



# **2021 FIRST QUARTER CONSOLIDATED DIRECTORS' REPORT (Q1 2021)**

**(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**

**for the three month period ended 31 March 2021**

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

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## Glossary

<b>ANRE</b>	Romanian Energy Regulatory Authority
<b>BoD</b>	Board of Directors
<b>BRP</b>	Balance Responsible Party
<b>BSE</b>	Bucharest Stock Exchange
<b>CAPEX</b>	Capital Expenditure
<b>CGC</b>	Corporate Governance Code
<b>CMBC (EA/CN)</b>	Centralized Market for Bilateral Contracts (Extended Auction/Continuous Negotiation)
<b>CMC</b>	Competitive Market Component
<b>CMNG-AN</b>	Centralized Market for Bilateral Natural Gas Contracts – Auction and Negotiation
<b>CMNG-PA</b>	Centralized Market for Bilateral Natural Gas Contracts – Public Auction
<b>CMNG – OTC</b>	Centralized Market for Bilateral Natural Gas Contracts – OTC
<b>CMUS</b>	Centralized Market for Universal Service
<b>CNTEE</b>	The National Transmission System Operator
<b>DAM</b>	Day Ahead Market
<b>DAM-NG</b>	Day Ahead Market – Natural Gas
<b>DEER</b>	Distributie Energie Electrica Romania
<b>DSO</b>	Distribution System Operator
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortization
<b>EDN</b>	Electrical Distribution Network
<b>ELSA</b>	Electrica S.A.
<b>EGMS</b>	Extraordinary General Meeting of Shareholders
<b>EU</b>	European Union
<b>EUR</b>	EURO, the monetary unit of several member states of the European Union
<b>FPM-LT</b>	Medium and Long Term Flexible Products Market
<b>GC</b>	Green Certificates
<b>GDP</b>	Gross Domestic Product
<b>GDR</b>	Global Depositary Receipts
<b>GEO</b>	Government Emergency Ordinance
<b>GMS</b>	General Meeting of Shareholders
<b>HV</b>	High Voltage
<b>IAS</b>	International Accounting Standard
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standard
<b>IM-NG</b>	Intraday Market for Natural Gas
<b>IPO</b>	Initial Public Offering
<b>IR</b>	Investor Relations

<b>ISIN</b>	International Securities Identification Number
<b>KPI</b>	Key Performance Indicators
<b>kV</b>	KiloVolt
<b>LR</b>	Last Resort
<b>LV</b>	Low Voltage
<b>MV</b>	Medium Voltage
<b>MVA</b>	Mega Volt Ampere
<b>MWh</b>	MegaWatt hour
<b>MKP</b>	Management Key Position
<b>NAFA</b>	National Agency for Fiscal Administration
<b>NES</b>	National Energy System
<b>NL</b>	Network Losses
<b>NRC</b>	Nomination and Remuneration Committee
<b>OMPF</b>	Order of Ministry of Public Finances
<b>OGMS</b>	Ordinary General Meeting of Shareholders
<b>OHL</b>	Overhead Line
<b>OHS</b>	Occupational Health and Safety
<b>OPCOM</b>	Romanian Gas and Electricity market operator
<b>RAB</b>	Regulated Asset Base
<b>RM</b>	Retail Market
<b>RON</b>	Romanian monetary unit
<b>RRR</b>	Regulated Rate of Return
<b>SAD</b>	Distribution Automation System
<b>SCADA</b>	Supervisory Control And Data Acquisition
<b>SDMN</b>	Societatea de Distributie a Energiei Electrice Muntenia Nord
<b>SDTN</b>	Societatea de Distributie a Energiei Electrice Transilvania Nord
<b>SDTS</b>	Societatea de Distributie a Energiei Electrice Transilvania Sud
<b>SEM</b>	Servicii Energetice Muntenia SA
<b>SEO</b>	Servicii Energetice Oltenia SA
<b>SoLR</b>	Supplier of last resort
<b>TWh</b>	TeraWatt hour
<b>TSO</b>	Transmission and system operator
<b>UM</b>	Unit of Measurement
<b>US</b>	Universal Service
<b>VAT</b>	Value Added Tax

## 1. Identification Details Of The Issuer

**Report date:** 13 May 2021

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

**Headquarters:** 9 Grigore Alexandrescu Street, 1<sup>st</sup> 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:** 2021 First Quarter (period 1 January – 31 March 2021)

**Audit/Review:** The condensed consolidated interim financial statements as of and for the three month period ended 31 March 2021 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 subsidiary Distribuție Energie Electrica Romania („DEER”) and it is geographically limited to 18 counties from the historical regions Muntenia and Transylvania. The Group holds exclusive distribution licenses for these regions, which are valid until 2027, and may be extended for another 25 years.

The electricity and natural gas supply segment operates through Electrica Furnizare (“EFSA”) subsidiary, and the main activity is the supply of electricity to final customers, on the universal service segment and as supplier of last resort, as well as a competitive supplier, all over Romania.

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

Within the external electricity network maintenance segment, SERV provides maintenance, repair and various services to group companies (car rental, rental of buildings etc.) as well as repairs, maintenance and other energy related services to third parties.

### 2.1. Key Events during the period January – March 2021 (Q1 2021)

During the three months period ended 31 March 2021 the following main events took place:

#### ■ Main decisions of ELSA's Board of Directors (BoD):

During the meeting held on 26 February 2021, ELSA's BoD approved the **consolidated value of the Investment Plan (CAPEX) of Electrica Group for 2021**, in total amount of RON 712.4 mn. Out of this value:

- RON 638.9 mn represents the 2021 annual investment plan of the distribution subsidiary DEER regarding the investments (the financial part of the investments' individual plan);
- RON 51.2 mn represents the 2021 annual investment plan of EFSA regarding the investments (the financial part of the investments' individual plan);
- RON 11.6 mn represents the 2021 annual investment plan of SERV regarding the investments (the financial part of the investments' individual plan).

#### ■ Litigations

- On 3 February 2021, the Bucharest Court, Civil Section VII, confirmed the reorganization plan of the company Transenergo Com S.A. (Transenergo), proposed by the special administrator from the case no. 1372/3/2017. According to this plan, unsecured creditors will not benefit from any distributions of amounts. ELSA holds an unsecured receivable in amount of RON 37 mn composed of the main debit of RON 35.7 mn (from two agreements) and of penalties of RON 1.3 mn calculated until the date of insolvency proceedings' opening. Since ELSA is the beneficiary of an insurance policy in amount of RON 4 mn having as object the guarantee of the payment obligations of Transenergo resulting from the BRP Services Agreement no. 77/2005, the amount of RON 4 mn was submitted under the resolutive condition of recovering the amounts from the insurer. ELSA appealed the sentence confirming the reorganization plan, appeal that is the object of file no. 1372/3/2017/a35 of the Bucharest Appeal Court, under regularization proceedings; the execution of the plan is not suspended

during the trial of the appeal.

Considering that the exposure registered by ELSA in relation to Transenergo was fully provisioned, this file resolution has no negative impact on the company's financial results for 2020 or 2021, the impact being recorded in the previous periods (2016 and 2017).

#### ■ **Measures adopted in COVID-19 context**

In the context of the crisis generated by the COVID-19 pandemic, ELSA's representatives frequently communicated with all the stakeholders, announcements being released to present the measures taken by the Group companies and COVID-19's impact on them.

In the fight against COVID-19 pandemic, ELSA 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.**

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) take place under this period's normal conditions, ensuring the provision of all services offered prior to the initiation of the state of emergency, the safety of employees and customers continuing to be a priority. The effect of GEO no. 29/2020 for small and medium enterprises, by which the postponement of payments of electricity and natural gas bills is possible based on state of emergency certificates received by companies, was minimal, considering the extensive portfolio of EFSA. At the same time, the evolution of the receivables collection intervals of delay during 2021 did not register significant changes compared to the previous year.

**The action plans of the distribution operator** 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 higher level of quality of the electricity distribution service.

The management permanently monitors **the financial performance and liquidity of the Group companies** on several tiers, to ensure the availability of the necessary funds for carrying out the activity, by analysing 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"), as well as the financing facilities available for the companies within the Group.

On 4 March 2021, **ELSA's BoD approved the convening of ELSA's Ordinary General Meeting of Shareholders (OGMS)** and of the **Extraordinary General Meeting of Shareholders (EGMS)**, meetings that took place on 28 April 2021, **after the end of the first quarter of 2021.**

During the **OGMS, ELSA's shareholders approved** mainly the following:

- the audited annual financial statements for 2020 and the ELSA's budget of revenues and expenses for 2021, both at individual and consolidated level;
- distribution of the net profit for the financial year 2020: total value of gross dividends - RON 247.9 mn, value of gross dividend/share - RON 0.73, ex date – 2 June 2021, registration date – 3 June 2021, date of dividends payment – 25 June 2021;
- discharge of liability of the members of the Board of Directors of ELSA for the financial year 2020;
- prolongation of the mandate of the financial auditor of ELSA, Deloitte Audit S.R.L., for a period of 2 years, respectively for the financial years 2021 and 2022;
- the Remuneration Policy of the Directors and Executive Managers;
- the election of the BoD's members, by applying the cumulative voting method. Following the elections, ELSA's new Board of Directors is composed of: Mr. Iulian Cristian Bosoanca, Mr. Gicu Iorga, Mr. Ion-Cosmin Petrescu,



Mr. Adrian-Florin Lotrean, Mr. Radu Mircea Florescu, Mr. Dragos-Valentin Neacsu and Mr. George Cristodorescu. The mandate's duration for the directors elected is for a period of 4 (four) years.

#### **The shareholders attending the EGMS approved mainly the following:**

- the guarantee to be issued by ELSA for the term loan in the amount of up to EUR 210 mn or equivalent in RON that DEER will contract from the European Investment Bank (EIB) for financing the investment plan for the period 2021-2023, the value of the guarantee provided by ELSA at the first request being of maximum EUR 252 mn or equivalent in RON.
- ELSA's contracting of an uncommitted bridge loan in the amount of up to RON 750 mn from a consortium consisting of Erste Bank and Raiffeisen Bank, together with an engagement letter for arranging a bond issuance (conditional upon obtaining the necessary corporate approvals) to finance the inorganic growth opportunities, having a single guarantee, a movable mortgage on accounts opened by ELSA with BCR and Raiffeisen Bank, for a maximum value of RON 825 mn.

In addition, after the end of the first quarter of 2021, on 1 May 2021, the mandate agreement of the Chief Corporate Development Officer, Ms. Anamaria-Dana Acristini-Georgescu, effectively terminated upon lapse of the 4 year duration.

#### **Distribution segment**

At the end of 2020, Electrica has successfully completed the merger of the three electricity distribution companies within the Group. Starting with 1 January 2021, the new company Distribuție Energie Electrica Romania S.A. (DEER) becomes the most important electricity distribution operator at national level, with a coverage of 40.7% of the Romanian territory, which serves over 3.8 million network users.

By implementing the merger, medium and long-term benefits could be obtained for all stakeholders. The current priorities for the distribution segment are:

- cost efficiency;
- accelerating the digitization of the main business processes;
- orientation towards the smart grid concept by promoting on a large scale the smart metering;
- improving operational performance;
- increasing the quality of the distribution service;
- distribution network losses reduction.

#### **■ Distribution activity**

**ANRE** has issued documents for the regulatory framework that requires additional efforts from the distribution operators for complying with the new requirements:

##### **a) Regulations regarding tariffs:**

- **The distribution tariffs approved for the year 2021**
  - were approved by ANRE through the **Orders no. 220, 221 and 222/9 December 2020**, the average regional tariffs for DEER increasing compared to 2020 tariffs, as follows: MN +9.2%; TN +2.4%; TS +8.6% (the 2020 tariffs refer to those of the three DSOs, before the merger). ANRE approved the reductions of the distributed electricity quantities forecasted for 2021 (according to the DSOs requests) and the postponement of the RRR correction for the year 2020 in the distribution tariffs for 2022.

- ANRE approved the **Order no. 3/20 January 2021** regarding the amendment and completion of the *Methodology for distribution tariffs setting* approved by ANRE Order no. 169/18 September 2018:
  - granting a 2% additional incentive to RRR for investments in the electrical distribution network made with own funds within projects in which European non-reimbursable funds were also attracted, if the investments were made and put into operation by operators after 1 February 2021;
  - if for certain categories of tangible/intangible assets, the primary legislation establishes other regulated depreciation periods than those provided by the Methodology or by the Catalogue for the classification and normal useful lives of fixed assets, approved by Government decision, the annual regulated depreciation related to those fixed assets is calculated based on the regulated depreciation periods established by the primary legislation.

#### **b) Investments' procedure:**

- **ANRE Order no. 19/16 March 2021** - in force since **19 March 2021**:
  - the amendment considers setting the obligation of the DSO to carry out the connection works of the final users, **additionally to the annual investment plan**.

