dispatchable production units, dispatchable consumers and dispatchable storage facilities.
- ANRE submitted for public debate the regulation for the calculation and settlement of price on BM - single imbalance price that introduces settlement based on the single imbalance price - in force from 1 November 2020 for a transitional period in parallel with Order no. 61/2020, and from 1 January 2021 the Annex 3 of Order no. 61/2020 will be repealed;
- **Order no. 64/2020** for the approval of *the Regulation for the conclusion of the electricity bilateral contracts by extended auction and the use of products that ensure the flexibility of the transaction* (use of a formula for adjusting the price of the agreement according to the evolution of a public stock index in the field of electricity; percentage of variation by a maximum of 25% of the hourly quantity compared to the value provided in the offer);
- ANRE submitted for public debate the procedure for determining the measured values per settlement interval of the network losses in electricity distribution networks - elimination of the **hourly** term regarding the settlement interval and replacement with the general term of **settlement interval (SI)**.

■ Investments

At the end of the first 9 months of 2020, the three distribution companies of Electrica group realized and commissioned investments amounting to RON 345.5 mn, representing 57% 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 334.1 mn in the first category and RON 11.4 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 nine months 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 September 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. 394/2020** 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, by another 30 days (starting with 17 July 2020) by Government Decision no. 553/2020, with another 30 days (starting 16 August 2020) by Government Decision no. 668/2020, with another 30 days (starting 15 September 2020) by Government Decision no. 782/2020 and with another 30 days (starting 15 October 2020) by Government Decision no. 856/2020;
- **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.

- **GEO no. 106/2020** *for amending and supplementing the electricity and natural gas law no. 123/2012:*
 - the natural gas supplier has the obligation to purchase the natural gas it supplies to household customers, in conditions of minimizing the cost of allocated resources, based on its own procedures developed taking into account the new provisions on the supply on centralized markets, to ensure transparency of the natural gas purchasing process and, at the same time, the equal and non-discriminatory treatment of the persons participating as bidders in the natural gas purchasing procedure;
 - natural gas suppliers will set up single points of contact, physical or virtual, to provide final customers with adequate means of information on their rights, the legislation in force, the ways of resolving disputes in case of requests, complaints, notifications or appeals, including information on the average purchase prices of natural gas supplied, for all categories of consumers. These points of single contact can be part of the general consumer information points and provide final customers with information free of charge → the obligation for natural gas suppliers to set up points of single contact (consisting of a central point coordinating the points of contact) is eliminated. regional/local information) located at a maximum distance of 50 km from the place of consumption in the case of household customers;
 - the notion of virtual points of contact is introduced.
- **Law no. 155/2020** *for the amendment and completion of the Law on electricity and natural gas no. 123/2012*
 - prosumers who own units of electricity production from renewable sources with an installed capacity of no more than 100 kW per consumption place (compared to 27 kW, before the change) can sell the electricity produced and inserted in the electricity network to the electricity suppliers with whom they have concluded electricity supply agreements;
 - prosumers, natural and legal persons and local government authorities who own power plants producing electricity from renewable sources, as well as natural or legal persons who own units of electricity production from renewable sources are exempted from the quarterly and annual obligation of green certificates purchase, for the electricity produced and used for its own final consumption, other than its own network losses of the power plant;
 - electricity producers and public authorities that own power plants from renewable energy sources with installed capacities of up to 3 MW per producer may conclude directly negotiated contracts, only for the energy from these plants, only with final consumer suppliers for the sale of electricity and/or green certificates;
 - until 30 June 2021, the selling price of natural gas to household customers and producers of thermal energy (only for the volume of natural gas used to produce thermal energy in cogeneration plants and thermal power plants for consumption) is determined taking into account free market conditions, from the unit cost of natural gas from which the quantities of natural gas from import and storage are excluded. If the suppliers will apply to the unit cost of gas a cost higher than the real purchase cost, the amount resulting from the difference between the real purchase price and the regulated price for producers of RON 68/MWh is divided in the following proportions: 10 % remains at the supplier and 90% is collected from the state budget in a special account and is used exclusively for the protection of vulnerable customers. The calculations are made monthly, for the previous month.

b. Secondary legislation

- **ANRE Order no. 1/2020** *regarding the approval of tariffs and monetary contributions charged by ANRE in 2020* - following the GEO no. 1/2020, the responsibility for establishing the values of the contributions due to ANRE reverted to ANRE;

- **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 FUI;
 - at EFSA, the coverage degree 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.

- **ANRE Order no. 143/17 July 2020** regarding the obligation to offer natural gas on the centralized markets of natural gas producers whose annual production of the previous year exceeds 3,000,000 MWh:
 - setting the period 1 July 2020 – 31 December 2022 in which the natural gas producers whose annual production achieved in the previous year exceeds 3 TWh have the obligation to offer the sale of quantities of natural gas, with delivery between 1 July 2020 – 31 December 2022;
 - the mandatory annual offer quota of 40% and its breakdown on standardized products, set on time periods.
- **ANRE Order no. 144/17 July 2020** regarding the obligation of the participants in the natural gas market to offer on the centralized markets:
 - the obligation to offer, as a seller, by applying a percentage of 40% to the volume of natural gas for which the participant in the natural gas market, as a seller, concludes sale - purchase contracts on the wholesale market, starting with 1 July 2020, except for volumes related to the transactions performed on the centralized markets which are delivered in the respective year;
 - the obligation to offer, as a buyer, by applying a percentage of 40% to the quantity of natural gas for which the participant in the natural gas market, as a buyer, concludes sale - purchase contracts starting with 1 July 2020 on the wholesale market, except for transactions on centralized markets, with delivery in the respective year.
- **ANRE Order no. 150/2020** for the approval of the Regulation on the organized trading framework on the centralized natural gas markets managed by OPCOM:
 - establishes an organized, alternative, centralized, transparent, objective and non-discriminatory framework for the competitive trading of natural gas within the centralized natural gas markets managed by OPCOM;
 - offers the following types of centralized natural gas markets:
 1. Markets of short-term standardized products: **A.** IM-NG (intraday market for natural gas); **B.** DAM-NG (day ahead market of natural gas);
 2. Medium and long term standardized product markets: **A.** CMNG-AN (centralized market for bilateral natural gas contracts - auction and negotiation); **B.** CMNG-PA (centralized market of bilateral natural gas contracts - public auction); **C.** CMNG - OTC (centralized market for bilateral natural gas contracts - OTC);
 3. Medium and long term flexible products market - FPM-LT.
- **ANRE Order no. 151/2020** for the approval of the Regulation on the organized trading framework on the centralized natural gas market administered by TRADEX PLATFORM:
 - establishes the rules for trading products on the centralized natural gas market administered by TRADEX PLATFORM.
 - the market has the following segments:
 1. The short-term standardized products market;
 2. The market of standardized products on medium and long term;
 3. The market for flexible products in the medium and long term.
- **ANRE Order no. 161/2020** for the amendment of the Regulation on the manner of concluding bilateral electricity contracts by extended auction and the use of products to ensure trading flexibility, approved by ANRE Order no. 64/2020 - modifies the CMBC-EA-flex trading method, introducing the possibility to modify the hourly quantity delivered by 100% for renewable energy producers;

- **ANRE Order no. 171/2020** *for the approval of the conditions for the supply of electricity by the supplier of last resort (SoLR):*
 - starting with 1 January 2021, the prices of **household customers** supplied at regulated tariffs until 31 December 2020 are established by SoLR, for each network area, on competitive criteria, without ANRE approval;
 - the prices for the **non-household customers** benefiting from universal service (US) are established by SoLR, for each network area, on competitive criteria;
 - for **inactive non-household customers** of SoLR (which do not benefit from US) the agreements remain in force until 31 December 2021. Until that date, it is necessary to conclude agreements in a competitive regime with this category of clients, at negotiated prices;
 - SoLR have the obligation to publish on their website the price applicable to US beneficiaries (household and non-household) and inactive non-household, broken down by components (supply price, regulated network tariffs), as well as their application period.
- **ANRE Order no. 173/2020** *approving the Regulation on the supply of natural gas as a last resort:*
 - at least three SoLR of natural gas are designated at national level, in compliance with some eligibility conditions;
 - the takeover period: three months from the takeover date in the case of final customers with an annual consumption less than or equal to 28,000 MWh and one month from the takeover date in the case of final customers with an annual consumption higher than 28,000 MWh;
 - the supply cost and the profit are established by SoLR, and the purchase cost must not exceed by more than 10% the weighted average purchase price from DAM.
- **ANRE Order no. 187/2020** *for the amendment and completion of some ANRE Orders in the field of energy and for the abrogation of ANRE Order no. 14/2020 on the approval of the Methodology for establishing the unit income related to the regulated Supply activity and the approval of regulated prices in the natural gas sector:*
 - concluding the supply contract - the customers who do not hold property deeds on the buildings can also conclude supply contracts, based on a declaration on their own responsibility, for a limited period;
 - the obligation of the suppliers to return to the clients the amount paid additionally, if after the regularization the amount exceeds RON 100.
- **ANRE Order no. 188/2020** *for the approval of the Regulation for the electricity SoLR designation:*
 - the notion of bound SoLR and optional SoLR disappears. The designation of a supplier as SoLR is made at national level and not on network areas, as provided in the current regulation. SoLRs are appointed for an indefinite period, starting with 1 January 2021;
 - for the SoLR designation, the eligibility criterion based on serving a number of at least 2,000 consumption places at national level no longer applies - any supplier can become SoLR;
 - ANRE will designate at national level at least 5 FUI, either at the request of the designation sent by the supplier, or by organizing a selection process in the situation where there are not at least 5 requests;
 - SoLR will have the possibility to establish prices for the clients benefiting from US (Universal Service) (household and non-household) and prices for taking over in last resort regime, different for each network area separately. However, it is mandatory for each SoLR to publish offers for all network areas;
 - the criterion of taking over in last resort regime will be the "lowest cost", regardless of whether they are household or non-household clients. The lowest cost is established by ANRE monthly, for each network area, by consulting the offers published by SoLR on their own internet pages.