#### **c) Smart metering regulations (SM):**

- Framework conditions for *the schedule of electricity smart metering systems implementation at national level*, approved by **ANRE Order no. 177/2018** - public debate:
  - Informing the user about the data set to be collected from his consumption/production and consumption place and transited through the elements of the system to the central data purchasing and processing system, as well as about the purpose of using this data, in accordance with the Regulation (EU) 2016/679 *on the protection of individuals with regard to the processing of personal data and on the free movement of such data*.
  - Specifying the information that will be transmitted to the user, respectively:
    - ✓ the time of integration of the place of consumption/production and consumption in the SM system, by notifying the integration date;
    - ✓ after the integration in the SM system, the electricity consumption/production invoicing will be done exclusively based on the real data recorded by the meter integrated in the SM system;
    - ✓ the user's right to have access to the consumption/production and consumption data;
    - ✓ the DSO obligation to provide the user with a username and a password that allows access to the portal where the data can be accessed (within 15 days from the integration date, the DSO sends the username and password to the supplier);
    - ✓ the right of the user to request the limitation of the measurement subsystem configuration only to ensure the necessary data for the electricity consumption/production billing.
  - Annex no. 5 to the framework conditions will become Annex to the supply/distribution agreement (title and content are modified).

## d) Technical regulations

### Network connection

- **ANRE Order no. 16/10 March 2021** - amendment of the *Regulation on connecting users to electricity networks of public interest* (ANRE Order no. 59/2013) - in force since 16 March 2021:
  - the introduction of provisions regarding reinforcement works - the introduction of the DSO's obligation to recalculate the value of the connection tariff component;
  - elimination of the ANRE endorsement of the procedures regarding the users' connection to the network;
  - clarification of the termination circumstances of the effects of the framework convention for handing over the user-financed connection facilities, in their ownership.
- **ANRE Order no. 17/10 March 2021** - The procedure regarding *the connection to the electricity networks of public interest of the consumption places belonging to the non-household final customers type users through connection installations with lengths up to 2,500 meters and household customers* - revision of ANRE Order no. 183/2020 - in force since 16 March 2021:
  - the inclusion of household customers in the category of those for which the DSO have the obligation to finance and carry out the design and execution works of the connection installation;
  - the possibility for household and non-household customers to conclude the agreement for the connection installation design and execution directly with a certified economic operator chosen by them;
  - the application of the procedure also for the consumption places with storage facilities or consumption and production places, with or without storage facilities, provided with installations for the production of electricity from renewable sources (prosumers);
  - applies to:
    - a. the household customers who have submitted connection requests to the concessionaire distribution operators after 19 December 2020;
    - b. to non-household end customers, who have submitted connection requests to the concessionaire distribution operators after 30 July 2020.

### Prosumers

- **ANRE Order no. 15/10 March 2021** - Procedure regarding *the connection to the electricity networks of public interest of the consumption and production places belonging to the prosumers who have installations for electricity production from renewable sources with installed power of at most 100 kW/consumption place* - in force since 16 March 2021:
  - Considering the legislative amendments brought by Law no. 290/2020, in force since 19 December 2020, it was necessary to revise the previously proposed form regarding the DSO's obligations to finance and realize the design and execution works of the connection installations for non-household final customers, through connection installations with lengths up to 2,500 meters and the design and execution of connection installations for household customers.
- **Order** for the approval of the *trading rules for the electricity produced in power plants from renewable sources with installed power of up to 100 kW belonging to prosumers* - public debate:
  - repeals the ANRE Order no. 226/2018;
  - revised as a result of the amendments brought by Law no. 155/2020 and Ministry of the Environment, Waters and Forests Order no. 121/2021 amending the *Financing Guide of the Program regarding the installation of photovoltaic panel systems for electricity production, in order to cover the necessary*

*consumption and the surplus delivery in the national network*, approved by the Ministry of Environment Order no. 1287/2018;

- elimination of the reporting models from Annexes 1 and 2 of the ANRE Order no. 226/2018, with their full takeover in the draft revision order of ANRE Order no. 195/2019.
- **Order** for the approval of the *Methodology for monitoring the system for promoting the production of electricity from renewable energy sources (RES)* - public debate:
  - repeals the ANRE Order no. 195/2019;
  - systematization of data collection by integrating the information and data contained in the regulations in the field of electricity promotion in RES;
  - completing the data necessary to be collected for the monitoring of the promotion system for the electricity produced in RES power plants with installed electrical power of at most 100 kW belonging to prosumers, through a dedicated software interface directly on the ANRE website;
  - introduces the DSO obligation to publish on their website, on a monthly basis, information on the prosumers connected to the electricity grid;
  - introduces the obligation of the DSO and TSO, as appropriate, to publish on their website, on a monthly basis, the information on technical connection approvals, connection contracts and connection certificates issued in the previous month for power plants belonging to the producers of electricity from renewable energy sources (E-RES) and prosumers.

### **Distribution service performance standard**

On 22 January 2021, ANRE submitted to public debate the proposal to amend the *Performance Standard of the distribution service approved by ANRE Order no. 11/2016*, with subsequent amendments and completions.

The main changes refer to:

- continuity indicators (the number of unplanned long outages on LV is reduced to a maximum of 8 and a new indicator on the number of short interruptions on HV of maximum 10 is introduced);
- the compensations for non-compliance with the indicators will be granted automatically to the users, regardless of the voltage level and without the need for a request from them, and the value of the compensation for LV increases to RON 50;
- DSO will perform monitoring with quality analyzers in an increased number of primary and secondary stations, gradually over time, in order to be monitored 100% of the primary power stations starting with 1 January 2026 and 100% secondary stations starting with 1 January 2028;
- call center reception times are reduced: DSO takes the call within 30 seconds after it was initiated and must enable the user to select the option to transfer the call to a human operator within 180 seconds of answering the call; DSO ensures the beginning of the user's conversation with a human operator within a maximum of 20 minutes from answering the call;
- The license holders concessionaire DSOs shall develop and use a common procedure, which shall be endorsed by ANRE.

All distribution operators, through ACUE, sent observations to ANRE on 22 February 2021 and requested the application of possible amendments to the Standard starting with the fifth regulatory period, and not during RP4, as the investment plan was approved for RP4 in close interdependence with the plan of works for complying with the service quality indicators, drawn up to ensure the minimum level of the distribution service quality imposed by the Standard in force.

**Regulation for the supply of electricity to final customers**, approved by **ANRE Order no. 235/2019** and the repeal of ANRE Order no. 130/2015 regarding the approval of the *Procedure regarding the electricity supply of the consumption places belonging to the suppliers, producers or network operators, other than the network losses in the electric networks* - public debate:

- the DSO obligation to read the measuring equipment index in the period between the date of sending the supplier change notification and the actual supplier change date;
- mergers - amendment/elaboration of procedures/methodologies within 30 days from the entry into force of the order;
- repeal of ANRE Order no. 130/2015 - introduction of provisions in the Supply Regulation regarding the setting mainly of the electricity supply method for the consumption places belonging to the suppliers, producers, or network operators, other than the network losses in the electric networks.

#### e) Primary legislation:

- The **Law no. 155/24 July 2020** was approved for amending and supplementing Law no. 123/10 July 2012:
  - DSO have the obligation to ensure the financing and realization in 90 days of the connections of non-household customers, having a length lower than 2,500 m.
- On 19 December 2020, the **Law no. 290/15 December 2020** entered into force, for the amendment and completion of Law 123/10 July 2012:
  - The DSO obligation to finance the connection works of the household customers and the recovery of the connection costs through the distribution tariffs, within a depreciation period of 5 years, in accordance with ANRE regulations.

#### f) 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 electricity market - applied starting with 1 January 2020, without the need to transpose into national legislation;
  - **Directive no. 944/2019** on common rules for the internal electricity market; is applied starting with 1 January 2021, after adoption into national legislation, the provisions with impact being:
    - ✓ Network losses (NL) - 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, when it has such a function;
    - ✓ at least 80% of final customers must have smart meters by 2024;
    - ✓ by 2026, the technical process of changing the 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'.

**g) Alignment with the European legislation - EU Regulation no. 943/2019:****15 minutes settlement**

- **ANRE Order no. 27/31 March 2021** - ANRE orders amendment - settlement interval (SI) to 15 minutes - in force from 1 April 2021:
  - the amendment of ANRE orders containing references to trading/delivery/settlement intervals lasting one hour, with the intent to modify by using the phrase "settlement interval" and setting the duration of this interval to 15 minutes. The settlement interval is one hour until 1 July 2021, respectively 15 minutes, starting with 1 July 2021.

**Operation of the electricity market**

- **ANRE Order no. 26/31 March 2021** for the amendment of art. VII of the ANRE Order no. 65/2020 - in force since 1 April 2021:
  - a long-term supply contract means any agreement with a delivery duration equal to or higher than one month;
- **Draft order approving the balancing clauses and conditions** - public debate:
  - the purchase by the TSO, on the European trading platforms for balancing energy, of energy from the balancing service providers from EU member countries;
  - separate activation by direction of the balancing energy from the frequency restoration reserve with automatic activation (RRFa = the new term used to define the secondary setting);
  - the use of standard balancing energy products within each European balancing energy platform, which have the same static characteristics for all balancing service providers from each EU member country;
  - considering, in the internal balancing market settlement, the unintentional electricity trade between State Members;
  - the emergence of the capacity market for frequency recovery reserves (RSF = the new term used to define the setting);
  - enters into force starting with 1 February 2022.

**Investments**

- At the end of the first quarter of 2021, the operator Distribuție Energie Electrică România (DEER) made and put into operation investments amounting to RON 66.7 mn, representing 10.1% of the value of the commissioning program planned for 2021 (RON 662.5 mn, of which RON 653.2 mn plan for 2021, and 9.3 mn RON values related to 2020 plan; RON 64.4 mn were achieved from the 2021 plan and RON 2.3 mn recoveries related to 2020). In the value related to the 2021 commissioning plan, are included works from legislative amendments regarding the connection of approx. RON 104.1 mn.
- The investment plans were prepared in accordance with the requirements of the "*Procedure regarding the elaboration and approval of the investment programs of the concessionary economic operators of the electricity distribution service*" approved by ANRE order no. 204/14 November 2019 with subsequent amendments and completions.

## Supply segment

### ■ Key Projects

- Starting from the significant changes in the energy market regarding the regulatory framework and growing competition, EFSA finished an ambitious internal transformation project which set to successfully meet the current and future challenges and which mainly targeted the internal reorganization of the company, in terms of internal and external work processes and streamlining the customer experience in all points of contact, as well as the development of new skills specific to the sales area.
- In the first stage, the project focused on developing the sales strategy and in the second stage, the effort focused on internal processes, systems and technology improvement, and, naturally, on upgrading organizational structures.
- During 2020, EFSA continued to implement the redefinition and adaption processes to the current challenges of the energy market, by optimizing and rethinking its activities, in order to provide the company's customers with services at the highest professional level. In Q1 2021, EFSA continued its efforts to transform the internal processes in the sales and customer relations areas, focusing on digitization and automation.
- The current priorities in the supply segment are:
  - improving operational performance;
  - speeding up the digitization of main business workstreams;
  - continuous development of value-added products and services;
  - increasing the quality of supply service.

### ■ Regulatory framework

#### a) Primary legislation

During the first quarter of 2021, no normative acts were adopted to complete or update the special primary legislation related to the activity of electricity and natural gas supply. During the previous year, the framework law for the electricity and natural gas sector - *the Law on electricity and natural gas no. 123/2012, with subsequent amendments and completions*, was the subject of four successive steps of amendments and completions (finalized with the adoption of GEO no. 74/2020 and no. 106/2020 - approved, with amendments, by Law no. 290/2020, respectively of Law No. 155/2020), with major implications on the activities of the operators in the sector.

On the other hand, regarding the legislation related to the energy sector, in the context of the COVID-19 pandemic, the Government has decided to successively extend the state of alert initially established in 2020 (by Decision No. 394/2020), with 30 days each time, as follows: starting with 13 January 2021, by GD No. 3/2021; starting with 12 February 2021, by GD No. 35/2021; starting with 14 March 2021, by GD No. 293/2021; starting with 13 April 2021, by GD No. 432/2021. Correlatively, this implies to continue the application of the measures with impact on the electricity and natural gas supply activity (i.e. the obligation of the transmission and distribution operators of electricity and natural gas to ensure the continuity of service supply, and, in case a situation of disconnection occurs, the postponement of performing this operation until the end of the state of alert).