Orders issued by ANRE regarding the licenses in the field of electricity and natural gas:

- **ANRE Order no. 196/2020** *approving the General Conditions associated with the license for the aggregation activity: the conditions necessary to perform the aggregation activity are defined;*
- **ANRE Order no. 197/2020** *on amending and supplementing the Regulation for granting licenses and authorizations in the electricity sector, approved by ANRE Order no. 12/2015: enables the storage of electricity and facilitates the aggregation of distributed demand and offer of electricity, in the form of licensing these activities;*
- **ANRE Order no. 198/2020** *regarding the amendment and completion of ANRE Order no. 80/2013 for the approval of the General Conditions associated with the establishment authorization and the General Conditions associated with the license for the commercial exploitation of the electricity production capacities, and as the case may be, of the thermal energy produced in cogeneration: if the storage installation is installed within an existing production capacity, the license for commercial exploitation of the production capacity is modified in the sense of adding storage equipment; for the commercial operation of energy storage installations, which are not added to some energy production capacity, a separate license is granted;*
- **ANRE Order no. 199/2020** *for the approval of the Regulation for granting authorizations and licenses in the natural gas sector: provisions are included regarding hydrogen production facilities;*
- **ANRE Order no. 200/2020** *approving the framework conditions for validity associated with the establishment authorization for new hydrogen production installations;*
- **ANRE Order no. 201/2020** *approving the framework conditions for validity associated with the commercial exploitation license of the new hydrogen production installations.*

2.2. Summary of financial indicators

A summary of the main financial indicators is presented below:

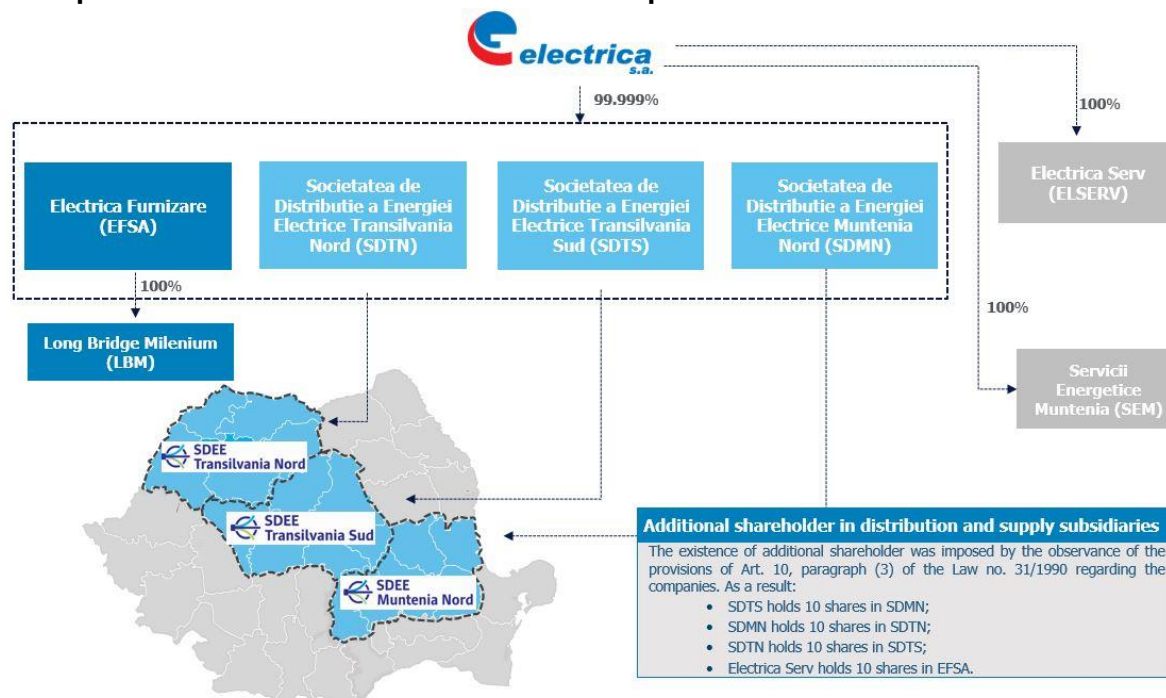
- In the nine month period ended 30 September 2020, EBITDA increased to RON 829.3 mn, by RON 279.8 mn, as compared with the same period of 2019;
- The capital expenses in the first nine months of 2020 were of RON 416.5 mn, decreasing by approx. 22.1%, compared to RON 534.6 mn cumulated at the end of 9M 2019, in line with the annual evolution of the approved investment plans;
- The operating profit as of 9M 2020 is of RON 461.3 mn, posting a significant increase as compared with the same period of the previous year, when the Group recorded an operating profit of RON 193.7 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; also, a significant contribution in the third quarter had the recognition of income from the reversal of the impairment adjustments for uncollected VAT related to uncertain receivables from Oltchim, following the VAT adjustment;
- The cost of electricity purchased decreased by RON 56.5 mn, or 2.0%, to RON 2,774.2 mn in the nine month period ended 30 September 2020, compared to RON 2,830.7 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 42.4 mn, or 2.1%, to RON 2,023.1 mn (out of which RON 1,092.6 mn external revenues), compared to 9M 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 22.9%;
- In 9M 2020, the revenue from the electricity supply segment increased by RON 151.2 mn y-o-y, or 4.3%, to RON 3,683.1 mn (out of which RON 3,658.3 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 76.6%.

3. Organizational Structure

3.1. Group Structure

As of 30 September 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 September 2020:



Source: Electrica

Presentation of Group subsidiaries

Subsidiary	Activity	Registration code	Headquarters	% shareholdings as of 30 September 2020	% shareholdings as of 31 December 2019
Societatea de Distributie a Energiei Electrice Muntenia Nord SA (SDMN)	Electricity distribution in North Muntenia geographical area	14506181	Ploiesti	99.9999679033583%	99.9999719027621%
Societatea de Distributie a Energiei Electrice Transilvania Nord SA (SDTN)	Electricity distribution in Northern Transylvania geographical area	14476722	Cluj-Napoca	99.9999733405763%	99.9999731116341%
Societatea de Distributie 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 (ELSERV)	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%

Subsidiary		Activity	Registration code	Headquarters	% shareholdings as of 30 September 2020	% shareholdings as of 31 December 2019
Long Milenium (LBM)	Bridge S.R.L.	Production of electricity	19157481	Bucharest	100%*	n/a

Source: Electrica

**indirect holding - Long Bridge Milenium is 100% held by Electrica Furnizare*

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.

Regarding the electricity production segment, it's represented by the new Electrica Group subsidiary, LBM, which owns a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW).

3.2. Key information by segments

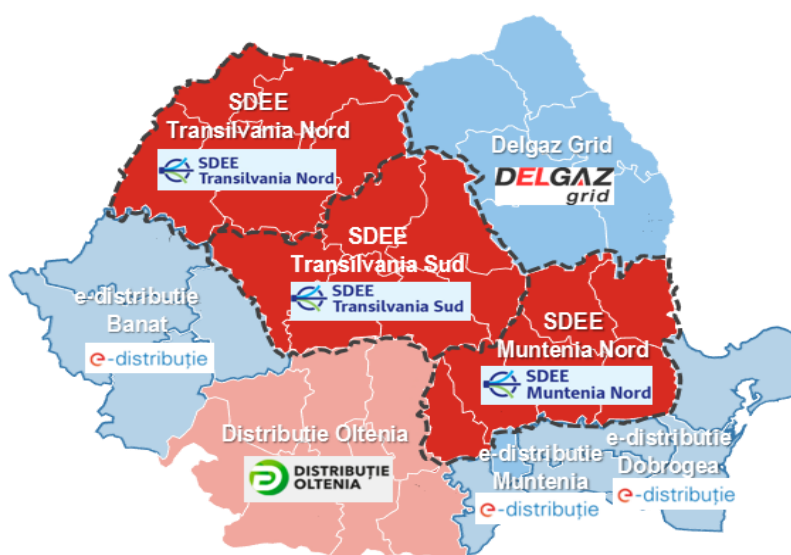
SUPPLY SEGMENT

Market data (according to ANRE Report for August 2020)

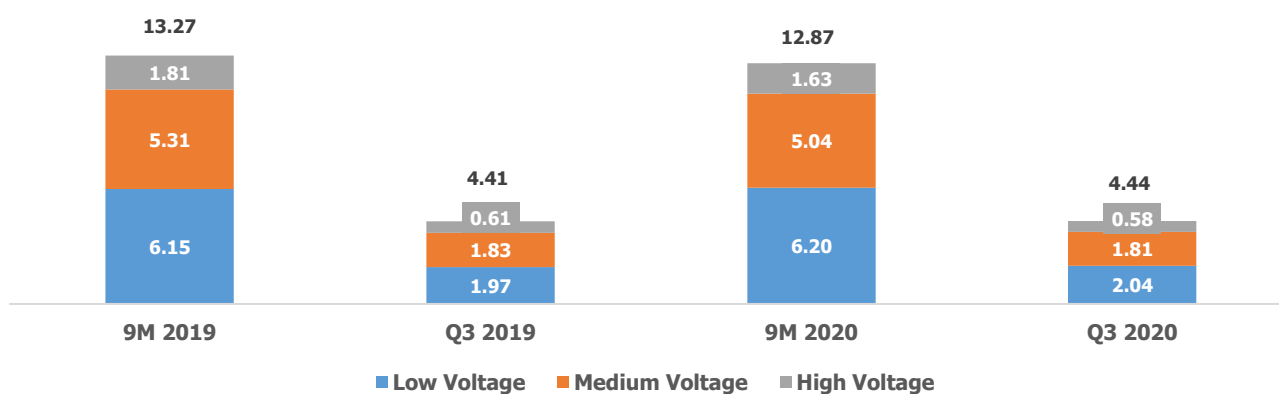
- The supply market comprises both the competitive segment and the regulated segment
- The regulated segment comprises five suppliers of last resort, while the competitive market segment comprises 88 suppliers (including those of last resort active in the retail market competitive segment, of which 79 are relatively small - less than 4% market share)
- EFSA has a market share of 19.47%; is the market leader on the regulated market, with a market share of 54.20%, while for the competitive market has a share of 11.06%. 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 9M 2020, the Group supplied 6.8 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 0.5% y-o-y.