**b) Secondary legislation:**

During the first quarter of 2021, at the level of the regulatory framework, there were changes and completions in the following areas of activity and regulation:

**Liberalization of the electricity market**

- **ANRE Order No. 5/2021** *amending the ANRE Order No. 171/2020 for the approval of the suppliers of last resort (SoLRs) electricity supply conditions and for amending and supplementing the Framework agreement for the supply of electricity to SoLRs' household customers, approved by the ANRE Order No. 88/2015:*
  - it includes provisions regarding the discount the SoLRs can grant to household customers who choose a competitive supply agreement. This discount, equal to the difference between the price in the universal service offer applicable between 1 January - 30 June 2021 and the price in the competitive offer with the lowest value, valid on 20 January 2021, applies for the period from 1 January 2021 and until at least 30 June 2021;
  - New information obligations have been introduced for SoLRs for household customers from their own portfolio:
    - ✓ until 30 June 2021, accompanying each invoice issued: an information regarding the regulated tariffs' elimination, as well as an offer selection form, in the form established by ANRE, containing the competitive offer with the lowest value, a competitive alternative offer and the universal service offer, offers applicable in the first semester of 2021, as well as the value of the commercial discount granted and the application period, if applicable;
    - ✓ between 1 May - 30 June 2021, monthly: a competitive offer and the universal service offer, valid as of 1 July 2021;
    - ✓ in the second semester 2021, accompanying each invoice issued: notification regarding the regulated tariffs' elimination.
- **ANRE Order No. 6/2021** *for the amendment of the Regulation for the electricity SoLR designation, approved by ANRE Order No. 188/2020:*
  - the definition of the non-household customers under supply of last resort regime (LR) has been modified, as to include the customers who are taken over because there is no other supply source ensured, as well as those who request the supply in LR regime.

**Wholesale electricity/natural gas market**

- **ANRE Order No. 7/2021** *approving the Regulation on the organized framework for trading standardized products on the centralized natural gas markets managed by Romanian Commodities Exchange S.A.:*
  - the Regulation includes trading rules for the centralized markets related to short, medium and long-term products, as well as flexible medium and long-term products.
- **ANRE order no. 26/2021** *for the amendment of ANRE Order No. 65/2020 regarding the amendment and completion of certain ANRE orders:*
  - In the application of the EU Regulation no. 943/2019 provisions on the internal electricity market (relating to the over-the-counter sale of energy), the long-term supply contract was redefined as any contract with a delivery duration greater than or equal to 1 month (compared to 1 year, according to previous regulations);



- The above-mentioned contracts are concluded in compliance with the competition rules and are reported according to the provisions of the *EU Regulation on the integrity and transparency of the energy wholesale market* (REMIT).

### **Renewable energy sources, green certificates, prosumers**

- **ANRE Order No. 9/2021** establishing the mandatory green certificate (GC) purchase quota for 2020:
  - The quota has been set at 0.45074 GC/MWh (as compared to 0.45061 GC/MWh estimated quota for 2020 and 0.433548 GC/MWh mandatory quota for 2019);
- **ANRE Order No. 15/2021** for the approval of the *procedure regarding the connection to the public interest electricity networks of the consumption and production places belonging to the prosumers who own installations to produce electricity from renewable sources with the installed power of at most 100 kW/consumption place*:
  - The regulation is relevant for the electricity supplier as it can carry out, on behalf of the prosumer, the connection related procedures, i.e., the transmission of the connection request, of the notification for connection work execution to the DSO, and of the request for the prosumer quality certification.

### **Regulated tariffs**

- **ANRE Order No. 10/2021** regarding the amendment of the ANRE Order no. 214/2020 on the approval of *the average tariff for the transmission service, of the components of the transmission tariff for the introduction of electricity in the network (TG) and for the extraction of electricity from the network (TL), of the tariff for the system service and of the regulated price for reactive electricity practiced by Transelectrica S.A.*:
  - The new tariffs are applicable from 1 March 2021;
  - Transmission tariff – introducing electricity into the network component -  $T_G = \text{RON } 1.3/\text{MWh}$  (same level as before);
  - Transmission tariff – electricity extraction from the network component -  $T_L = \text{RON } 19.22/\text{MWh}$  (same level as before);
  - System service tariff = RON 10.82/MWh (lower by 9.5% compared to the previous level).
- **ANRE Order No. 21/2021** for the abrogation of the ANRE Order No. 14/2019 on the approval of the *Methodology establishing the regulated tariffs for the provision of underground natural gas storage services*:
  - the Order aims the implementation of the amendments brought in 2020 to the *Law on electricity and natural gas No. 123/2020, with subsequent amendments and completions*, according to which, after 2020-2021 extraction cycle, the natural gas storage will no longer be a regulated activity;
  - therefore, starting with 1 April 2021, the underground natural gas storage service tariffs are no longer regulated by ANRE, but established by the storage operators, and the access to the storage depots (i.e. the related conditions) will be negotiated between the storage operators and users.

### **Investigation on the energy market**

- **ANRE Order No. 22/2021** on amending and supplementing the *Regulation for the organization and development of the investigation activity in the field of energy regarding the functioning of the wholesale energy market, approved by the ANRE Order No. 25/2017*:
  - the amendments to the Regulation refer to, among others, the procedure for resolving complaints/notifications, providing the data, information and documents requested by ANRE, the rights of the members of the investigation team in relation to the market participants.

## 2.2. Summary of financial indicators

A summary of the main financial indicators is presented below:

- In the three month period ended 31 March 2021, EBITDA decreased to RON 199.3 mn, by RON 24.6 mn, as compared with the same period of 2020;
- The capital expenses in Q1 2021 were of RON 91.3 mn, decreasing by approx. 31.4%, compared to RON 133.1 mn in Q1 2020, in line with the annual evolution of the approved investment plans and the investment plan allocation throughout the year;
- The operating profit in Q1 2021 is of RON 77.7 mn, recording a fall of 22.3% as compared with the same period of the previous year, when the Group recorded an operating profit of RON 100 mn, mainly due to the rise in the electricity purchase prices on the electricity supply segment, following the complete liberalization of the electricity market, but also to the non-recurring effect from 2020 consisting in the recovery of the differences of electricity purchase costs on the regulated supply segment from the previous periods;
- The cost of electricity purchased increased by RON 102.4 mn, or 9.9%, to RON 1.139,6 mn in the three month period ended 31 March 2021, compared to RON 1.037,2 mn recorded in the comparative period, mainly as a result of the increase in the electricity purchase price on the supply segment;
- In Q1 2021, the revenue from the electricity supply segment increased by RON 60.1 mn y-o-y, or 4.5%, to RON 1,389.2 mn (out of which RON 1,379.3 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 81.3%;
- Revenue from the distribution segment decreased by RON 2.4 mn, or 0.4%, to RON 662.5 mn (out of which RON 305.9 mn external revenues), compared to Q1 2020; the contribution of the electricity distribution segment to the Group's consolidated revenue is of 18%.

## 3. Organizational Structure

### 3.1. Group Structure

As of 31 March 2021, 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 2020: 48.79%).

#### Presentation of Group subsidiaries

Subsidiary	Activity	Registration code	Headquarters	% shareholdings as of 31 March 2021
Distributie Energie Electrica Romania S.A. („DEER”)	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	100%
Electrica Furnizare S.A. („EFSA”)	Electricity and natural gas supply	28909028	Bucuresti	99.9998409513906%
Electrica Serv S.A. („SERV”)	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%
Electrica Energie Verde 1 S.R.L.* („EEV1” – former Long Bridge Milenium SRL)	Production of electricity	19157481	Bucharest	100%*

Source: Electrica

\*indirect shareholding - Electrica Energie Verde 1 SRL is 100% owned by the EFSA subsidiary

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), ensuring the service of the network users by operating installations that function at voltages ranging from 0.4 kV to 110 kV (power lines, substations and electrical transformer stations).

The distribution operator for the three regions - TN, TS and MN, invoices the electricity distribution service to electricity suppliers (mainly to EFSA subsidiary, the main electricity supplier in North Muntenia, North Transylvania and South Transylvania), which further invoices the electricity consumption to end consumers.

EFSA is a supplier of electricity in the competitive market and is also a designated supplier of last resort (SoLR) at national level.

The SoLR ensure the supply of electricity to final customers who benefit, under the law, from universal service, non-household customers who have not exercised their eligibility and non-household customers taken over because the supply of electricity is not ensured from any other source.

Regarding the electricity production segment, it is represented by the EEV1 subsidiary, 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

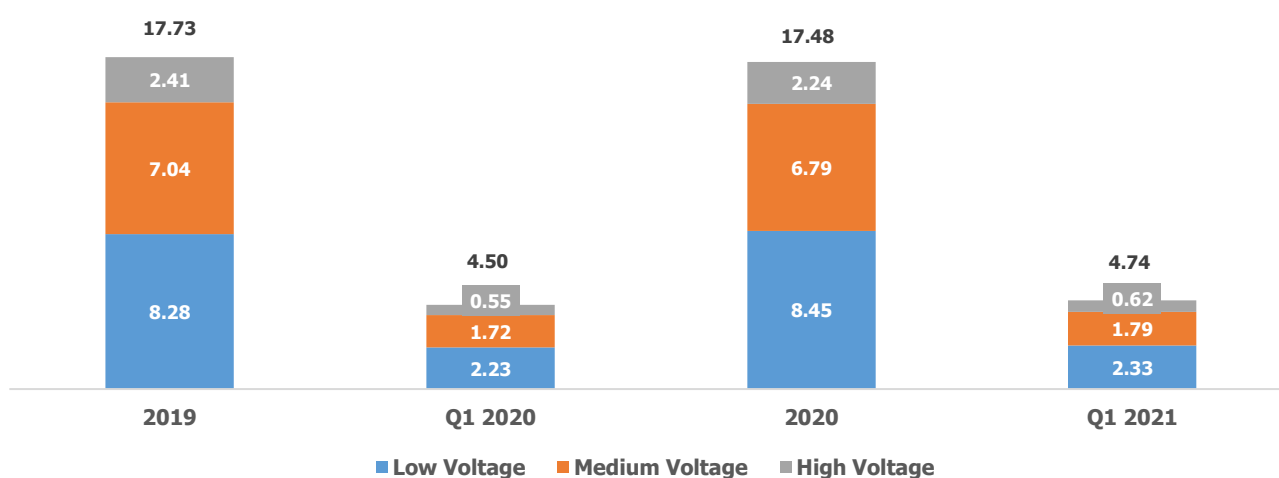
### **SUPPLY SEGMENT**

#### **Market data (according to ANRE Report for December 2020)**

- The supply market comprised both the competitive segment and the regulated segment (from 1 January 2021, after the liberalization, the universal service segment and supplier of last resort)
- The regulated segment comprised five suppliers of last resort, while the competitive market segment comprised 89 suppliers (including those of last resort active in the retail market competitive segment, of which 81 are relatively small - less than 4% market share)
- At the end of 2020, EFSA had a market share of 19.25%; was the market leader on the regulated market, with a market share of 54.56%, while for the competitive market had a share of 10.86%. 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 Q1 2021, the Group supplied 2.4 TWh of electricity to approx. 3.6 mn consumption places (both in last resort and universal service regime and on the competitive market), representing a decrease of 2% y-o-y.

**DISTRIBUTION SEGMENT****Information for the period ended 31 March 2021**

- The estimated Regulated Assets Base (RAB) at the end of Q1 2021 was RON 5.9 bn
- 200,402 km of electric lines – 7,600 km for High Voltage (“HV”), 46,345 km for Medium Voltage (“MV”) and 146,457 km for Low Voltage (“LV”)
- Total area covered: 97,196 km<sup>2</sup>, 40.7% of Romania’s territory
- 3.8 mn users at the end of Q1 2021 for the distribution activity
- 4.74 TWh of electricity distributed in Q1 2021, an increase of 5.4% as compared to Q1 2020.

**Figure 1: Quantity of electricity distributed on voltage levels (TWh)**

Source: Electrica

## 4. Shareholders' Structure

Until July 2014, the Romanian State, through its representative (currently, the Ministry of Energy ), was the sole shareholder of ELSA. As of 4 July 2014, after the Initial Public Offering, the Company's shares are listed on the Bucharest Stock Exchange (BSE – ticker EL), and the Global Depository Receipts are listed on the London Stock Exchange (LSE – ticker ELSA).

After the secondary public offer that ended on 3 December 2019, during which a total number of 208,554 new shares were subscribed, with a nominal value of RON 10 and a total nominal value of RON 2,085,540, the ownership structure according to the Central Depository records (Romanian: Depozitarul Central) as of **31 March 2021**, 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 of Energy	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	2,968,060	0.8567%	2,968,060	0.8741%
Other legal persons	135,182,697	39.0201%	135,182,697	39.8120%
Individual persons	15,000,676	4.3299%	15,000,676	4.4178%
<b>TOTAL</b>	<b>346,443,597</b>	<b>100.0000%</b>	<b>339,553,004</b>	<b>100.0000%</b>

Source: Central Depository, Electrica

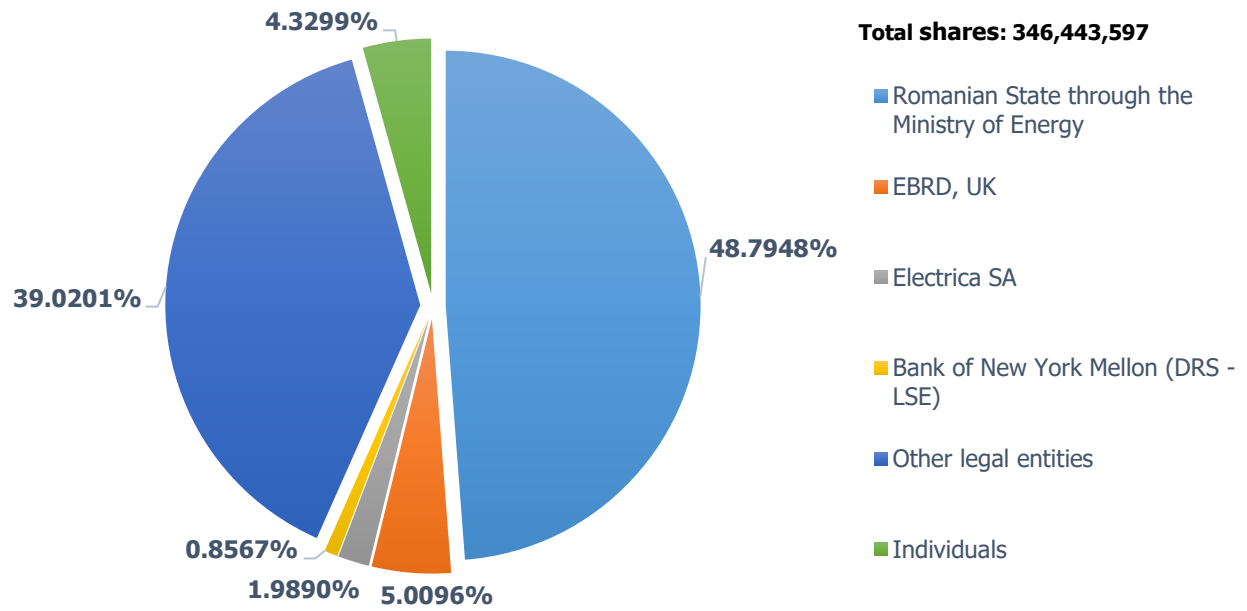
Note 1: The total shares with voting rights - 339,553,004, representing the total number of shares (346,443,597) without the number of own shares held by Electrica (6,890,593), for which the voting right is suspended

Note 2: Paval Holding, NN Group NV and Allianz SE own, directly or indirectly, between 5% and 10% of the total number of shares with voting right

The shares presented to be held by the Bank of New York Mellon represent the global depository receipts (GDRs) owned by ELSA shareholders that are traded on the London Stock Exchange (LSE). A global depository receipt represents four shares. The Bank of New York Mellon is the depository bank for these securities.

Following the stabilization process after the June 2014 IPO, ELSA owns 6,890,593 of its shares, representing 1.989% of the total share capital at 31 December 2020, with suspended voting rights, which does not entitle ELSA the right to receive dividends.

Figure 2: Shareholders' Structure as of 31 March 2021



Source: Electrifica

## 5. Operational Results

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

Indicator	31 March 2021 (not reviewed or audited)	31 March 2020 (not reviewed or audited)	Variation (%)
Revenues	1,696.2	1,657.7	2.3%
Other income	33.1	37.1	-10.8%
Electricity and natural gas purchased	(1,139.6)	(1,037.2)	9.9%
Construction costs related to concession agreements	(86.9)	(128.3)	-32.3%
Employee benefits	(186.4)	(176.9)	5.3%
Repairs, maintenance and materials	(19.5)	(22.4)	-12.8%
Depreciation and amortization	(121.6)	(123.9)	-1.8%
Other operating expenses	(97.5)	(106.1)	-8.1%
<b>Operating profit</b>	<b>77.7</b>	<b>100.0</b>	<b>-22.3%</b>
Finance income	2.0	3.7	-46.0%
Finance costs	(6.1)	(5.9)	2.8%
<b>Net finance cost</b>	<b>(4.1)</b>	<b>(2.2)</b>	<b>83.8%</b>
<b>Profit before tax</b>	<b>73.6</b>	<b>97.8</b>	<b>-24.7%</b>
Income tax expense	(15.8)	(17.7)	-10.6%
<b>Profit for the period</b>	<b>57.9</b>	<b>80.1</b>	<b>-27.7%</b>

Source: Electrica

### Key financial indicators for the period ended 31 March 2021:

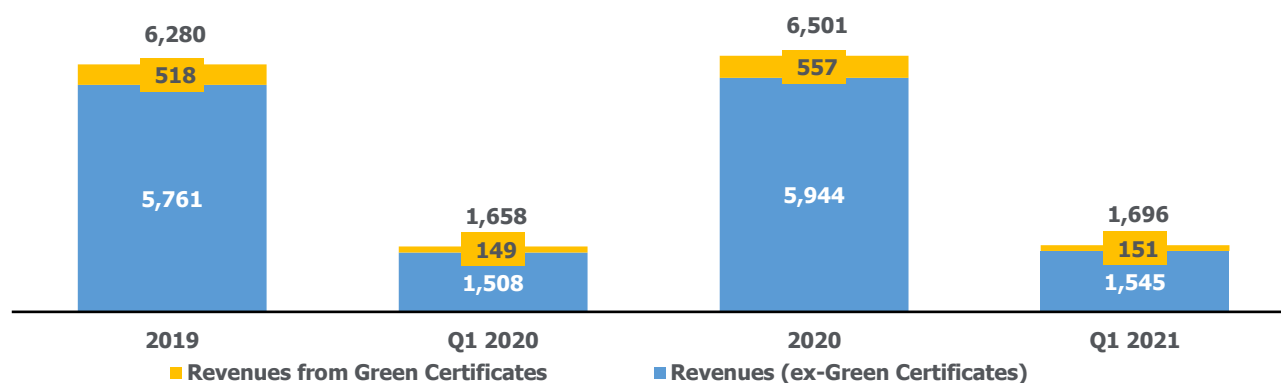
- **Revenues: RON 1.7 bn**, a 2.3% increase as compared with Q1 2020;
- **EBITDA: RON 199.3 mn**, a RON 24.6 mn decrease compared to same period of last year;
- **EBIT: RON 77.7 mn**, a RON 22.3 mn y-o-y fall;
- **EBT: RON 73.6 mn**, reduced by RON 24.2 mn compared with Q1 2020;
- **Net result: profit of RON 57.9 mn**, a RON 22.2 mn y-o-y decrease.

### Revenues and other income

Electrica's revenues and other income in the three month period ending 31 March 2021 and 31 March 2020 amounted to RON 1,729.3 mn and RON 1,694.8 mn, respectively, representing an increase of approx. RON 34.5 mn, or 2,0%; the variation is generated mainly by the revenues' evolution, the other operating income recording only a slight decrease of approx. RON 4 mn.

## Revenues

Figure 3: Revenue for Q1 2021 and comparative information (RON mn)



Source: Electrica

The revenues increased by RON 38.5 mn, or 2.3%, being the net effect of the following main factors:

- increase of RON 60.1 mn on the supply segment;
- external revenue (outside the Group): the Group's revenues towards third parties decreased by RON 24.7 mn, having an unfavorable impact;
- RON 2.4 mn decrease of the distribution segment's revenues.

During the three month period ended 31 March 2021, revenues from the electricity distribution segment fell by approx. RON 2.4 mn, or 0.4%, to RON 662.5 mn, from RON 664.9 mn in the same period of the previous year, as a result of the following factors:

- favorable impact of approx. RON 46.7 mn, both from the rise in the distribution tariffs by an average of 4.5%, compared to Q1 2020, and from increase in the volumes of electricity distributed by approx. 5.4%;
- negative impact from the evolution of revenues recognized in accordance with IFRIC 12 - the revenues from electricity distribution segment are influenced by the recognition of investments into the network under concession agreements, these revenues decreasing in Q1 2021 by RON 42.6 mn, compared to the same period last year;
- negative impact from the changes in the operational segments' structure - following the merger of SEM and SERV in 2020, starting 2021, SERV revenues are presented in the external electricity network maintenance segment.

Regarding the supply segment, the revenue from the electricity supply increased by RON 60.1 mn, or 4.5%, to RON 1,389.2 mn, from RON 1,329.1 mn in Q1 2020.

The variation of the supply segment revenue is mainly driven by the net effect between the 6.8% retail sale price increase and the 2% fall in the volumes of electricity supplied on the retail market.

The green certificates value included in final consumer invoice, set by ANRE, increased from RON 62.8/MWh in Q1 2020 to RON 64.1/MWh in Q1 2021.

## Electricity purchased

In Q1 2021, the expense for electricity purchased increased by RON 102.4 mn, or 9.9%, to RON 1,139.6 mn, from RON 1,037.2 mn in the comparative period.



This variation is mainly generated by the increase of electricity costs on the supply segment, a negative effect slightly alleviated by the fall in the electricity costs needed to cover NL.

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

Three month period ending 31 March (RON mn)	2021	2020	%
Electricity purchased to cover network losses	221.0	238.5	-7.4%
Electricity purchased for supply	694.0	574.6	20.8%
Transmission and system services related to supply activity	73.4	74.7	-1.8%
Green Certificates	151.3	149.5	1.2%
<b>Total electricity purchased</b>	<b>1,139.6</b>	<b>1,037.2</b>	<b>9.9%</b>

Source: Electrica

The cost of the electricity purchased for supply (including transmission and system services) increased by RON 119.9 mn, or 15%, to RON 918.7 mn in Q1 2021, from RON 798.7 mn recorded in Q1 2020.

The evolution is mainly determined by the higher level of electricity purchase prices, especially on universal service and supplier of last resort (SoLR) sector, which, in 2020, was a regulated segment and was influenced by the recovery, 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, effect that didn't exist in 2021.

In 2021, after the complete liberalization of the energy market, the purchase prices were approximately the same both on the competitive segment and on the universal service and SoLR segment.

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.

During the three month period ended 31 March 2021, the cost of GC increased by RON 1.8 mn, or 1.2%, to RON 151.3 mn, from RON 149.5 mn in the three month period ended 31 March 2020.

The variance was mainly influenced by:

- lower supplied volumes, for which there is an obligation to purchase green certificates, by 0.7% (positive impact of RON 1.1 mn);
- 2.1% increase in the GC average purchase price from RON 139.4/GC in Q1 2020 to RON 142.2/GC in Q1 2021, cumulated with the decrease in the GC average regulated quota imposed to electricity suppliers by ANRE at 0.4505 GC/MWh supplied in Q1 2021 from 0.4510 GC/MWh in Q1 2020 (negative impact of RON 2.9 mn).

Regarding the distribution segment, in the three month period ended 31 March 2021, the cost of the electricity purchased to cover network losses decreased by RON 17.5 mn, or 7.4%, to RON 221 mn, from RON 238.5 mn, the evolution being generated both by a fall in the electricity purchase prices (positive effect of RON 16.1 mn) and lower volume of electricity needed to cover network losses (positive impact of RON 1.5 mn).

### Construction costs

In Q1 2021, the costs related to concession agreements decreased by RON 41.4 mn, or 32.3%, to RON 86.9 mn, from RON 128.3 mn in the comparative period, being correlated with the evolution of the investments realized, related to the Regulated Asset Base, and the allocation of the investment plan throughout the year.

### Employee benefits

The expenses for salaries and employee benefits increased by RON 9.5 mn, or 5.3%, to RON 186.4 mn in Q1 2021, from RON 176.9 mn in the same period of the previous year, being mainly the effect of the salary and other benefits increases in the distribution area, as a result of the CLA provisions alignment in the three regions, but also within the supply company, following the changes in the structure of the benefits granted to the employees.

### Repairs, maintenance and materials

In Q1 2021, the expenses with repairs, maintenance and materials recorded a slight decrease of RON 2.9 mn, compared with the same period of the previous year, mainly due to the weather conditions.

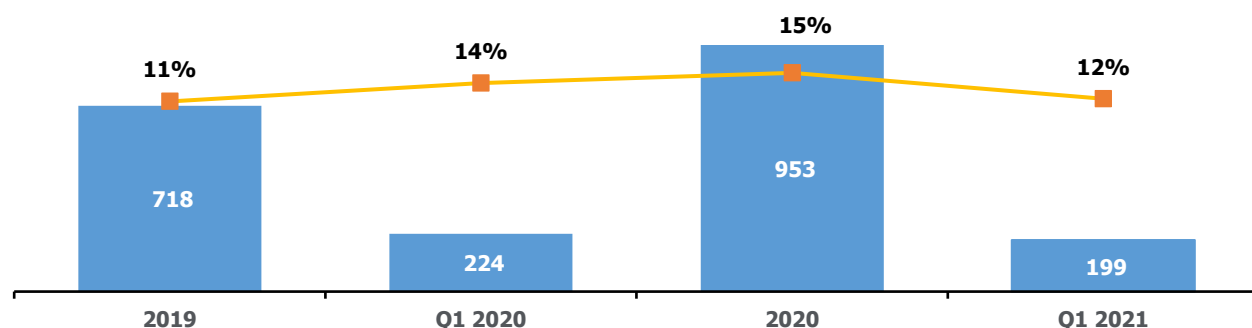
### Other operating expenses

In the first three months of 2021, the other operating expenses decreased by RON 8.6 mn, or 8.1%, to RON 97.5 mn, from RON 106.1 mn in the same period of 2020, mainly from:

- the variation of the impairment adjustments for current assets, which has a positive impact of RON 13 mn in Q1 2021;
- the unfavorable effect of the net change in provisions, of approx. RON 9.8 mn, the highest impact being the RON 7 mn provision recognized for the supply subsidiary obligations, representing compensations deriving from the application of the Performance Standard for the electricity supply activity provided in ANRE Order no. 6/2017, following the complete market liberalization process started on 1 January 2021;
- lower operating expenses by RON 5.3 mn, especially on the distribution segment.