DISTRIBUTION SEGMENT**Information for the period ended 30 September 2020**

- The estimated Regulated Assets Base (RAB) at the end of 9M 2020 was RON 5.6 bn
- 199,898 km of electric lines – 7,598 km for High Voltage (“HV”), 46,295 km for Medium Voltage (“MV”) and 146,004 km for Low Voltage (“LV”)
- Total area covered: 97,196 km², 40.7% of Romania’s territory
- 3.8 mn users at the end of 9M 2020 for the distribution activity
- 12.87 TWh of electricity distributed in 9M 2020, a decrease of 3% as compared to 9M 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 September 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	133,597,805	38.5626%	133,597,805	39.3452%
Individual persons	15,812,796	4.5643%	15,812,796	4.6569%
TOTAL	346,443,597	100.0000%	339,553,004	100.0000%

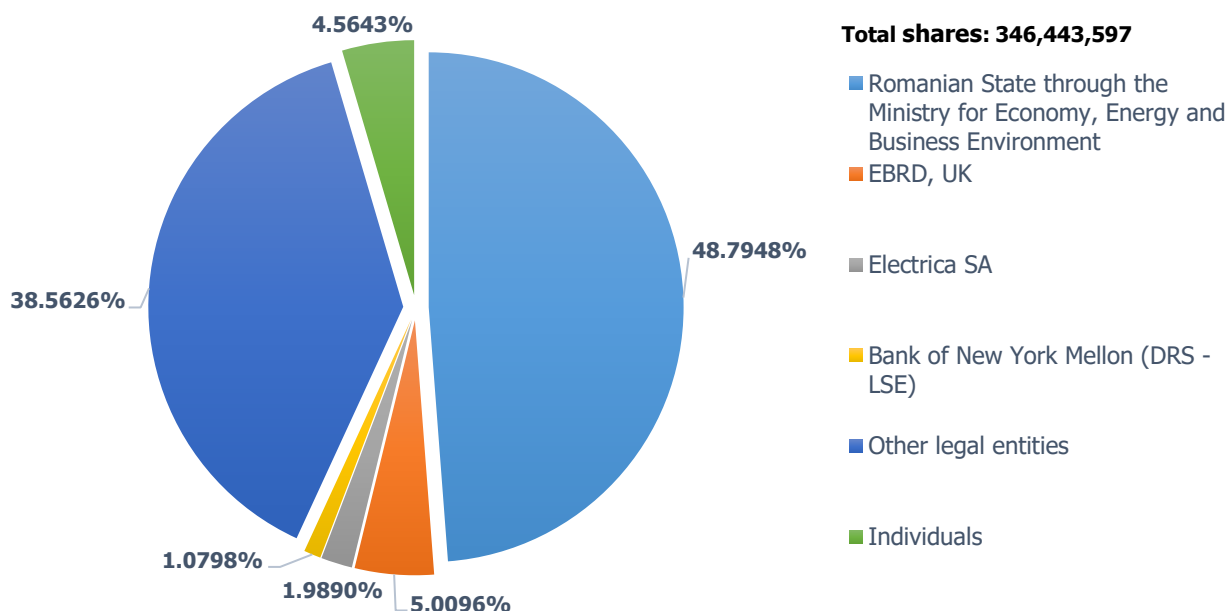
Source: Central Depository, Electrica

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 September 2020



Source: Electrica

5. Operational Results

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

Indicator	30 September 2020 (not reviewed or audited)	30 September 2019 (not reviewed or audited)	Variation (%)
Revenues	4,776.5	4,607.5	3.7%
Other income	118.4	115.8	2.3%
Electricity and natural gas purchased	(2,774.2)	(2,830.7)	-2.0%
Construction costs related to concession agreements	(494.8)	(515.2)	-4.0%
Employee benefits	(565.5)	(484.9)	16.6%
Repairs, maintenance and materials	(70.1)	(70.9)	-1.1%
Depreciation and amortization	(367.2)	(358.4)	2.5%
Reversal of impairment for trade and other receivables	69.8	1.4	4,952.6%
Gain from bargain purchase of subsidiaries	7.6	-	-
Other operating expenses	(239.1)	(270.9)	-11.7%
Operating profit	461.3	193.7	138.2%
Finance income	7.8	10.4	-24.8%
Finance costs	(18.4)	(9.4)	95.3%
Net finance (cost)/income	(10.6)	0.9	-
Profit before tax	450.6	194.6	131.6%
Income tax expense	(54.5)	(33.7)	61.7%
Profit for the period	396.2	160.9	146.2%

Source: Electrica

Key financial indicators for the period ended 30 September 2020:

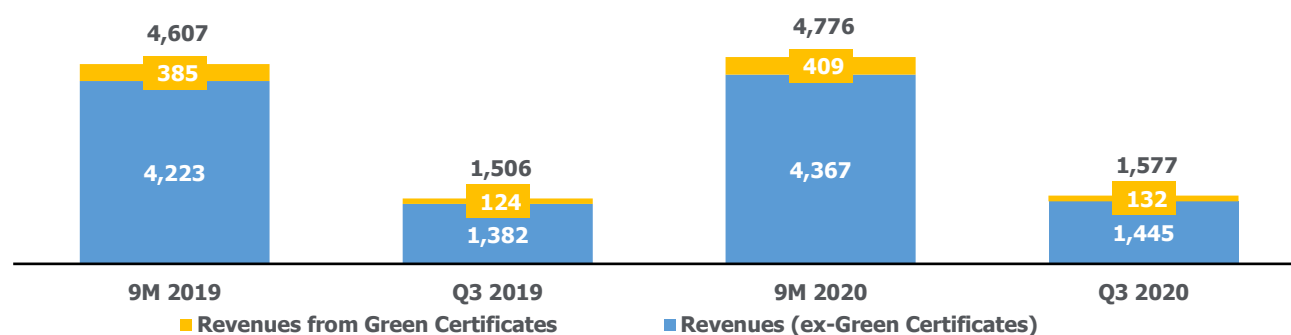
- **Revenues: RON 4.8 bn**, a 3.7% increase as compared with 9M 2019;
- **EBITDA: RON 829.3 mn**, a RON 279.8 mn increase compared to same period of last year;
- **EBIT: RON 461.3 mn**, a RON 267.6 mn increase compared to 9M 2019;
- **EBT: RON 450.6 mn**, a RON 256.1 mn y-o-y increase;
- **Net result: profit of RON 396.2 mn**, a RON 235.3 mn y-o-y increase.

Revenues and other income

Electrica's revenues and other income in the nine month period ending 30 September 2020 and 30 September 2019 amounted to RON 4,894.9 mn and RON 4,723.2 mn, respectively, representing an increase of approx. RON 171.6 mn, or 3.6%; the variation is generated mainly by the revenues' evolution, the other operating income recording an increase of approx. RON 2.6 mn.

Revenues

Figure 5: Revenue for Q3/9M 2020 and comparative information (RON mn)



Source: Electrica

The revenues increased by RON 169 mn, or 3.7%, being the net effect of the following main factors:

- increase of RON 151.2 mn on the supply segment;
- RON 42.4 mn increase of the distribution segment's revenues;
- external revenue (outside the Group): the Group's revenues towards third parties decreased by RON 25.3 mn, having an unfavorable impact.

During the nine month period ended 30 September 2020, revenues from the electricity distribution segment increased by approx. RON 42.4 mn, or 2.1%, to RON 2,023.1 mn, from RON 1,980.7 mn in the same period of the previous year, as a result of the following factors:

- favorable impact of approx. RON 54.8 mn, from the increase of distribution tariffs, compared to 9M 2019, which covers the negative effect generated by the reduction of the distributed electricity quantity;
- negative 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 decreasing in 9M 2020 by RON 15.9 mn, compared to the same period last year.

Regarding the supply segment, the revenue from the electricity supply increased by RON 151.2 mn, or 4.3%, to RON 3,683.1 mn, from RON 3,531.9 mn in 9M 2019.

The variation of the supply segment revenue is mainly driven by the net effect between the 3.2% retail sale price increase and the 0.5% 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 nine month period ending 30 September 2019 to RON 62.7/MWh in the nine month period ending 30 September 2020.

Electricity purchased

In the first nine months of 2020, the expense for electricity purchased decreased by RON 56.5 mn, or 2%, to RON 2,774.2 mn, from RON 2,830.7 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:

Nine month period ending 30 September (RON mn)	2020	2019
Electricity purchased to cover network losses	470.8	464.3
Electricity purchased for supply	1,689.4	1,785.0
Transmission and system services related to supply activity	204.9	196.4
Green Certificates	409.0	385.0
Total electricity purchased	2,774.2	2,830.7

Source: Electrica

The cost of the electricity purchased for supply (including transmission and system services) decreased by RON 63 mn, or 2.7%, to RON 2,303.4 mn in 9M 2020, from RON 2,366.4 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 actual 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 nine month period ended at 30 September 2020, the cost of GC increased by RON 24.1 mn, or 6.3%, to RON 409 mn, from RON 385 mn in the same period of the prior year.

The increase was mainly influenced by:

- higher supplied volumes, for which there is an obligation to purchase green certificates, by 0.5% (negative impact of RON 2.1 mn);
- 1.98% increase in the average purchase price from RON 136.5/GC in the nine-month period ended at 30 September 2019 to RON 139.2/GC in the nine-month period month ended at 30 September 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 the nine-month period ended at 30 September 2020 (negative impact of RON 23.5 mn);
- the regularization impact – positive variance of RON 1.5 mn, reflected in both revenue and expenses, therefore having no impact on the margin.