### EBITDA and EBITDA margin

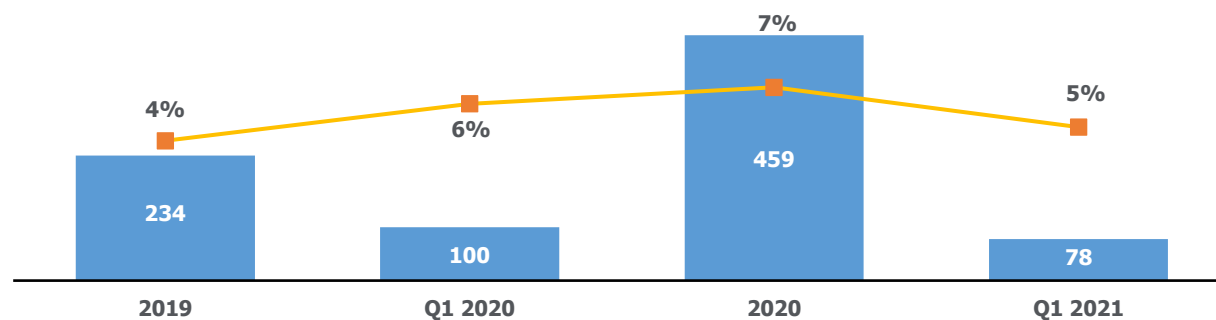
Figure 4: EBITDA and EBITDA margin for Q1 2021 and comparative information (RON mn and %)



Source: Electrica

### Operating result

The Group EBIT decreased by approx. RON 22.3 mn y-o-y, the EBITDA evolution being slightly alleviated by the favorable impact of the depreciation expense decrease by RON 2.3 mn, or 1.8%.

**Figure 5: EBIT and EBIT margin for Q1 2021 and comparative information (RON mn and %)**

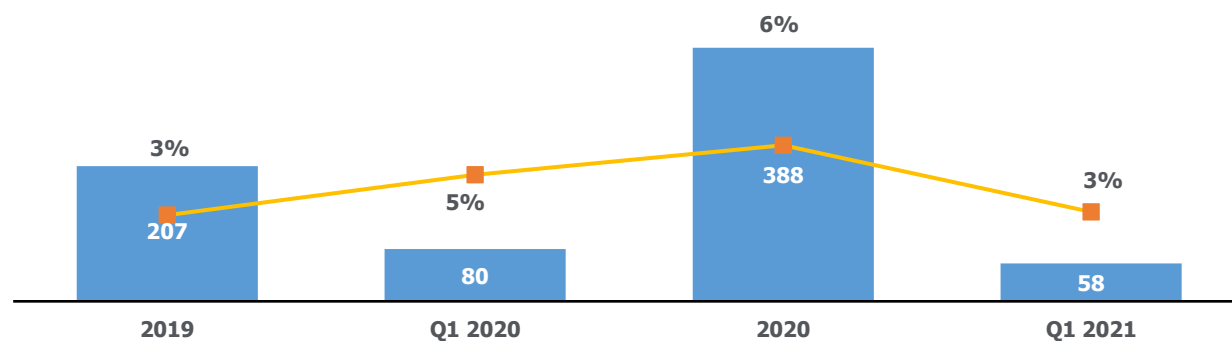
Source: Electrica

**Net finance cost**

The net finance cost at group level increased by RON 1.9 mn in Q1 2021 compared to the similar period in 2020, mainly as a result of the decrease in finance income.

**Net result for the period**

As a result of the above described factors, in the three month period ended 31 March 2021, the net profit decreased by RON 22.2 mn, to RON 57.9 mn, from RON 80.1 mn in the comparative period.

**Figure 6: Net profit and Net profit margin for Q1 2021 and comparative information (RON mn and %)**

Source: Electrica

## 6. Outlook

The first quarter of 2021 was influenced by the public health events that started in 2020 (the COVID-19 pandemic declared by the WHO on 11 March 2020) 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 make 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 the acceleration of digitalization is one of its objectives. This aspect is even more important as during the following period it is necessary to continue 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 the 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 in terms of diversifying 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); the supply market liberalization imposed the priorities' rethinking and establishing strategies for maintaining the market share;
- The new legislation introducing provisions related to the non-regulated market transactions, will also influence the electricity market and future strategies of the SoLR regarding portfolios' management;
- A regulatory trend in electricity distribution area is the principle of the distribution operator remuneration 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 smart metering implementation 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 calendar 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 domestic 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>The increase of electricity consumption was a constant trend in Romania in the last years. The COVID-19 pandemic has temporarily reduced electricity consumption, but the general upward trend will be maintained.</p>	Electricity consumption
Demographic evolution and technology development	<p>In contrast with the demographic decline recorded at EU and Romanian level, the electricity consumption is positively impacted by the changes in the consumer behaviour and the increase in urbanization. For example, the massive increase in the number of connected devices and implicitly, in a less accelerated manner, in the electricity consumption, maintains the increasing trend of consumption.</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 2019, the 4th regulatory period began, and ANRE approved significant changes to the Methodology both in 2019 and 2020 for all elements of the tariff (regulated rate of return, regulated assets base, network losses, operating and maintenance expenses, dynamic distribution tariffs starting with 2020).</p> <p>In 2020, the most complex process of revision of secondary legislation in recent years (47 regulations) took place in order to align with the amendments of Energy Law, the 15-minute Settlement, financing the connection works of domestic and non-domestic customers with shorter lengths of 2.5 km.</p> <p>For the supply segment, the total liberalization of the electricity market as of 1 January 2021 and the dynamics thus generated among customers and suppliers create implications on energy purchases strategies, sales to end customers, development of new products and services.</p>	Electricity prices
Technological development	<p>Smart networks and smart meters will create benefits for the end consumers, distribution operators 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.), also considering the management of their impact.</p>	Electricity prices and consumption
Increase in environmental awareness	<p>Romania has adopted the EU 20-20-20 targets, aiming to reduce greenhouse gas emissions, improve energy efficiency and raise the share of renewable energy. Moreover, the 2030 Framework provides even more ambitious targets and therefore more efforts are needed from governments and market players to achieve them.</p>	Electricity prices and consumption, regulatory framework

Source: Electrica

### The regulatory framework perspective and the impact on the energy market

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

**For the distribution segment**, the significant changes in the Romanian legislation were detailed *at chapter 2.1*. Based on these changes, the expected effects refer to:

- the changes brought by the new methodology for establishing the distribution tariffs and the RRR level, that will generate a negative impact on the operational and financial performances of the DSO, as a result of the ANRE approval of the operating and maintenance costs at a lower level than the necessary costs requested by the DSO, as well as of ANRE annually carrying out the costs and forecast investments corrections.
- the changes brought to the methodology in 2020 regarding the regulation of some aspects in case of mergers, which were materialized through the obligation of the gross benefits annual reporting, as well as of the merger associated expenses;
- investments in electrical distribution network - in January 2021, ANRE approved Order no. 3/20 January 2021 which grants a 2% additional incentive to RRR for investments in electrical distribution network made from own funds in projects in which European non-reimbursable funds were attracted, if the investments were made and commissioned by the operators after 1 February 2021;
- is introduced the DSO obligation to realize, in addition to the investment plan, the connection works of the household and non-household customers.

The regulatory changes with significant impact in the **supply segment** are the following:

- the total liberalization of the electricity market as of 1 January 2021 and the elimination of regulated electricity tariffs applied for household customers;
- redefining, in application of the EU Regulation 943/2019 provisions on the internal electricity market, regarding the over-the-counter trading of energy, of the long-term supply contract in the sense of reducing it to at least 1 month (compared to 1 year according to previous regulations);
- adoption of the Law on establishing the social protection measures for the vulnerable energy consumer, which regulates the status and legal regime of the vulnerable consumer, as well as the way of financing it, as a measure to accompany the liberalization of the electricity and natural gas markets; the draft Law was approved by the Romanian Government and is currently in the parliamentary adoption procedure.

## 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 three month periods ending 31 March 2021 and 31 March 2020 amounted to RON 91.3 mn and RON 133.1 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 three month period ended 31 March 2021 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 three month period ended 31 March 2021, comprises accurate and real information regarding the Group's development and performance.

**Chair of the Board of Directors,**

**Iulian Cristian 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 31 March 2021 according to Annex 13/ASF Regulation no. 5/2018

Indicator	Formula	Value
Current liquidity ratio	Current assets/Current liabilities	1.4
Capital Gearing Ratio	Debt/Equity * 100	8.4%
Trade receivables turnover	Average balance trade receivables/ Turnover * 90	58 days
Non-current asset turnover ratio	Turnover/Non-current assets	0.3



**SOCIETATEA ENERGETICA ELECTRICA S.A.**

Condensed Consolidated Interim Financial Statements

as at and for the three month period ended

**31 March 2021**

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 THREE MONTH**  
**PERIOD ENDED 31 MARCH 2021**  
PREPARED IN ACCORDANCE WITH IAS 34 "INTERIM FINANCIAL REPORTING" AS ADOPTED BY THE EUROPEAN  
UNION

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

AS AT 31 MARCH 2021

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

	Note	31 March 2021 (unaudited and not reviewed)	31 December 2020 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets related to concession arrangements		5,432,904	5,455,185
Other intangible assets		6,383	7,213
Property, plant and equipment		504,451	508,130
Deferred tax assets		20,333	19,666
Other non-current assets		1,122	1,173
Right of use assets		28,305	27,091
<b>Total non-current assets</b>		<b>5,993,498</b>	<b>6,018,458</b>
<b>Current assets</b>			
Trade receivables	11	1,148,936	1,029,775
Other receivables		31,924	32,460
Cash and cash equivalents	12	581,980	570,929
Restricted cash	12	320,000	320,000
Inventories		59,223	70,066
Prepayments		14,172	2,817
Current income tax receivable		1,622	1,837
Assets held for sale		15,387	15,476
<b>Total current assets</b>		<b>2,173,244</b>	<b>2,043,360</b>
<b>Total assets</b>		<b>8,166,742</b>	<b>8,061,818</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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		111,153	116,372
Legal reserves		392,276	392,276
Retained earnings		1,822,606	1,759,506
<b>Total equity attributable to the owners of the Company</b>		<b>5,818,155</b>	<b>5,760,274</b>
<b>Total equity</b>		<b>5,818,155</b>	<b>5,760,274</b>

*(Continued on page 2)*

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

AS AT 31 MARCH 2021

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

	Note	31 March 2021 (unaudited and not reviewed)	31 December 2020 (audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liability – long term		15,718	16,875
Deferred tax liabilities		185,042	177,787
Employee benefits		143,876	143,876
Other payables	13	33,270	33,873
Long-term bank borrowings	14	470,257	400,296
<b>Total non-current liabilities</b>		<b>848,163</b>	<b>772,707</b>
<b>Current liabilities</b>			
Lease liability – short term		13,094	10,747
Bank overdrafts	12	120,102	164,966
Trade payables		583,226	607,195
Other payables	13	260,871	240,946
Deferred revenue		6,112	5,629
Employee benefits		85,899	92,292
Provisions	15	28,486	19,238
Current income tax liability		9,152	9,211
Current portion of long-term bank borrowings	14	393,482	378,613
<b>Total current liabilities</b>		<b>1,500,424</b>	<b>1,528,837</b>
<b>Total liabilities</b>		<b>2,348,587</b>	<b>2,301,544</b>
<b>Total equity and liabilities</b>		<b>8,166,742</b>	<b>8,061,818</b>

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

**Chief Executive Officer**

Georgeta Corina Popescu

**Chief Financial Officer**

Mihai Darie

13 May 2021

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021  
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Three month period ended	
		31 March 2021 (unaudited and not reviewed)	31 March 2020 (unaudited and not reviewed)
Revenue	6	1,696,223	1,657,704
Other income	7	33,096	37,103
Electricity and natural gas purchased	8	(1,139,636)	(1,037,236)
Construction costs related to concession agreements		(86,911)	(128,302)
Employee benefits		(186,444)	(176,948)
Repairs, maintenance and materials		(19,517)	(22,372)
Depreciation and amortization		(121,628)	(123,872)
Other operating expenses		(97,453)	(106,082)
<b>Operating profit</b>		<b>77,730</b>	<b>99,995</b>
Finance income		2,007	3,703
Finance costs		(6,100)	(5,934)
<b>Net finance cost</b>		<b>(4,093)</b>	<b>(2,231)</b>
<b>Profit before tax</b>		<b>73,637</b>	<b>97,764</b>
Income tax expense	10	(15,756)	(17,678)
<b>Profit for the period</b>		<b>57,881</b>	<b>80,086</b>
<b>Profit for the period attributable to:</b>			
- owners of the Company		57,881	80,086
<b>Profit for the period</b>		<b>57,881</b>	<b>80,086</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (RON)	9	<b>0.17</b>	<b>0.24</b>