Regarding the distribution segment, in the nine month period ended 30 September 2020, the cost of the electricity purchased to cover network losses increased by RON 6.5 mn, or 1.4%, to RON 470.8 mn, from RON 464.3 mn, the evolution being mainly generated by the increase in the electricity purchase prices (negative effect of RON 15.1 mn), effect alleviated by the decrease in the quantity of electricity needed to cover network losses (positive impact of RON 8.6 mn).

Construction costs

In 9M 2020, the costs related to concession agreements decreased by RON 20.4 mn, or 4%, to RON 494.8 mn, from RON 515.2 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 80.6 mn, or 16.6%, to RON 565.5 mn in the nine month period ending 30 September 2020, from RON 484.9 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 9M 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 9M 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 decrease of RON 0.8 mn.

Impairment adjustments for trade receivables

In 9M 2020, the impairment adjustments for the depreciation of trade receivables had a net positive effect of RON 68.4 mn, reaching the value of RON 69.8 mn, from RON 1.4 mn, in 9M 2019. This evolution is generated mainly by:

- impairment adjustments for the depreciation of trade receivables, with a negative impact of approx. RON 50.1 mn, recognized as a result of the receivables' recoverability assessment, considering, among others, also the impact of COVID-19 on the customers' payment behaviour;
- positive impact of approx. RON 105 mn, following the reversal of the impairment adjustments for uncollected VAT related to the uncertain receivables from Oltechim; In the previous years, the Group recognized impairment adjustments for the total amount of receivables from Oltechim, and based on the decision to start their bankruptcy proceedings and on the provisions of the Fiscal Code, reversed the impairment adjustments related to uncollected VAT.

Gain from bargain purchase of subsidiaries

During the nine month period ended 30 September 2020, a gain from bargain purchase of subsidiaries of RON 7.6 mn was recognized. This gain relates to the acquisition of Long Bridge Milenium S.R.L. (LBM) shares, which owns a photovoltaic park in Stanesti, Giurgiu county; the completion of the transaction and the transfer of ownership of the shares to EFSA was made on 31 August 2020. The recognized gain represents the difference between the value paid at the transaction date and the assets and liabilities of LBM.

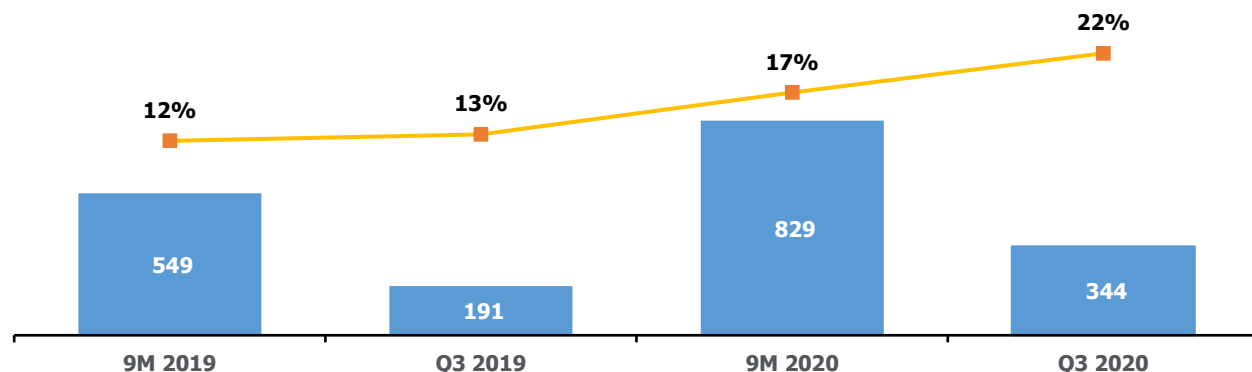
Other operating expenses

In the first nine months of 2020, the other operating expenses decreased by RON 31.8 mn, or 11.7%, to RON 239.1 mn, from RON 270.9 mn in the same period of 2019, mainly from:

- lower operating expenses by RON 41.2 mn, especially on the distribution segment;
- the unfavorable impact of the net movement in provisions, of RON 6.1 mn, since in 9M 2019 was recognized a revenue from the reversal of previously recorded provisions for potential fiscal obligations of the group; in 9M 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 3.5 mn in 9M 2020.

EBITDA and EBITDA margin

Figure 6: EBITDA and EBITDA margin for Q3/9M 2020 and comparative information (RON mn and %)

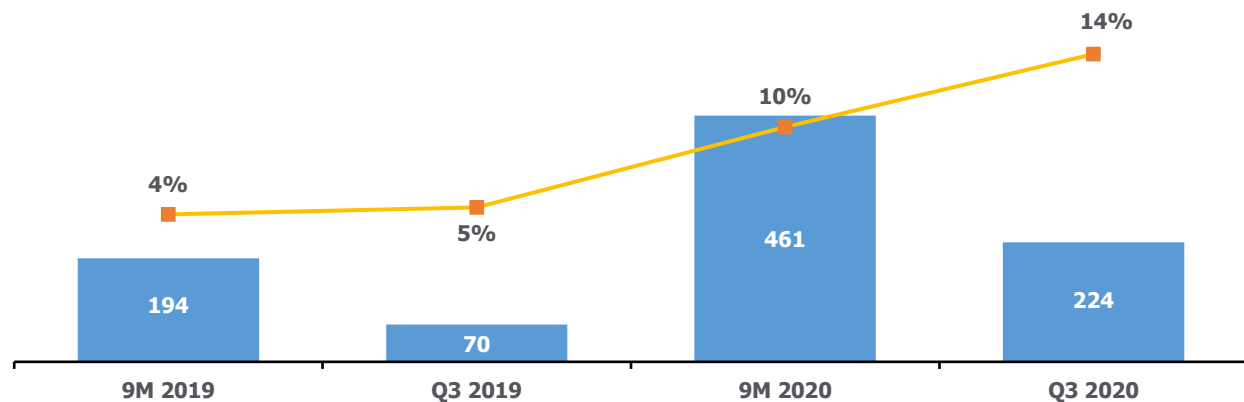


Source: Electrica

Operating result

The Group EBIT increased by approx. RON 267.6 mn y-o-y, adding to the EBITDA evolution mainly the impact of the depreciation and amortization, an increase of RON 8.9 mn, or 2.5%.

Figure 7: EBIT and EBIT margin for Q3/9M 2020 and comparative information (RON mn and %)



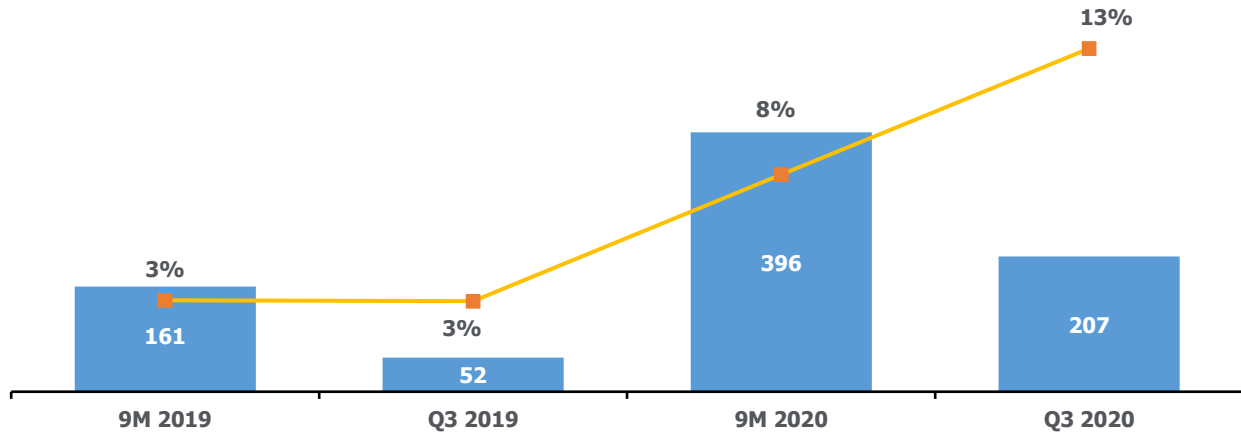
Source: Electrica

Net finance result

The net finance result at group level decreased by RON 11.6 mn in 9L 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 nine month period ended 30 September 2020, the net result increased by RON 235.3 mn, reaching a profit of RON 396.2 mn, from RON 160.9 mn in the comparative period.

Figure 8: Net profit and Net profit margin for Q3/9M 2020 and comparative information (RON mn and %)

Source: Electrica

6. Outlook

The first nine months of 2020 were 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 operates 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 1.9% on average, 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 their impact management.</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;
- after the merger of Electrica DSOs, zonal distribution tariffs are maintained until the end of PR4, calculated based on the forecasted costs and revenues approved at the beginning of PR4; the gross benefits realized as efficiency gains will be shared between the operator and the network users according to the methodology, and the expenses generated by the merger will not be recognized.

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;
- The amendments to the Law no. 123/2012 on electricity and natural gas, with subsequent amendments and completions, through GEO no. 1/2020, GEO no. 74/2020, GEO no. 106/2020 and Law no. 155/2020, having as main result the elimination of regulated tariffs starting with 1 January 2021.

7. 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 nine month periods ending 30 September 2020 and 30 September 2019 amounted to RON 416.5 mn and RON 534.6 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.

8. Statements

Based on the best available information, we confirm that the interim condensed consolidated financial statements not reviewed or audited for the nine month period ended 30 September 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. 67 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 13 to ASF Regulation no. 5/2018 for the nine month period ended 30 September 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

9. Annexes

9.1. Economic and financial indicators of Electrica Group as of 30 September 2020 according to Annex 13/ASF Regulation no. 5/2018

Indicator	Formula	Value
Current liquidity ratio	Current assets/Current liabilities	1.5
Capital Gearing Ratio	Debt/Equity * 100	11.5%
Trade receivables turnover	Average balance trade receivables/ Turnover * 270	50 days
Non-current asset turnover ratio	Turnover/Non-current assets	0.8



SOCIETATEA ENERGETICA ELECTRICA S.A.

Condensed Consolidated Interim Financial Statements

as at and for the nine month period ended

30 September 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 NINE MONTH
PERIOD ENDED 30 SEPTEMBER 2020
PREPARED IN ACCORDANCE WITH IAS 34 "INTERIM FINANCIAL REPORTING" AS ADOPTED BY THE EUROPEAN
UNION

Contents

Condensed consolidated statement of financial position	1
Condensed consolidated statement of profit or loss	3
Condensed consolidated statement of comprehensive income	5
Condensed consolidated statement of changes in equity	7
Condensed consolidated statement of cash flows	9

Notes to the condensed consolidated interim financial statements

1. Reporting entity and general information	11
2. Basis of accounting	15
3. Basis of measurement	16
4. Significant accounting policies	16
5. Operating segments	16
6. Revenue	21
7. Other income	22
8. Electricity and natural gas purchased	22
9. Earnings per share	22
10. Dividends	23
11. Income tax	23
12. Trade receivables	23
13. Cash and cash equivalents	24
14. Deposits with maturity date more than three months	25
15. Other payables	25
16. Long-term bank borrowings	25
17. Provisions	27
18. Financial instruments - fair values	27
19. Acquisition of subsidiary	27
20. Related parties	29
21. Contingent assets and liabilities	31
22. Subsequent events	33

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

AS AT 30 SEPTEMBER 2020

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

	Note	30 September 2020 (unaudited and not reviewed)	31 December 2019 (audited)
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		5,380,317	5,188,155
Other intangible assets		6,972	13,410
Property, plant and equipment		468,634	544,098
Restricted cash	13	320,000	320,000
Deferred tax assets		20,940	19,887
Other non-current assets		1,394	1,845
Right of use asset		20,726	35,034
Total non-current assets		6,218,983	6,122,429
Current assets			
Trade receivables	12	893,600	889,979
Other receivables		27,602	28,503
Cash and cash equivalents		524,235	607,506
Deposits with maturity date more than three months	14	-	66,471
Inventories		69,113	74,370
Prepayments		7,710	2,699
Current income tax receivable		5,387	8,288
Assets held for sale		15,119	17,027
Total current assets		1,542,766	1,694,843
Total assets		7,761,749	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		78,201	87,665
Legal reserves		371,833	371,833
Retained earnings		1,796,698	1,637,909
Total equity attributable to the owners of the Company		5,738,852	5,589,527
Total equity		5,738,852	5,589,527

(Continued on page 2)

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

AS AT 30 SEPTEMBER 2020

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

	Note	30 September 2020 (unaudited and not reviewed)	31 December 2019 (audited)
Liabilities			
Non-current liabilities			
Lease liability – long term		10,266	9,607
Deferred tax liabilities		179,034	168,138
Employee benefits		133,786	126,424
Other payables	15	33,992	36,775
Long-term bank borrowings	16	647,066	432,786
Total non-current liabilities		1,004,144	773,730
Current liabilities			
Financing for network construction related to concession agreements		-	1,008
Lease liability – short term		11,073	26,900
Bank overdrafts		116,011	350,624
Trade payables		593,386	730,455
Other payables	15	143,102	218,285
Deferred revenue		6,467	6,918
Employee benefits		65,157	87,857
Provisions	17	23,186	19,558
Current income tax liability		7,838	4,898
Current portion of long-term bank borrowings	16	52,533	7,512
Total current liabilities		1,018,753	1,454,015
Total liabilities		2,022,897	2,227,745
Total equity and liabilities		7,761,749	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

12 November 2020

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

	Note	Nine month period ended	
		30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Revenue	6	4,776,487	4,607,483
Other income	7	118,377	115,752
Electricity and natural gas purchased	8	(2,774,216)	(2,830,667)
Construction costs related to concession agreements		(494,769)	(515,192)
Employee benefits		(565,495)	(484,889)
Repairs, maintenance and materials		(70,136)	(70,933)
Depreciation and amortization		(367,218)	(358,362)
Reversal of impairment for trade and other receivables		69,776	1,381
Gain from bargain purchase of subsidiaries	19	7,569	-
Other operating expenses		(239,111)	(270,921)
Operating profit		461,264	193,652
Finance income		7,791	10,361
Finance costs		(18,407)	(9,423)
Net finance (cost)/income		(10,616)	938
Profit before tax		450,648	194,590
Income tax expense	11	(54,482)	(33,694)
Profit for the period		396,166	160,896
Profit for the period attributable to:			
- owners of the Company		396,166	160,896
Profit for the period		396,166	160,896
Earnings per share			
Basic and diluted earnings per share (RON)	9	1.17	0.47

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

12 November 2020

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

	Three month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Revenue	1,576,502	1,506,278
Other income	45,816	36,961
Electricity and natural gas purchased	(962,083)	(886,951)
Construction costs related to concession agreements	(134,671)	(164,127)
Employee benefits	(189,480)	(173,748)
Repairs, maintenance and materials	(22,297)	(23,654)
Depreciation and amortization	(120,017)	(117,473)
Reversal of impairment/(Impairment) for trade and other receivables	97,567	(2,822)
Gain from bargain purchase of subsidiaries	7,569	-
Other operating expenses	(74,909)	(104,577)
Operating profit	223,997	69,887
Finance income	1,680	3,199
Finance costs	(4,784)	(3,212)
Net finance (cost)/income	(3,104)	(13)
Profit before tax	220,893	69,874
Income tax expense	(14,253)	(17,764)
Profit for the period	206,640	52,110
Profit for the period attributable to:		
- owners of the Company	206,640	52,110
Profit for the period	206,640	52,110
Earnings per share		
Basic and diluted earnings per share (RON)	0.61	0.15

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

12 November 2020

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

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Profit for the period	396,166	160,896
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	395,433	160,896
Total comprehensive income attributable to:		
- owners of the Company	395,433	160,896
Total comprehensive income	395,433	160,896

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

12 November 2020

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

	Three month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Profit for the period	206,640	52,110
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of the defined benefit liability	-	-
Tax related to re-measurements of the defined benefit liability	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	206,640	52,110
Total comprehensive income attributable to:		
- owners of the Company	206,640	52,110
Total comprehensive income	206,640	52,110

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

12 November 2020

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

Note	Attributable to the owners of the Company							Total equity
	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	
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 (unaudited and not reviewed)	-	-	-	-	-	-	396,166	396,166
Other comprehensive income	-	-	-	-	-	-	(733)	(733)
Total comprehensive income (unaudited and not reviewed)	-	-	-	-	-	-	395,433	395,433
Transactions with owners of the Company (unaudited and not reviewed)								
Contributions and distributions								
Dividends to the owners of the Company	-	-	-	-	-	-	(246,108)	(246,108)
Total transactions with the owners of the Company (reviewed)	-	-	-	-	-	-	(246,108)	(246,108)
Other changes in equity (unaudited and not reviewed)								
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(9,464)	-	9,464	-
Balance at 30 September 2020 (unaudited and not reviewed)	3,464,436	103,049	(75,372)	7	78,201	371,833	1,796,698	5,738,852

(Continued on page 8)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 (unaudited and not reviewed)	-	-	-	-	-	-	160,896	160,896
Total comprehensive income (unaudited and not reviewed)	-	-	-	-	-	-	160,896	160,896
Transactions with owners of the Company (unaudited and not reviewed)								
Contributions and distributions								
Dividends to the owners of the Company	-	-	-	-	-	-	(247,506)	(247,506)
Total transactions with the owners of the Company (unaudited and not reviewed)	-	-	-	-	-	-	(247,506)	(247,506)
Other changes in equity (unaudited and not reviewed)								
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(12,754)	-	12,754	-
Balance at 30 September 2019 (unaudited and not reviewed)	3,459,399	103,049	(75,372)	5,144	95,950	352,038	1,601,623	5,541,831

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

12 November 2020

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

	Note	Nine month period ended	
		30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Cash flows from operating activities			
Profit for the period		396,166	160,896
Adjustments for:			
Depreciation		22,395	28,473
Amortisation		344,823	329,889
Impairment/ (Reversal of impairment) of property, plant and equipment and intangible assets, net		606	(2,861)
(Gain)/Loss on disposal of property, plant and equipment and intangible assets		(463)	4,116
(Reversal of impairment) of trade and other receivables, net	12	(69,776)	(1,381)
Impairment on assets held for sale		168	290
Change in provisions, net	17	3,628	(2,448)
Net finance cost/(income)		10,616	(938)
Gain from bargain acquisition of subsidiaries	19	(7,569)	-
Expense with corporate income tax	11	54,482	33,694
		755,076	549,730
Changes in:			
Trade receivables	12	59,238	(114,422)
Other receivables		3,650	30,419
Prepayments		(4,300)	(1,650)
Inventories		5,260	(9,239)
Trade payables		(69,753)	70,342
Other payables		(98,033)	17,876
Employee benefits		(16,071)	(20,297)
Deferred revenue		(451)	(133)
		634,616	522,626
Cash generated from operating activities			
Interest paid		(14,090)	(8,123)
Income tax paid		(43,467)	(7,015)
Net cash from operating activities		577,059	507,488

(Continued on page 10)