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

**Chief Executive Officer**  
 Georgeta Corina Popescu

**Chief Financial Officer**  
 Mihai Darie

13 May 2021

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

	<b>Three month period ended</b>	
	<b>31 March 2021</b> <b>(unaudited and not reviewed)</b>	<b>31 March 2020</b> <b>(unaudited and not reviewed)</b>
<b>Profit for the period</b>	<b>57,881</b>	<b>80,086</b>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income</b>	<b>57,881</b>	<b>80,086</b>
<b>Total comprehensive income attributable to:</b>		
- owners of the Company	57,881	80,086
<b>Total comprehensive income</b>	<b>57,881</b>	<b>80,086</b>

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

**Chief Executive Officer**  
 Georgeta Corina Popescu

**Chief Financial Officer**  
 Mihai Darie

13 May 2021

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021  
 (All amounts are in THOUSAND RON, if not otherwise stated)

	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	
<b>Balance at 1 January 2021 (audited)</b>	<b>3,464,436</b>	<b>103,049</b>	<b>(75,372)</b>	<b>7</b>	<b>116,372</b>	<b>392,276</b>	<b>1,759,506</b>	<b>5,760,274</b>
<b>Comprehensive income</b>								
Profit for the period (unaudited and not reviewed)	-	-	-	-	-	-	57,881	<b>57,881</b>
<b>Total comprehensive income (unaudited and not reviewed)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,881</b>	<b>57,881</b>
<b>Other changes in equity (unaudited and not reviewed)</b>								
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(5,219)	-	5,219	-
<b>Balance at 31 March 2021 (unaudited and not reviewed)</b>	<b>3,464,436</b>	<b>103,049</b>	<b>(75,372)</b>	<b>7</b>	<b>111,153</b>	<b>392,276</b>	<b>1,822,606</b>	<b>5,818,155</b>

(Continued on page 6)



**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021  
 (All amounts are in THOUSAND RON, if not otherwise stated)

	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	
<b>Balance at 1 January 2020 (audited)</b>	<b>3,464,436</b>	<b>103,049</b>	<b>(75,372)</b>	<b>7</b>	<b>87,665</b>	<b>371,833</b>	<b>1,637,909</b>	<b>5,589,527</b>
<b>Comprehensive income</b>								
Profit for the period (unaudited and not reviewed)	-	-	-	-	-	-	80,086	<b>80,086</b>
<b>Total comprehensive income (unaudited and not reviewed)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,086</b>	<b>80,086</b>
<b>Other changes in equity (unaudited and not reviewed)</b>								
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(2,506)	-	2,506	-
<b>Balance at 31 March 2020 (unaudited and not reviewed)</b>	<b>3,464,436</b>	<b>103,049</b>	<b>(75,372)</b>	<b>7</b>	<b>85,159</b>	<b>371,833</b>	<b>1,720,501</b>	<b>5,669,613</b>

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

**Chief Executive Officer**  
 Georgeta Corina Popescu

**Chief Financial Officer**  
 Mihai Darie

13 May 2021

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021  
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Three month period ended	
		31 March 2021 (unaudited and not reviewed)	31 March 2020 (unaudited and not reviewed)
<b>Cash flows from operating activities</b>			
Profit for the period		<b>57,881</b>	<b>80,086</b>
<b>Adjustments for:</b>			
Depreciation		5,045	8,758
Amortisation		116,583	115,114
Reversal of impairment of property, plant and equipment and intangible assets, net		(137)	-
Gain/(Loss) on disposal of property, plant and equipment and intangible assets		50	(61)
Impairment of trade and other receivables, net	11	5,275	18,311
Impairment of assets held for sale		89	32
Change in provisions, net	15	9,248	(567)
Net finance cost		4,093	2,231
Corporate income tax expense	10	15,756	17,678
		<b>213,883</b>	<b>241,582</b>
<b>Changes in:</b>			
Trade receivables		(125,606)	(71,441)
Other receivables		135	(266)
Prepayments		(11,355)	(2,483)
Inventories		10,843	(13,973)
Trade payables		40,304	(122,818)
Other payables		20,588	9,171
Employee benefits		(6,393)	(7,438)
Deferred revenue		483	(174)
		<b>142,882</b>	<b>32,160</b>
Interest paid		(5,898)	(5,807)
Income tax paid		(9,211)	(4,899)
		<b>127,773</b>	<b>21,454</b>

(Continued on page 8)

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021  
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Three month period ended	
		31 March 2021 (unaudited and not reviewed)	31 March 2020 (unaudited and not reviewed)
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment		(3,158)	(2,640)
Payments for network construction related to concession agreements		(151,289)	(191,420)
Payments for purchase of other intangible assets		(265)	(64)
Proceeds from sale of property, plant and equipment		448	519
Proceeds from deposits with maturity of 3 months or longer		-	66,471
Interest received		1,367	3,608
<b>Net cash used in investing activities</b>		<b>(152,897)</b>	<b>(123,526)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term bank borrowings	14	96,892	139,017
Repayment of long-term bank loans	14	(12,064)	-
Payment of lease liabilities		(3,694)	(9,224)
Dividends paid		(95)	(119)
Repayment of financing for network construction related to concession agreements		-	(879)
<b>Net cash generated from financing activities</b>		<b>81,039</b>	<b>128,795</b>
<b>Net increase in cash and cash equivalents</b>		<b>55,915</b>	<b>26,723</b>
Cash and cash equivalents at 1 January		405,963	256,882
<b>Cash and cash equivalents at 31 March</b>	12	<b>461,878</b>	<b>283,605</b>

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

The non-cash transactions are disclosed in Note 12.

**Chief Executive Officer**

Georgeta Corina Popescu

**Chief Financial Officer**

Mihai Darie

13 May 2021

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021  
*(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 three month period ended 31 March 2021.

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 31 March 2021 and 31 December 2020, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy 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. The shares traded on the London Stock Exchange are the global depository receipts, one global depository receipt representing four shares. The Bank of New York Mellon is the depository bank for these securities.

As at 31 March 2021 and 31 December 2020, the Company's subsidiaries are the following:

<b>Subsidiary</b>	<b>Activity</b>	<b>Sole registration code</b>	<b>Head Office</b>	<b>% shareholding as at 31 March 2021</b>	<b>% shareholding as at 31 December 2020</b>
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	100%	100%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998409513906%	99.9998409513906%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%	100%
Electrica Energie Verde 1 SRL* ("EEV1" – former Long Bridge Milenium SRL)	Electricity generation	19157481	Bucuresti	100%*	100%*

*\*indirect shareholding - Electrica Energie Verde 1 SRL is 100% owned by the subsidiary Electrica Furnizare S.A.*

**Changes in Group structure during 2020**

**Merger of the three distribution companies within the Group**

During 2020, the three distribution subsidiaries, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. ("SDEE Muntenia Nord S.A."), Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. ("SDEE Transilvania Nord S.A.") and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. ("SDEE Transilvania Sud S.A.") have merged through absorption, the absorbing entity being Societatea de Distributie a Energiei Electrice Transilvania Nord S.A..

On 14 October 2020, the Cluj Specialized Court admitted the requests of SDEE Transilvania Nord S.A., as absorbing company, respectively of SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as the absorbed companies, approved the merger 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 with the Trade Register Office of Brasov Court and was published in the Official Gazette of Romania Part IV no. 2351 from 10 July 2020 and ordered the deregistration of the absorbed companies from the Trade Register.

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

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Therefore, the merger produced its effects starting with the effective date, respectively 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities ceased to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities were transferred through the effect of the merger by absorption to SDEE Transilvania Nord S.A., 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.

Thus, on 31 December 2020, Distributie Energie Electrica Romania SA, formed by the merger of the three former electricity distribution companies was recorded on the National Trade Register Office.

***Merger of the two energy services companies within the Group***

During 2020, the two energy services companies, Electrica Serv S.A. and Servicii Energetice Muntenia S.A. has merged through absorption, with Electrica Serv S.A. as absorbing company.

On 17 September 2020, the VI Civil Section of the Bucharest Court admitted the requests of Electrica Serv S.A., as absorbing company, respectively of Servicii Energetice Muntenia S.A., as the absorbed company, approved 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 and ordered the deregistration of the absorbed company from the Trade Register.

Therefore, the merger produced its effects starting with the effective date, respectively 30 November 2020, when Servicii Energetice Muntenia S.A., as the absorbed entity, ceased to exist, being dissolved without going into liquidation. Consequently, all of its assets and liabilities were 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.

Thus, starting with 1 December 2020, the merger between the aforementioned companies was finalised and the Group's energy services will be carried out only under the umbrella of Electrica Serv. The registration on the National Trade Register Office took place on 2 December 2020, the effective date being 30 November 2020.

Both mergers that took place within the Group during 2020 consist only in reorganization of the subsidiaries and have no impact on the consolidated financial statements, Electrica SA remaining the parent company with the same % of ownership.

***Acquisition of a photovoltaic park***

On 23 June 2020, Electrica Furnizare S.A. signed a sale purchase agreement for the acquisition of 100% of the share capital of Long Bridge Milenium SRL, a company that owns a photovoltaic park located in Stanesti, Giurgiu County, with an installed capacity of MW 7.5 (operational power limited at MW 6.8). 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 RON 7,830 thousand (equivalent of EUR 1,617,940). 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 RON 8,006 thousand (equivalent of EUR 1,637,515 and fees of EUR 17,318). 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 RON 18,473 thousand (equivalent of EUR 3,817,749).

On 24 November 2020, the company Long Bridge Milenium SRL changed its name to Electrica Energie Verde 1 SRL.

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**Group's main activities**

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

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):

<b>Order 228,229,227/16.12.2019</b>			
<b>1 January-15 January 2020</b>			
	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

<b>Order 8,9,7/15.01.2020</b>			
<b>Starting with 16 January 2020</b>			
	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

<b>Order 221,222,220/09.12.2020</b>			
<b>Starting with 1 January 2021</b>			
	High voltage	Medium voltage	Low voltage
Transilvania Nord Area	19.23	66.35	173.93
Transilvania Sud Area	22.23	67.47	178.78
Muntenia Nord Area	18.72	56.87	184.75

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.

The Methodology for establishing the distribution tariffs approved by ANRE Order no. 169/2018 was modified by ANRE Orders no. 207/2020 and no. 3/2021 as follows:

- granting a 2% RRR incentive for investments in the electricity distribution network financed from own funds in projects in which European non-reimbursable funds are also attracted, if the investments are performed and put into function by operators after 1 February 2021;
- in cases where, for certain categories of tangible/intangible assets, the regulated legislation establishes other regulated useful lives than those provided by the Methodology or in the Catalogue on the classification and normal operating useful lives of fixed assets, approved by Government decision, the annual regulated depreciation of those assets is calculated on the basis of the regulated useful lives established by the primary legislation.

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***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 led to an increase in the operating expenses, mainly for the purchase of protective equipment as well as sanitation services. However, despite the unstable economic environment, through a close monitoring of the financial performance on multiple tiers, the Group's financial performance maintained a positive trend as compared with the previous year, with improvements in revenues and operating cash flows. Furthermore, the liquidity of the Group remained at a good level, with no significant difficulties in receivables collection and consequently payment of debts being noted. Therefore, based on the publicly available information and considering the actions already implemented, the Group does not anticipate a negative financial 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 these consolidated 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 consolidated statement of profit or loss for the three month period ended 31 March 2021 (see Note 11 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.

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## **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 2020. 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 2020.

These condensed consolidated interim financial statements have been prepared for submission to the Bucharest Stock Exchange. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 13 May 2021.

### ***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 2020.

## **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 2020.

The new amendments to existing standards that are effective starting with 1 January 2021 do not have a significant impact over the Group's condensed consolidated interim financial statements.