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

	Note	Nine month period ended	
		30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(4,751)	(5,741)
Payments for network construction related to concession agreements		(471,920)	(684,546)
Payments for purchase of other intangible assets		(783)	(5,325)
Proceeds from sale of property, plant and equipment		3,300	6,084
Payments for deposits with maturity of 3 months or longer	14	-	(384,116)
Proceeds from deposits with maturity of 3 months or longer	14	66,471	319,000
Interest received		7,273	9,687
Net cash effect from gain of control over the acquired subsidiary	19	5,577	-
Payment for acquisition of subsidiaries	19	(7,914)	-
Net cash used in investing activities		(402,747)	(744,957)
Cash flows from financing activities			
Proceeds from long term bank borrowings	16	251,024	58,721
Payment of lease liabilities		(23,518)	(29,626)
Dividends paid		(245,578)	(247,173)
Repayment of financing for network construction related to concession agreements		-	(9,709)
Payment of long term bank loans	16	(4,898)	-
Net cash used in financing activities		(22,970)	(227,787)
Net increase/(decrease) in cash and cash equivalents		151,342	(465,256)
Cash and cash equivalents at 1 January		256,882	546,758
Cash and cash equivalents at 30 September	13	408,224	81,502

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

12 November 2020

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 nine month period ended 30 September 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 September 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 September 2020 and 31 December 2019, the subsidiaries included in the consolidation perimeter are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 30 September 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%
Long Bridge Milenium S.R.L.	Electricity generation	19157481	Bucuresti	100%*	n/a

**indirect shareholding - Long Bridge Milenium S.R.L is 100% owned by the subsidiary Electrica Furnizare S.A.*

The main activities of the Group include operation and construction of electricity distribution networks and electricity and natural gas supply to final consumers as well as energy production from renewable sources. The Group is the electricity distribution operator and the main electricity supplier in Muntenia Nord area (Prahova, Buzau, Dambovita, 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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	162.47
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
Ordin 79,80,78/24.06.2019			
1 iulie-30 decembrie 2019			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.03	62.88	166.27
SDEE Transilvania Sud S.A.	21.21	62.88	167.72
SDEE Muntenia Nord S.A.	15.93	50.58	170.16
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% for new investments;
- For the period 13 May 2020 – 31 December 2020: 6.39% plus an incentive of 1% for new investments.

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

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 that was registered with the Trade Register Office of Bucharest Court and was published in the Official Gazette of Romania Part IV, no. 2303 from 8 July 2020.

On 21 August 2020, the Extraordinary General Meeting of the Shareholders of Electrica SA, as the shareholder of Servicii Energetice Muntenia S.A., approved the empowerment of the representative of Electrica SA to participate in the Extraordinary General Meeting of the Shareholders of Servicii Energetice Muntenia S.A. and to express a favourable vote regarding 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, 30 November 2020. Subsequently, on 25 August 2020, took place the Extraordinary General Meetings of the Shareholders of Servicii Energetice Muntenia S.A. and Electrica Serv S.A. regarding the approval of the merger by the companies involved in this process.

On 17 September 2020, the VI Civil Section of the Bucharest Court admitted the request of Electrica Serv S.A., as absorbing company, and the request of Servicii Energetice Muntenia S.A., as the absorbed company, and ascertained the legality of the merger process and approved the registration with the Trade Register of the corresponding merger mentions.

Therefore, the merger will produce its effects starting with the effective date, 30 November 2020, when Servicii Energetice Muntenia S.A., as the absorbed entity, will cease to exist, being dissolved without going into liquidation. Consequently, all of its assets and liabilities will be transferred through the effect of the merger by absorption to Electrica Serv S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of Electrica Serv S.A. in favour of the shareholder of the absorbed entity, namely Electrica SA.

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 was published in the Official Gazette of Romania Part IV no. 2351 from 10 July 2020.

On 21 August 2020, the Extraordinary General Meeting of the Shareholders of Electrica SA approved the empowerment of the representative of Electrica SA to participate in the Extraordinary General Meeting of the Shareholders of SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. and to express a favourable vote regarding the dissolution without liquidation and of the deregistration from the Trade Register and from the financial administration's records of the absorbed companies SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. starting with the effective date of the merger, in accordance with the Merger Project. Subsequently, on 26 August 2020, took place the Extraordinary General Meetings of the Shareholders of SDEE Transilvania Sud S.A., SDEE Transilvania Nord S.A. and SDEE Muntenia Nord S.A. regarding the approval of the merger by the companies involved in this process.

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

On 14 October 2020, the Cluj Specialized Cluj admitted the request of SDEE Transilvania Nord S.A., as absorbing company, and the request of SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as the absorbed companies, and ascertained the legality of the resolutions of the shareholders of the participating companies which approved the merger and approved the registration with the Trade Register of the shareholders decisions as well as of the revised Article of Incorporation updated as of 26 August 2020. Furthermore, the Court ordered the deregistration of the absorbed companies from the Trade Register.

Therefore, the merger will produce its effects starting with the effective date, 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities will cease to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities will be transferred through the effect of the merger by absorption to SDEE Transilvania Nord S.A., as the absorbing entity, as the absorbing entity, in exchange of the issuance of new shares in the share capital of SDEE Transilvania Nord S.A. in favour of the shareholder of the absorbed entities, namely Electrica SA.

Acquisition of a photovoltaic park

On 23 June 2020, Electrica Furnizare S.A. signed a sale purchase agreement for the acquisition of 100% Long Bridge Milenium SRL 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. took place on 31 August 2020, the purchase price of the shares being of 1,617,940 EUR. On 30 October 2020, the purchase price was adjusted in accordance with the purchase agreement based on the financial results of the acquired company as at 31 August 2020, the final price being 1,637,515 EUR. Amongst various elements of the transaction, Electrica Furnizare S.A. also took over the loans granted by the former shareholders of Long Bridge Milenium SRL to the acquired company, in amount of 3,817,749 EUR (for further details please refer to Note 19).

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 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 lead to an increase in the operating expenses, mainly for the purchase of protective equipment as well as sanitation services. For the nine month period ended 30 September 2020, these costs amount to RON 8,973 thousand. However, despite the unstable economic environment, through a close monitoring of

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

the financial performance on multiple tiers, the Group's financial performance maintained a positive trend as compared with the nine month period ended 30 September 2019, with improvements in profit, revenues and operating cash flows. Furthermore, the liquidity of the Group remained at a good level, with no difficulties in receivables collection and consequently payment of debts being noted. Therefore, based on the publicly available information and considering the 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 nine month period ended 30 September 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 12 November 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 as at and for the year ended 31 December 2019.

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

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)
Electricity generation	Production of electricity from renewable sources (photovoltaic panels)
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.

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

(b) Information about reportable segments

Nine month period ended 30 September 2020 (unaudited and not reviewed)	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
External revenues	3,658,296	1,092,638	1,652	23,901	-	4,776,487	-	4,776,487
Inter-segment revenue	24,793	930,503	-	108	-	955,404	(955,404)	-
Segment revenue	3,683,089	2,023,141	1,652	24,009	-	5,731,891	(955,404)	4,776,487
Segment profit/(loss) before tax	236,764	111,834	1,047	(1,773)	310,177	658,049	(207,401)	450,648
Net finance income/(cost)	3,410	(47,649)	(363)	(132)	249,088	204,354	(214,970)	(10,616)
Amortization and depreciation	(9,547)	(346,674)	(196)	(811)	(9,990)	(367,218)	-	(367,218)
Impairment of property, plant and equipment and intangible assets, net	-	1,297	-	-	(1,903)	(606)	-	(606)
Impairment of assets held for sale	-	(168)	-	-	-	(168)	-	(168)
EBITDA*	242,901	505,028	1,606	(830)	72,982	821,687	7,569	829,256
(Impairment)/Reversal of impairment of trade and other receivables, net	(24,329)	(4,434)	-	13	98,526	69,776	-	69,776
Segment net profit	201,087	90,522	960	825	310,173	603,567	(207,401)	396,166
Employee benefits	(85,378)	(445,821)	-	(12,296)	(22,000)	(565,495)	-	(565,495)
Capital expenditure	1,822	413,491	-	206	1,027	416,546	-	416,546
Nine month period ended 30 September 2019 (unaudited and not reviewed)								
External revenues	3,507,270	1,077,253	-	22,960	-	4,607,483	-	4,607,483
Inter-segment revenue	24,668	903,449	-	2,034	-	930,151	(930,151)	-
Segment revenue	3,531,938	1,980,702	-	24,994	-	5,537,634	(930,151)	4,607,483
Segment profit/(loss) before tax	104,807	89,708	-	(1,287)	254,249	447,477	(252,887)	194,590
Net finance income/(cost)	2,746	(35,499)	-	(173)	286,751	253,825	(252,887)	938
Amortization and depreciation	(11,215)	(329,586)	-	(1,114)	(16,447)	(358,362)	-	(358,362)
Reversal of impairment of property, plant and equipment and intangible assets, net	-	2,861	-	-	-	2,861	-	2,861
Impairment of assets held for sale	-	(290)	-	-	-	(290)	-	(290)
EBITDA*	113,276	452,222	-	-	(16,055)	549,443	-	549,443
Reversal of impairment/(Impairment) of trade and other receivables, net	10,022	(8,669)	-	28	-	1,381	-	1,381
Segment net profit/(loss)	83,909	76,846	-	(1,221)	254,249	413,783	(252,887)	160,896
Employee benefits	(57,429)	(395,288)	-	(11,970)	(20,202)	(484,889)	-	(484,889)
Capital expenditure	3,683	530,042	-	213	639	534,577	-	534,577

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

At 30 September 2020 (unaudited and not reviewed)	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
Segment assets	1,177,389	7,341,491	48,857	97,154	852,694	9,517,585	(1,755,836)	7,761,749
Trade and other receivables	843,049	482,995	95	6,348	294,744	1,627,231	(706,029)	921,202
Cash and cash equivalents	213,587	141,864	6,568	4,848	157,368	524,235	-	524,235
Restricted cash	-	-	-	-	320,000	320,000	-	320,000
Trade and other payables and short term and employee benefits	817,540	553,766	18,499	3,641	133,164	1,526,610	(690,973)	835,637
Bank overdrafts	-	116,011	-	-	-	116,011	-	116,011
Lease liability	1,560	17,900	-	373	1,506	21,339	-	21,339
Financing for network construction related to concession agreements and bank borrowings	-	687,443	12,156	-	-	699,599	-	699,599
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

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

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

Nine month period ended 30 September 2020 (unaudited and not reviewed)	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
External revenues	338,109	379,216	361,637	13,676	-	1,092,638
Inter-segment revenue	346,332	297,792	281,518	85,323	(80,462)	930,503
Segment revenue	684,441	677,008	643,155	98,999	(80,462)	2,023,141
Segment profit/(loss) before tax	40,960	44,945	28,940	(4,718)	1,707	111,834
Net finance (cost)/income	(16,262)	(15,885)	(16,609)	1,107	-	(47,649)
Amortization and depreciation	(101,687)	(114,273)	(111,761)	(20,660)	1,707	(346,674)
Impairment of property, plant and equipment and intangible assets, net	864	85	244	104	-	1,297
Impairment of assets held for sale	-	-	-	(168)	-	(168)
EBITDA*	158,045	175,018	157,066	14,899	-	505,028
(Impairment)/Reversal of impairment of trade and other receivables, net	(4,817)	(1,007)	1,042	348	-	(4,434)
Net profit/(loss)	31,689	37,832	23,903	(4,609)	1,707	90,522
Employee benefits	(139,982)	(138,423)	(140,444)	(26,972)	-	(445,821)
Capital expenditure	140,985	141,971	129,339	1,196	-	413,491
Nine month period ended 30 September 2019 (unaudited and not reviewed)						
External revenues	306,811	336,391	424,420	9,631	-	1,077,253
Inter-segment revenue	321,903	282,273	293,889	100,403	(95,019)	903,449
Segment revenue	628,714	618,664	718,309	110,034	(95,019)	1,980,702
Segment profit before tax	5,457	48,249	24,378	9,917	1,707	89,708
Net finance (cost)/income	(12,263)	(12,535)	(11,300)	599	-	(35,499)
Amortization and depreciation	(94,168)	(108,124)	(106,970)	(22,031)	1,707	(329,586)
Reversal of impairment of property, plant and equipment and intangible assets, net	2,545	-	265	51	-	2,861
Impairment of assets held for sale	-	-	-	(290)	-	(290)
EBITDA*	109,343	168,908	142,383	31,588	-	452,222
Impairment of trade and other receivables, net	(1,212)	(874)	(3,387)	(3,196)	-	(8,669)
Net (loss)/profit	(435)	40,605	21,509	13,460	1,707	76,846
Employee benefits	(124,547)	(119,410)	(127,165)	(24,166)	-	(395,288)
Capital expenditure	147,533	143,612	234,351	4,546	-	530,042

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

At 30 September 2020 (unaudited and not reviewed)	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
Segment assets	2,497,280	2,316,969	2,222,642	336,117	(31,517)	7,341,491
Trade and other receivables	154,906	130,843	137,099	86,736	(26,589)	482,995
Cash and cash equivalents	59,688	24,235	46,225	11,716	-	141,864
Trade and other payables and short term employee benefits	99,482	232,281	231,886	16,706	(26,589)	553,766
Bank overdrafts	16,545	68,270	31,196	-	-	116,011
Lease liability	2,006	2,402	1,760	11,732	-	17,900
Financing for network construction related to concession agreements and bank borrowings	214,055	202,518	270,870	-	-	687,443
At 31 December 2019 (audited)						
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.

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

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

	30 September 2020 (unaudited and not reviewed)	31 December 2019 (audited)
Total assets		
Total assets for reportable segments	9,517,585	9,165,632
Elimination of inter-segment assets	(1,776,776)	(1,368,247)
Unallocated amounts	20,940	19,887
Consolidated total assets	7,761,749	7,817,272
Trade and other receivables		
Trade and other receivables for reportable segments	1,627,231	1,216,981
Elimination of inter-segment trade and other receivables	(706,029)	(298,499)
Consolidated trade and other receivables	921,202	918,482
Trade and other payables and short term employee benefits		
Trade and other payables and short term employee benefits for reportable segments	1,526,610	1,344,183
Elimination of inter-segment trade and other payables and short term employee benefits	(690,973)	(270,811)
Consolidated trade and other payables and short term employee benefits	835,637	1,073,372

6 Revenue

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Electricity distribution and supply	4,183,857	3,993,666
Supply of natural gas	31,560	37,437
Construction revenue related to concession agreements	509,612	525,496
Repairs, maintenance and other services rendered	43,298	44,390
Re-connection fees	2,575	5,548
Proceeds from sale of green certificates	1,395	-
Sales of merchandise	4,190	946
Total	4,776,487	4,607,483

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 1,605 thousand (nine month period ended 30 September 2019: RON 1,566 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).

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

7 Other income

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Rental income	70,953	78,220
Late payment penalties from customers	16,585	15,257
Revenues from compensations	13,165	-
Revenues from notices	4,813	10,425
Other	12,861	11,850
Total	118,377	115,752

Revenues from compensations consist mainly of the amount of RON 8,839 thousand collected in September 2020 by Electrica SA from the National Agency for Fiscal Administration ("NAFA") as a result of final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions (please refer to Note 21). Furthermore, during the nine month period ended 30 September 2020, the supply subsidiary Electrica Furnizare SA benefited from the cancellation of ancillary fiscal obligations in the amount of RON 4,326 thousand as a result of the application of the facilities stipulated by the Ordinance no. 6/2019.

8 Electricity and natural gas purchased

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Electricity and natural gas purchased	2,774,216	2,830,667

The cost of electricity and natural gas purchased includes the cost of the green certificates purchased by the supply subsidiary in amount of RON 409,045 thousand (nine month period ended 30 September 2019: RON 384,972 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

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Profit for the period attributable to the owners of the Company	396,166	160,896
Profit attributable to Company's shareholders	396,166	160,896

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

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

outstanding ordinary shares and were deducted from the number of issued ordinary shares.

The weighted average number of outstanding ordinary shares (unaudited and not reviewed) as at 30 September 2020 is of 339,553,004 (30 September 2019: 339,049,336).

Earnings per share

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Basic and diluted earnings per share (RON)	1.17	0.47

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).

11 Income tax

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Current period tax expense	46,295	24,496
Deferred tax expense	8,187	9,198
Total income tax expense	54,482	33,694

12 Trade receivables

	30 September 2020 (unaudited and not reviewed)	31 December 2019 (audited)
Trade receivables, gross	1,845,868	1,912,119
Bad debt allowance	(952,268)	(1,022,140)
Total trade receivables, net	893,600	889,979

Receivables from related parties are disclosed in Note 20.

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

Bad debt allowance

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Balance as at 1 January (audited)	1,022,140	1,025,714
Impairment recognized	50,130	29,711
Impairment reversed	(119,132)	(31,092)
Amounts written off	(870)	(7,319)
Balance as at 30 September (unaudited and not reviewed)	952,268	1,017,014

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

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.

Oltchim (a state-controlled company) was an important customer of Electrica SA Until January 2012, when the Company transferred the contract to Electrica Furnizare S.A. In January 2013, Oltchim entered into insolvency procedures and subsequently in May 2019 started the bankruptcy procedures. Due to the uncertainties regarding the recoverability of the amounts owed by this customer, the Group recognized in prior years a bad debt allowance for the entire amount receivable. During September 2020, the Group adjusted the uncollected VAT in amount of RON 105,042 thousand related to the doubtful receivables from Oltchim, based on the sentence of starting the bankruptcy procedures and the provisions of art. 287 of the Fiscal Code, thus reversing the allowance for this amount.

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 September 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 50,130 thousand.

13 Cash and cash equivalents

	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Total cash and cash equivalents in the condensed consolidated statement of financial position	524,235	452,848
Overdrafts used for cash management purposes	(116,011)	(371,346)
Total cash and cash equivalents in the condensed consolidated statement of cash flows	408,224	81,502

As at 30 September 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 September 2020 is RON 320,000 thousand (30 September 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 September 2020 is of RON 116,011 thousand (30 September 2019: RON 371,346 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 7,030 thousand during the nine month period ended 30 September 2020 (nine month period ended 30 September 2019: RON 36,964 thousand).

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

14 Deposits with maturity date more than three months

	30 September 2020 (unaudited and not 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 September 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 September 2020 (unaudited and not reviewed)		31 December 2019 (audited)	
	Current	Non-current	Current	Non-current
VAT payable	21,434	-	107,546	-
Liabilities towards the State	14,882	-	10,478	-
Other liabilities	106,786	33,992	100,261	36,775
Total	143,102	33,992	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.

16 Long-term bank borrowings

Drawings, respectively takeovers and repayments during the nine month period ended 30 September 2020 were as follows:

	Currency	Interest rate	Maturity year	Amount (RON thousand)
Balance at 1 January 2020 (audited)				440,298
Drawings/takeovers of the borrowings during the period, out of which:				
BRD	RON	3.99%	2026	115,903
UniCredit Bank	RON	3.85%	2026	50,573
Banca Transilvania	RON	4.59%	2027	28,264
BCR	RON	ROBOR 3M+1%	2028	4,053
BRD	RON	3.85%	2028	27,928
BRD	RON	3.85%	2028	24,303
BCR	EUR	EURIBOR 6M+5.75%	2026	12,509
Total drawings/takeovers				263,533
Accumulated interest				623
Payment of interest				(38)
Exchange rate differences				81
Reimbursements, out of which:				
Banca Transilvania	RON	4.59%	2027	(4,464)
BCR	EUR	EURIBOR 6M+5.75%	2026	(434)
Balance at 30 September 2020 (unaudited and not reviewed)				699,599

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

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

Lender	Borrower	Balance at 30 September 2020 (unaudited and not 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.	120,536	96,751
UniCredit Bank	SDEE Transilvania Nord S.A.	60,590	9,432
BRD	SDEE Muntenia Nord S.A.	130,002	14,115
BRD	SDEE Transilvania Nord S.A.	27,959	-
BRD	SDEE Transilvania Sud S.A.	24,303	-
BCR	SDEE Muntenia Nord S.A.	4,053	-
BCR	Long Bridge Millenium	12,156	-
Total		699,599	440,298
Less: current portion of the long-term bank borrowings		(51,910)	(7,474)
Less: accumulated interest		(623)	(38)
Total long term borrowings, net of current portion		647,066	432,786

During the nine month period ended 30 September 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 September 2020, the outstanding balance is RON 27,959 thousand.
- 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 September 2020, the outstanding balance is RON 24,303 thousand.
- On 17 September 2020, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., as a borrower and Electrica SA as a guarantor, concluded with Banca Comerciala Romana S.A 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 155,000 thousand; Interest rate: ROBOR 3M+1% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 30 September 2020, the outstanding balance is RON 4,053 thousand.