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**5 Operating segments**

**(a) Basis for segmentation**

The following summary describes the operations of each reportable segment:

<b>Reportable segments</b>	<b>Operations</b>
Electricity and natural gas supply	Buying and supplying electricity and natural gas to final consumers (includes Electrica Furnizare S.A.)
Electricity distribution	Until 31 December 2020, the electricity distribution service included the former 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., currently Distributie Energie Electrica Romania S.A. (that covers the all three distribution areas: Transilvania Sud, Transilvania Nord and Muntenia Nord), Electrica Serv S.A. and the activity performed by Societatea Energetica Electrica S.A. within the distribution network until June 2020. Starting with 2021, the electricity distribution service includes the activity of Societatea de Distributie Energie Electrica Romania S.A. and the activity performed by Electrica Serv S.A within the distribution network.
Electricity generation	Production of electricity from renewable sources (photovoltaic panels) (includes Electrica Energie Verde 1 SRL)
External electricity network maintenance	Repairs, maintenance and other services for electricity networks owned by other distributors. Until 31 December 2020, included the activity of Servicii Energetice Muntenia S.A. (until 30 November 2020) and a part of Electrica Serv S.A.. Starting with 2021, includes the activity of Electrica Serv S.A..
Headquarter	Includes corporate activities at parent company level

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

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

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**(b) Information about reportable segments**

<b>Three month period ended 31 March 2021 (unaudited and not reviewed)</b>	<b>Electricity and natural gas supply</b>	<b>Electricity distribution</b>	<b>Electricity generation</b>	<b>External electricity network maintenance</b>	<b>Headquarter</b>	<b>Total for reportable segments</b>	<b>Consolidation eliminations and adjustments</b>	<b>Consolidated total</b>
External revenues	1,379,284	305,925	601	10,413	-	<b>1,696,223</b>	-	<b>1,696,223</b>
Inter-segment revenue	9,900	356,559	-	4,295	-	<b>370,754</b>	(370,754)	-
<b>Segment revenue</b>	<b>1,389,184</b>	<b>662,484</b>	<b>601</b>	<b>14,708</b>	-	<b>2,066,977</b>	<b>(370,754)</b>	<b>1,696,223</b>
<b>Segment profit/(loss) before tax</b>	<b>33,709</b>	<b>54,912</b>	<b>(795)</b>	<b>(10,991)</b>	<b>(3,198)</b>	<b>73,637</b>	-	<b>73,637</b>
Net finance income/(cost)	735	(15,904)	(280)	422	10,934	<b>(4,093)</b>	-	<b>(4,093)</b>
Amortization and depreciation	(3,313)	(114,682)	(572)	(2,474)	(587)	<b>(121,628)</b>	-	<b>(121,628)</b>
Reversal of impairment of property, plant and equipment, net	-	-	-	137	-	<b>137</b>	-	<b>137</b>
Impairment of assets held for sale	-	-	-	(89)	-	<b>(89)</b>	-	<b>(89)</b>
Adjusted EBITDA*	36,287	185,498	57	(8,987)	(13,545)	<b>199,310</b>	-	<b>199,310</b>
(Impairment)/Reversal of impairment of trade and other receivables, net	(3,602)	(1,522)	-	(153)	2	<b>(5,275)</b>	-	<b>(5,275)</b>
Segment profit/(loss) after tax	27,880	42,942	(667)	(9,076)	(3,198)	<b>57,881</b>	-	<b>57,881</b>
Employee benefits	(24,042)	(142,689)	-	(12,060)	(7,653)	<b>(186,444)</b>	-	<b>(186,444)</b>
Capital expenditure	902	89,517	-	291	569	<b>91,279</b>	-	<b>91,279</b>
<b>Three month period ended 31 March 2020 (unaudited and not reviewed)</b>								
External revenues	1,316,314	331,595	-	9,795	-	<b>1,657,704</b>	-	<b>1,657,704</b>
Inter-segment revenue	12,749	333,264	-	60	-	<b>346,073</b>	(346,073)	-
<b>Segment revenue</b>	<b>1,329,063</b>	<b>664,859</b>	-	<b>9,855</b>	-	<b>2,003,777</b>	<b>(346,073)</b>	<b>1,657,704</b>
<b>Segment profit/(loss) before tax</b>	<b>126,050</b>	<b>(23,602)</b>	-	<b>482</b>	<b>(5,166)</b>	<b>97,764</b>	-	<b>97,764</b>
Net finance income/(cost)	1,454	(15,193)	-	(56)	11,564	<b>(2,231)</b>	-	<b>(2,231)</b>
Amortization and depreciation	(3,142)	(115,267)	-	(273)	(5,190)	<b>(123,872)</b>	-	<b>(123,872)</b>
Impairment of assets held for sale	-	(32)	-	-	-	<b>(32)</b>	-	<b>(32)</b>
Adjusted EBITDA*	127,738	106,890	-	811	(11,540)	<b>223,899</b>	-	<b>223,899</b>
(Impairment)/Reversal of impairment of trade and other receivables, net	(13,209)	(5,114)	-	12	-	<b>(18,311)</b>	-	<b>(18,311)</b>
Segment profit/(loss) after tax	106,154	(21,410)	-	508	(5,166)	<b>80,086</b>	-	<b>80,086</b>
Employee benefits	(21,698)	(144,009)	-	(4,152)	(7,089)	<b>(176,948)</b>	-	<b>(176,948)</b>
Capital expenditure	419	132,196	-	127	341	<b>133,083</b>	-	<b>133,083</b>

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<b>At 31 March 2021 (unaudited and not reviewed)</b>	<b>Electricity and natural gas supply</b>	<b>Electricity distribution</b>	<b>Electricity generation</b>	<b>External electricity network maintenance</b>	<b>Headquarter</b>	<b>Total for reportable segments</b>	<b>Consolidation eliminations and adjustments</b>	<b>Consolidated total</b>
<b>Segment assets</b>	<b>1,353,016</b>	<b>7,203,905</b>	<b>42,114</b>	<b>423,447</b>	<b>895,224</b>	<b>9,917,706</b>	<b>(1,750,964)</b>	<b>8,166,742</b>
Trade and other receivables	1,095,459	503,856	169	82,940	192,775	<b>1,875,199</b>	(694,339)	<b>1,180,860</b>
Cash and cash equivalents	133,977	152,952	2,757	6,064	286,230	<b>581,980</b>	-	<b>581,980</b>
Restricted cash (short term)	-	-	-	-	320,000	<b>320,000</b>	-	<b>320,000</b>
Trade and other payables and short term employee benefits	933,132	488,159	26,038	22,284	169,326	<b>1,638,939</b>	(675,673)	<b>963,266</b>
Bank overdrafts	-	120,102	-	-	-	<b>120,102</b>	-	<b>120,102</b>
Lease liability	4,005	21,085	-	2,489	1,233	<b>28,812</b>	-	<b>28,812</b>
Bank borrowings	-	863,739	-	-	-	<b>863,739</b>	-	<b>863,739</b>
<b>At 31 December 2020 (audited)</b>								
<b>Segment assets</b>	<b>1,203,027</b>	<b>7,531,380</b>	<b>44,658</b>	<b>98,432</b>	<b>768,206</b>	<b>9,645,703</b>	<b>(1,583,885)</b>	<b>8,061,818</b>
Trade and other receivables	893,180	529,842	109	7,797	165,323	<b>1,596,251</b>	(534,016)	<b>1,062,235</b>
Cash and cash equivalents	185,423	185,498	4,808	1,715	193,485	<b>570,929</b>	-	<b>570,929</b>
Restricted cash (short term)	-	-	-	-	320,000	<b>320,000</b>	-	<b>320,000</b>
Trade and other payables and short term employee benefits	821,440	625,335	27,786	3,579	11,615	<b>1,489,755</b>	(515,449)	<b>974,306</b>
Bank overdrafts	-	164,966	-	-	-	<b>164,966</b>	-	<b>164,966</b>
Lease liability	2,782	23,032	-	354	1,454	<b>27,622</b>	-	<b>27,622</b>
Bank borrowings	-	778,909	-	-	-	<b>778,909</b>	-	<b>778,909</b>

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

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

	<b>31 March 2021</b> <b>(unaudited and not reviewed)</b>	<b>31 December 2020</b> <b>(audited)</b>
<b>Total assets</b>		
Total assets for reportable segments	9,917,706	9,645,703
Elimination of inter-segment assets	(1,771,297)	(1,603,551)
Unallocated amounts	20,333	19,666
<b>Consolidated total assets</b>	<b>8,166,742</b>	<b>8,061,818</b>
<b>Trade and other receivables</b>		
Trade and other receivables for reportable segments	1,875,199	1,596,251
Elimination of inter-segment trade and other receivables	(694,339)	(534,016)
<b>Consolidated trade and other receivables</b>	<b>1,180,860</b>	<b>1,062,235</b>
<b>Trade and other payables and short term employee benefits</b>		
Trade and other payables and short term employee benefits for reportable segments	1,638,939	1,489,755
Elimination of inter-segment trade and other payables and short term employee benefits	(675,673)	(515,449)
<b>Consolidated trade and other payables and short term employee benefits</b>	<b>963,266</b>	<b>974,306</b>

**6 Revenue**

	<b>Three month period ended</b>	
	<b>31 March 2021</b> <b>(unaudited and not reviewed)</b>	<b>31 March 2020</b> <b>(unaudited and not reviewed)</b>
Electricity distribution and supply	1,576,590	1,488,967
Supply of natural gas	16,165	16,598
Construction revenue related to concession agreements	89,518	132,151
Repairs, maintenance and other services rendered	13,351	17,161
Proceeds from sale of green certificates	127	-
Re-connection fees	64	1,631
Sales of merchandise	408	1,196
<b>Total</b>	<b>1,696,223</b>	<b>1,657,704</b>

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 505 thousand (three month period ended 31 March 2020: RON 518 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).

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**7 Other income**

	<b>Three month period ended</b>	
	<b>31 March 2021 (unaudited and not reviewed)</b>	<b>31 March 2020 (unaudited and not reviewed)</b>
Rental income	23,936	23,886
Late payment penalties from customers	2,554	3,178
Revenues from notices	1,137	1,713
Other	5,469	8,326
<b>Total</b>	<b>33,096</b>	<b>37,103</b>

**8 Electricity and natural gas purchased**

	<b>Three month period ended</b>	
	<b>31 March 2021 (unaudited and not reviewed)</b>	<b>31 March 2020 (unaudited and not reviewed)</b>
Electricity purchased	972,630	872,628
Green certificates purchased	151,280	149,458
Natural gas purchased	15,726	15,150
<b>Total</b>	<b>1,139,636</b>	<b>1,037,236</b>

The cost of electricity and natural gas purchased includes the cost of the green certificates purchased by the supply subsidiary which 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.

The cost of the electricity purchased increased during the three month period ended 31 March 2021 as compared to the same period of the previous year, mainly due to the increase in the electricity cost on the supply segment as a result of the total liberalization of the energy market starting with 1 January 2021.

**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 for the period attributable to Company's shareholders*

	<b>Three month period ended</b>	
	<b>31 March 2021 (unaudited and not reviewed)</b>	<b>31 March 2020 (unaudited and not reviewed)</b>
Profit for the period attributable to the owners of the Company	57,881	80,086
<b>Profit for the period attributable to Company's shareholders</b>	<b>57,881</b>	<b>80,086</b>

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

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

The weighted average number of outstanding ordinary shares (unaudited and not reviewed) as at 31 March 2021 is of 339,553,004 (31 March 2020: 339,553,004).

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**Earnings per share**

	<b>Three month period ended</b>	
	<b>31 March 2021 (unaudited and not reviewed)</b>	<b>31 March 2020 (unaudited and not reviewed)</b>
Basic and diluted earnings per share (RON)	<b>0.17</b>	<b>0.24</b>

**10 Income tax**

	<b>Three month period ended</b>	
	<b>31 March 2021 (unaudited and not reviewed)</b>	<b>31 March 2020 (unaudited and not reviewed)</b>
Current period tax expense	9,168	19,722
Deferred tax expense/(benefit)	6,588	(2,044)
<b>Total expense related to income tax</b>	<b>15,756</b>	<b>17,678</b>

**11 Trade receivables**

	<b>31 March 2021 (unaudited and not reviewed)</b>	<b>31 December 2020 (audited)</b>
Trade receivables, gross	2,103,735	1,979,348
Bad debt allowance	(954,799)	(949,573)
<b>Total trade receivables, net</b>	<b>1,148,936</b>	<b>1,029,775</b>

Receivables from related parties are disclosed in Note 17.

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables in the form of lifetime expected credit losses is as follows:

**Lifetime expected credit losses**

	<b>Three month period ended</b>	
	<b>31 March 2021 (unaudited and not reviewed)</b>	<b>31 March 2020 (unaudited and not reviewed)</b>
<b>Balance as at 1 January (audited)</b>	<b>949,573</b>	<b>1,022,140</b>
Loss allowance recognized	12,022	22,256
Decrease in loss allowance	(6,747)	(3,945)
Amounts written off	(49)	(108)
<b>Balance as at 31 March (unaudited and not reviewed)</b>	<b>954,799</b>	<b>1,040,343</b>

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.

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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 31 March 2021, 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 12,022 thousand.

**12 Cash and cash equivalents**

	<b>31 March 2021 (unaudited and not reviewed)</b>	<b>31 March 2020 (unaudited and not reviewed)</b>
<b>Total cash and cash equivalents in the condensed consolidated statement of financial position</b>	<b>581,980</b>	<b>626,703</b>
Overdrafts used for cash management purposes	(120,102)	(343,098)
<b>Total cash and cash equivalents in the condensed consolidated statement of cash flows</b>	<b>461,878</b>	<b>283,605</b>
<b>Restricted cash - long term</b>	<b>-</b>	<b>320,000</b>
<b>Restricted cash - short term</b>	<b>320,000</b>	<b>-</b>

As at 31 March 2021, Electrica SA has collateral deposits at BRD - Groupe Societe Generale as guarantees for the long term borrowings received from BRD – Groupe Societe Generale by the former 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 actual Distributie Energie Electrica Romania S.A., in amount of RON 320,000 thousand (31 March 2020: RON 320,000 thousand). As the long term borrowings are repayable on 16 October 2021 (see also Note 14), the amount of the collateral deposits as at 31 March 2021 of RON 320,000 thousand is presented in the consolidated statement of financial position as short-term restricted cash.

The Group has overdrafts from various banks (ING Bank N.V., Banca Comerciala Romana, Banca Transilvania, BNP Paribas and Intesa Sanpaolo Bank) with a total overdraft limit of up to RON 635,000 thousand and maturities ranging from June 2021 to March 2022. The overdraft facilities are used for financing the current activity. The outstanding balance of the overdraft facilities used as at 31 March 2021 is of RON 120,102 thousand (31 March 2020: RON 343,098 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 1,170 thousand during the three month period ended 31 March 2021 (three month period ended 31 March 2020: RON 87 thousand).

**13 Other payables**

	<b>31 March 2021 (unaudited and not reviewed)</b>		<b>31 December 2020 (audited)</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
VAT payable	169,130	-	128,450	-
Liabilities towards the State	5,125	-	6,820	-
Other liabilities	86,616	33,270	105,676	33,873
<b>Total</b>	<b>260,871</b>	<b>33,270</b>	<b>240,946</b>	<b>33,873</b>

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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.

**14 Long-term bank borrowings**

Drawings of borrowings during the three month period ended 31 March 2021 were as follows:

	Currency	Interest rate	Maturity year	Amount
<b>Balance at 1 January 2021 (audited)</b>				<b>778,909</b>
<b>Drawings during the period</b> , out of which:				
BCR	RON	ROBOR 3M + 1%	2028	30,250
BRD	RON	3.85%	2028	30,472
BRD	RON	3.85%	2028	36,170
<b>Total drawings</b>				<b>96,892</b>
Accumulated interest				797
Payment of interest				(795)
<b>Reimbursements</b> , out of which:				
Banca Transilvania	RON	4.59%	2027	(4,464)
BRD	RON	3.99%	2026	(5,200)
UniCredit Bank	RON	3.85%	2026	(2,400)
<b>Balance at 31 March 2021 (unaudited and not reviewed)</b>				<b>863,739</b>

As at 31 March 2021, respectively 31 December 2020, the long term bank borrowings are as follows:

Lender	Borrower	Balance at 31 March 2021 (unaudited and not reviewed)	Balance at 31 December 2020 (audited)
BRD	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	80,001	80,000
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	114,000	114,000
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	126,002	126,000
Banca Transilvania	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	111,621	116,086
UniCredit Bank	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	55,728	58,201
BRD	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	119,600	124,800
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	100,000	69,584
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	76,481	40,289
BCR	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	80,306	49,949
<b>Total</b>		<b>863,739</b>	<b>778,909</b>
	Less: current portion of the long-term bank borrowings	(392,685)	(377,818)
	Less: accumulated interest	(797)	(795)
	<b>Total long term borrowings, net of current portion</b>	<b>470,257</b>	<b>400,296</b>

All financial covenants specified in the long-term borrowing contracts have been fulfilled as at 31 March 2021.



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**15 Provisions**

	<b>Fiscal</b>	<b>Other</b>	<b>Provisions</b>
<b>Balance at 1 January 2021 (audited)</b>	<b>1,200</b>	<b>18,038</b>	<b>19,238</b>
Provisions recognised	-	10,201	10,201
Provisions utilised	-	(40)	(40)
Provisions reversed	(115)	(798)	(913)
<b>Balance at 31 March 2021 (unaudited and not reviewed)</b>	<b>1,085</b>	<b>27,401</b>	<b>28,486</b>

As at 31 March 2021, provisions refer mainly to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause amounting to RON 5,690 thousand (31 December 2020: RON 6,139 thousand) and for various claims and litigations involving the Group companies in the total amount of RON 22,796 thousand (31 December 2020: RON 13,099 thousand).

During the three month period ended 31 March 2021, the Group set up a provision in connection with the supply subsidiary obligations in amount of RON 6,993 thousand representing compensations arising from the application of the Performance Standard for the electricity supply activity stipulated in the ANRE Order 6/2017, as a result of the total liberalization process of the market began on 01/01/2021.

**16 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 date (unobservable inputs).

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**17 Related parties**

**(a) Main shareholders**

As at 31 March 2021 and 31 December 2020, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

**(b) Management and administrators' compensation**

	Three month period ended	
	31 March 2021 (unaudited and not reviewed)	31 March 2020 (unaudited and not reviewed)
<b>Executive Management compensation</b>	6,486	6,483

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:

	Three month period ended	
	31 March 2021 (unaudited and not reviewed)	31 March 2020 (unaudited and not reviewed)
<b>Members of the Board of Directors</b>	712	621

**(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)	
	Three month period ended 31 March 2021 (unaudited and not reviewed)	Three month period ended 31 March 2020 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)	31 December 2020 (audited)
OPCOM	201,649	87,556	4,448	4,209
Transelectrica	176,457	120,092	106,671	113,059
Nuclearelectrica	130,928	106,303	45,437	61,848
Complexul Energetic Oltenia	96,955	39,625	25,858	37,350
Hidroelectrica	65,754	139,101	19,717	34,471
ANRE	3,255	3,687	764	176
Electrocentrale Bucuresti	-	40,109	-	-
Others	3,135	1,593	887	1,779
<b>Total</b>	<b>678,133</b>	<b>538,066</b>	<b>203,782</b>	<b>252,892</b>

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

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Three month period ended 31 March 2021 (unaudited and not reviewed)	31 March 2021 (unaudited and not reviewed)		
OPCOM	13,982	4,883	-	4,883
Transelectrica	6,447	1,432	-	1,432
Consiliul Judetean Galati	5,382	6,404	-	6,404
SNGN Romgaz	4,131	2,631	-	2,631
CN Romarm	3,697	1,101	-	1,101
CFR Electrificare	2,138	1,914	-	1,914
Hidroelectrica	2,042	1,523	-	1,523
Municipiul Galati	1,767	2,015	-	2,015
C.N.C.F CFR	1,340	2,527	-	2,527
CN Remin	115	71,215	(71,215)	-
CET Braila	6	3,364	(3,364)	-
Termoelectrica	-	1,215	(1,215)	-
Oltchim	-	565,484	(565,484)	-
C.N.C.A.F. MINVEST	-	26,802	(26,802)	-
Others	2,982	2,043	(476)	1,567
<b>Total</b>	<b>44,029</b>	<b>694,553</b>	<b>(668,556)</b>	<b>25,997</b>

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Three month period ended 31 March 2020 (unaudited and not reviewed)	31 December 2020 (audited)		
C,N,C,F CFR	16,290	5,191	-	5,191
OPCOM	5,974	3,634	-	3,634
Transelectrica	5,954	7,841	-	7,841
CN Romarm	3,869	641	-	641
SNGN Romgaz	3,454	1,246	-	1,246
CFR Electrificare	2,123	420	-	420
Hidroelectrica	1,633	598	-	598
ANAR	736	-	-	-
CN Remin	220	71,215	(71,215)	-
CET Braila	3	3,361	(3,361)	-
Oltchim	-	565,484	(565,484)	-
C.N.C.A.F. MINVEST	-	26,802	(26,802)	-
Termoelectrica	-	1,217	(1,217)	-
Others	8,604	3,196	(493)	2,703
<b>Total</b>	<b>48,860</b>	<b>690,846</b>	<b>(668,572)</b>	<b>22,274</b>

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## **18 Contingencies**

### **Contingent assets**

With the acquisition of photovoltaic park operated by Electrica Energie Verde 1, 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 were postponed for trading, following to be recovered monthly, 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.

On 31 March 2021, Electrica Energie Verde 1 SRL holds a total of 158,229 green certificates (31 December 2020: 148,581), out of which 136,310 are postponed for trading (31 December 2020: 139,805) and the remaining 21,919 are tradeable green certificates (31 December 2020: 8,776). Starting with January 2021, the recovery of the postponed green certificates began, in equal tranches of 1,165 green certificates on a monthly basis, for ten years. The total value of the green certificates held by Electrica Energie Verde 1 S.R.L. is in amount of RON 22,502 thousand (31 December 2020: RON 21,130 thousand), valued at the weighted average trading price of RON/GC 142.2107, 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 taxpayers. 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 because 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. Currently, SDEE Muntenia Nord S.A. is in process of initiating legal actions against the fiscal inspection report.

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*".

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***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 in amount of RON 7,264 thousand representing the VAT and the related interest and penalties, unlawfully retained as non-deductible. Against this solution, both NAFA and Electrica Serv SA filed an appeal, registered at the High Court of Cassation and Justice, with the trial date of 6 October 2022.

As at 31 March 2021 and 31 December 2020, 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 because 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 aforementioned 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 final 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 November 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 March 2022.

Thus, as at 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.

During 2020, the Group recognized revenues from indemnities in the amount of RON 12,827 thousand (please refer to Note 11) related to the amounts collected during the year by Electrica SA from NAFA because of the final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions.

Moreover, as at 31 March 2021, the Group no longer has a contingent liability of RON 39,249 thousand in respect to the additional interest and penalties to be paid by Electrica SA to NAFA, as in 2020 it applied for the cancellation of ancillary

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fiscal obligations stipulated by the Government Emergency Ordinance no. 69/2020. Through NAFA's decision no. 2738/22.12.2020, the cancellation of the ancillary fiscal obligations mentioned above was approved, based in articles IX-XI of the Government Emergency Ordinance no. 69/2020.

***Other litigations and claims***

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

As summarised in Note 15, 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 if the case 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 (ie. litigations for which different inconsistent sentences were issued by the Courts, or litigations which are in early stages and no preliminary ruling was issued so far).

**19 Subsequent events**

**The resolution of the Ordinary General Shareholders Meeting ("OGSM") of Electrica SA**

**1) Approval of the distribution of dividends**

Within the Ordinary General Shareholders Meeting dated 28 April 2021 the distribution of dividends for the financial year 2020 was approved in gross amount of RON 247,874 thousand (the gross dividend per share being RON 0.73 and the payment date of the dividends being 25 June 2021).

**2) Change in the composition of the Board of Directors of Electrica SA**

Within OGSM of 28 April 2021, was decided the election, for a four years mandate's period, of the following members of the Board of Directors of Electrica SA: Iulian Cristian Bosoanca, Gicu Iorga, Ion Cosmin Petrescu, Adrian Florin Lotrean, Radu Mircea Florescu, George Cristodorescu and Dragos Valentin Neacsu.

Within OGSM, by applying the cumulative voting method, the following members of the Board of Directors were considered revoked: Valentin Radu, Dragos Andrei and Bogdan George Ilescu, their mandate is terminated as a consequence at the date of 28 April 2021, OGSM date. On 22 April 2021, Mrs. Ramona Ungur presented her resignation, with immediate effect, as a director of Electrica SA and she renounced as a possible candidate in the elections for the members of the Board of Directors of the Company.

**3) The approval of the mandate prolongation for the financial auditor of Electrica**

Within the same Ordinary General Meeting of Shareholders has been approved the mandate prolongation of the company, Deloitte Audit SRL, as financial auditor of Electrica SA, for a period of 2 years, respectively for the financial years 2021 and 2022.

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**The resolution of the Extraordinary General Shareholders Meeting („EGSM”) of Societatea Energetica Electrica S.A.**

Within the Extraordinary General Shareholders Meeting dated 28 April 2021 was approved the guarantee to be issued by Electrica SA for the term loan in the amount of up to EUR 210,000,000 that the company Distributie Energie Electrica Romania S.A. will contract from the European Investment Bank (EIB) to finance the investment plan related to the period 2021-2023, the value of the guarantee provided by Electrica SA being maximum EUR 252,000,000. The loan from EIB (which can be signed in one or several agreements) to be contracted by Distributie Energie Electrica Romania S.A., will be guaranteed by Electrica SA through an independent first call guarantee, valid until the full fulfilment of the obligations arising from the agreement/guarantee.

Also, within the same EGSM meeting was approved contracting by Electrica S.A. of an uncommitted bridge loan in the amount of up to RON 750,000,000 from a consortium consisting of the banks Erste Bank and Raiffeisen Bank, together with an engagement letter for arranging a bond issuance (conditional upon obtaining the necessary corporate approvals) to finance the inorganic growth opportunities. The loan will have as single guarantee a movable mortgage on accounts opened by Electrica SA with BCR and Raiffeisen Bank and will be constituted for a maximum value of RON 825,000,000.

**Chief Executive Officer**  
Georgeta Corina Popescu

**Chief Financial Officer**  
Mihai Darie

13 May 2021