Furthermore, during the nine month period ended 30 September 2020, as a consequence of the purchase of the photovoltaic park owned by Long Bridge Milenium SRL, the Group took over a loan agreement concluded by Long Bridge Milenium in 2013 with BCR. Main provisions are: Maximum loan amount: EUR 7,750 thousand; Interest rate: EURIBOR 6M+5.75% per annum; Reimbursements: quarterly instalments until 2026. As at 30 September 2020, the outstanding balance of the loan is RON 12,156 thousand.

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

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

17 Provisions

	Fiscal	Other	Provisions
Balance at 1 January 2020 (audited)	1,592	17,966	19,558
Provisions recognised	-	6,661	6,661
Provisions utilised	-	(33)	(33)
Provisions reversed	(392)	(2,608)	(3,000)
Balance at 30 September 2020 (unaudited and not reviewed)	1,200	21,986	23,186

As at 30 September 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 6,121 thousand (31 December 2019: RON 5,792 thousand) and for various claims and litigations involving the Group companies in amount of RON 17,065 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).

19 Acquisition of subsidiaries

On 23 June 2020, Electrica Furnizare S.A. signed a share purchase agreement for the acquisition of 100% of Long Bridge Milenium S.R.L. 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. took place on 31 August 2020, the purchase price of the shares being of 1,617,940 EUR. On 30 October 2020, the purchase price was adjusted in accordance with the purchase agreement based on the financial results of the acquired company as at 31 August 2020, the final price being 1,637,515 EUR.

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

Amongst various elements of the transaction, Electrica Furnizare S.A. also took over the loans granted by the former shareholders of Long Bridge Milenium SRL to the acquired company, in amount of 3,817,749 EUR.

The acquisition of Long Bridge Milenium will allow the Group to enter the renewable energy market having the main purpose of increasing the Group's profitability. From the acquisition date until 30 September 2020, Long Bridge Milenium S.R.L. had a contribution to the Group revenues in amount of Ron 1,652 thousand and to the Group profit of Ron 960 thousand.

For the acquisition of the share capital of Long Bridge Milenium, Electrica Furnizare S.A. paid on the date of completion of the transaction, respectively as at 31 August 2020, the amount of:

	31 August 2020 (RON thousand)
Purchase price of shares	7,914
Settlement of former shareholders loan	18,473
Total	26,387

The acquisition price was adjusted on 30 October 2020 by payment of an additional amount of EUR 19,575, up to the final price of 1,637,515 EUR. For the settlement of former shareholders loans, Electrica Furnizare S.A. paid the loans granted by the former shareholders of Long Bridge Milenium S.R.L. in amount of RON 18,473 thousand, the equivalent of the outstanding balance of EUR 3,817,749 at the transaction date.

The assets and liabilities of Long Bridge Milenium S.R.L. taken over in the consolidation perimeter at the date when the control was obtained by the Group (31 August 2020) were as follows:

	Long Bridge Milenium as at 31 August 2020
Property, plant and equipment	41,404
Other intangible assets	73
Trade and other receivables	253
Cash and cash equivalents	5,577
Other current assets	951
Total assets	48,258
Long-term bank borrowings	(12,509)
Deferred tax liability	(1,673)
Trade and other payables	(120)
Total liabilities	(14,302)
Gain from bargain purchase of subsidiaries	7,569

The gain from bargain purchase was recognised in the condensed consolidated statement of profit and loss for the nine month period ended 30 September 2020.

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

20 Related parties

(a) Main shareholders

As at 30 September 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

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Executive Management compensation	21,670	21,329

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:

	Nine month period ended	
	30 September 2020 (unaudited and not reviewed)	30 September 2019 (unaudited and not reviewed)
Members of the Board of Directors	2,117	2,152

(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)	
	Nine month period ended 30 September 2020 (unaudited and not reviewed)	Nine month period ended 30 September 2019 (unaudited and not reviewed)	30 September 2020 (unaudited and not reviewed)	31 December 2019 (audited)
Transelectrica	456,866	350,007	79,205	92,691
Hidroelectrica	373,650	279,694	30,430	26,835
Nuclearelectrica	351,430	289,675	57,334	29,987
Complexul Energetic Oltenia	196,734	244,443	40,284	36,269
OPCOM	180,539	431,265	6,114	4,164
Electrocentrale Bucuresti	78,839	82,508	-	1,285
ANRE	10,754	38,796	3,531	3,909
Others	2,778	2,660	534	2,536
Total	1,651,590	1,719,048	217,432	197,676

SOCIETATEA ENERGETICA ELECTRICA S.A.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

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
	Nine month period ended 30 September 2020 (unaudited and not reviewed)	30 September 2020 (unaudited and not reviewed)		
	C.N.C.F CFR	28,731	5,519	-
SNGN Romgaz	30,894	6,199	-	6,199
Transelectrica	20,377	1,661	-	1,661
OPCOM	46,283	4,284	-	4,284
CN Romarm	9,896	483	-	483
Hidroelectrica	7,314	775	-	775
CFR Electrificare	5,821	1,537	-	1,537
Municipiul Galati	4,227	1,511	-	1,511
Transgaz	3,645	425	-	425
C.N.F.R.NAVROM S.A.	1,908	-	-	-
CNAIR	1,565	-	-	-
Societatea Nationala a Apelor Minerale SA	1,244	-	-	-
CN Remin	444	71,194	(71,194)	-
CET Braila	4	3,362	(3,362)	-
Oltchim	-	565,484	(565,484)	-
C.N.C.A.F. MINVEST	-	26,802	(26,802)	-
Termoelectrica	-	1,201	(1,201)	-
Others	19,532	1,309	(563)	746
Total	181,885	691,746	(668,606)	23,140

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Nine month period ended 30 September 2019 (unaudited and not reviewed)	31 December 2019 (audited)		
	Transelectrica	24,090	3,347	-
OPCOM	19,944	4,343	-	4,343
SNGN Romgaz	10,635	1,445	-	1,445
CN Romarm	9,554	1,479	-	1,479
CNCF CFR	9,375	2,203	-	2,203
Hidroelectrica	8,583	1,840	-	1,840
CFR Electrificare	5,749	1,654	-	1,654
Cupru Min S.A. Abrud	5,525	-	-	-
CNAIR	2,847	-	-	-
CN Posta Romana	2,084	266	-	266
Transgaz	1,096	79	-	79
ANAR - Adm. Nat. Apele Romane	1,072	11	-	11
Baita S.A.	820	68	-	68
CN Remin	377	71,260	(71,260)	-
CET Braila	12	4,075	(4,075)	-
Oltchim	-	670,526	(670,526)	-
C.N.C.A.F. MINVEST	-	26,802	(26,802)	-
Others	14,811	3,476	(1,780)	1,696
Total	116,574	792,874	(774,443)	18,431

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

21 Contingent assets and liabilities

Contingent assets

With the acquisition of Long Bridge Milenium S.R.L (please refer to Note 19), the Group took over the balance of green certificates existing at the acquisition date, respectively 31 August 2020.

The photovoltaic park receives a number of six green certificates for each MWh of electricity produced and delivered, out of which for the period 2013-2020, two green certificates are postponed for trading, following to be recovered in equal tranches from 1 January 2021 to 31 December 2030.

Green certificates are recognized at the time of the sale, while the existing balance of green certificates at period end is a contingent asset, which is not recognized, as the sale of green certificates is not completely under the control of the company.

At 30 September 2020, Long Bridge Milenium holds a total of 153,463 green certificates out of which 137,253 are deferred for trading and the remaining 16,210 are tradeable green certificates. The total value of the green certificates held by Long Bridge Milenium SRL is RON 21,409 thousand, valued at the weighted average trading price of RON/GC 139.5089, as published by the operator of the green certificate market (OPCOM).

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, with the next term on 25 November 2020.

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*“.

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

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 September 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.

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.

During the nine-month period ended 30 September 2020, the Group recognized revenues from compensations in the amount of RON 8,839 thousand (please refer to Note 7) related to the amounts collected in September 2020 by Electrica SA from NAFA as a result of the final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions.

Thus, as at 30 September 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.

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

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, 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.

22 Subsequent events

Approval of the merger process of the three distribution companies within the Group

On 14 October 2020, the Cluj Specialized Cluj admitted the request of SDEE Transilvania Nord S.A., as absorbing company, and the request of SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as the absorbed companies, and ascertained the legality of the resolutions of the shareholders of the participating companies which approved the merger and approved the registration with the Trade Register of the shareholders decisions as well as of the revised Article of Incorporation updated as of 26 August 2020. Furthermore, the Court ordered the deregistration of the absorbed companies from the Trade Register.

Therefore, the merger will produce its effects starting with the effective date, 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities will cease to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities will be transferred through the effect of the merger by absorption to SDEE Transilvania Nord S.A., as the absorbing entity, as the absorbing entity, in exchange of the issuance of new shares in the share capital of SDEE Transilvania Nord S.A. in favour of the shareholder of the absorbed entities, namely Electrica SA.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

12 November 2020