



# **2019 HALF-YEAR CONSOLIDATED DIRECTORS' REPORT (H1 2019)**

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

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

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

**for the six month period ended 30 June 2019**

*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>CMC</b>	Competitive Market Component
<b>CMUS</b>	Centralized Market for Universal Service
<b>CNTEE</b>	The National Transmission System Operator
<b>DAM</b>	Day Ahead Market
<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>	The monetary unit of several member states of the European Union
<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>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 Electricity 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:** 14 August 2019

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

**Headquarters:** 9 Grigore Alexandrescu Street, 1st District, Bucharest, Romania

**Phone/fax no:** 004-021-2085999/ 004-021-2085998

**Sole Registration Code:** 13267221

**Trade Registry registration number:** J40/7425/2000

**LEI Code (Legal Entity Identifier):** 213800P4SUNUM5AUDX61

**Subscribed and paid in share capital:** RON 3,459,399,290

**Main characteristic of issued shares:** 345,939,929 ordinary shares of 10 RON nominal value, 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:** 2019 Half-year (period 01 January – 30 June 2019)

**Audit/Review:** The condensed consolidated interim financial statements as of and for the six month period ended 30 June 2019 are reviewed by an independent financial auditor

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

Source: Electrica

## 2. Highlights

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

Electrica's distribution segment operates through its subsidiaries: Societatea de Distribuție a Energiei Electrice Muntenia Nord ("SDMN"), Societatea de Distribuție a Energiei Electrice Transilvania Nord ("SDTN"), Societatea de Distribuție a Energiei Electrice Transilvania Sud ("SDTS") and Electrica Serv ("ELSERV"), and it is geographically limited to Northern Muntenia, Northern Transylvania and Southern Transylvania, in what concerns the distribution subsidiaries. The Group holds exclusive distribution licenses for these regions available until 2027, and may be extended for another 25 years. Electrica Serv provides repair and other ancillary services to third parties and various services to the companies within the group (vehicles rental, building rental etc.)

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

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

### 2.1. Key Events during the period January – June 2019 (H1 2019)

During the six month period ended 30 June 2019 and up to date, the following significant events for the main activity segments of the Group took place:

#### **Events in the period January – June 2019**

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

On **7 February 2019**, the Ordinary General Meeting of Shareholders (OGMS) of ELSA took place, during which ELSA's shareholders elected, through the simple voting method, the members of the company's Board of Directors following the vacancy of the positions in the Board of Directors, after the renunciation to the mandate by Ms. Arielle Marie Malard de Rothschild, by Mr. Willem Jan Antoon Henri Schoeber and by Ms. Elena Doina Dascalu. Thus, the three new members elected are Mr. Radu Mircea Florescu, Mr. Dragos Andrei si Mr. Niculae Havrilet. Their mandate period is equal to the period remaining until the expiry of the mandate for the vacant positions, i.e. until 27 April 2022.

On **25 April 2019**, ELSA's Ordinary General Meeting of Shareholders and ELSA's Extraordinary General Meeting of Shareholders took place.

In the OGMS, ELSA's shareholders approved mainly the following:

- ELSA's 2018 audited financial statements and the 2019 revenue and expenses budget, at individual as well as at consolidated level;
- the 2018 profit distribution: total gross dividend value – RON 247.51 mn; gross dividend per share – RON 0.73; ex-date – 6 June 2019; payment date – 24 June 2019;
- the discharge of liability of the members of ELSA's Board of Directors for the financial year 2018.

At the same time, OGMS rejected the remuneration policy and the proposed mandate agreement of ELSA's Board of Directors members as well as the remuneration limits of ELSA's executive managers.

In the EGMS, the shareholders approved the following:

- the initiation of the share capital increase operation of ELSA through contribution in kind, with a number of 9 (nine) plots of land with a total area of 55,524.46 sqm and the request to appoint an expert evaluator by the Trade Register Office of Bucharest Court to evaluate the land plots for the contribution in kind;
- the delegation to the Board of Directors of ELSA, for a period of three years, of the powers to increase ELSA's share capital by no more than RON 18,000,000, up to the maximum value of RON 3,477,399,290, representing authorized share capital, as follows: (i) the contribution in kind of the Romanian State, represented by the Ministry of Energy, as a result of obtaining the land ownership certificates of 9 (nine) plots of land and (ii) the cash contribution of the other shareholders, resulted from exercising their preference right, granted as a result of the contribution in kind of the Romanian State through the Ministry of Energy, as well as the approval of mandating the Board of Directors of ELSA to take all measures in the name and on behalf of the Company, for initiating, carrying out and finalizing the share capital increase.

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

##### **■ The composition of the Board of Directors' advisory committees:**

Approval of the BoD committees' composition and election of their chairs, starting with 18 February 2019 and until 31 December 2019, as follows:

- The Strategy and Corporate Governance committee: Mr. Valentin Radu – Chair; Mr. Dragos Andrei – Member; Mr. Nicolae Havrilet – Member;
- The Audit and Risk committee: Ms. Ramona Ungur – Chair; Mr. Bogdan George Iliescu – Member; Mr. Radu Florescu – Member;
- The Nomination and Remuneration committee: Mr. Bogdan George Iliescu – Chair; Mr. Gicu Iorga – Member; Mr. Valentin Radu – Member.

##### **■ Executive Management Change:**

On 23 January 2019, ELSA's Board of Directors decided to appoint Ms. Georgeta Corina Popescu as CEO and to appoint Ms. Bibiana Constantin as Chief Human Resources Officer, both mandates starting on 1 February 2019, for a period of four years. We mention that Ms. Georgeta Corina Popescu has been appointed by the Board of Directors as interim CEO starting with 1 November 2018.

During the meeting held on 14 May 2019, the Board of Directors of ELSA decided the appointment of Mr. Mircea-Toma Modran, Romanian citizen, as Chief IT&C Officer, starting with 1 June 2019, for a four year period.

##### **■ Corporate Governance - policies:**

The most recent version of the Policy of Transactions with Related Parties was published on ELSA's website on 14 January 2019.

##### **■ Consolidated investment plan (CAPEX)**

During the meeting held on 19 February 2019, the Board of Directors approved the consolidated value of the Investment Plan (CAPEX) of Electrica Group for 2019, in total amount of RON 739 mn. Out of this value, RON 710 mn represents the investment plan (CAPEX) of the distribution subsidiaries.

#### **Other events**

- Considering the positive effects of the measures established through the Reorganization Plan confirmed on 25 November 2015, the Bucharest Court - Civil Division VII, on 3 April 2019, **established the closure of the**



**insolvency proceedings and decided that all the necessary measures can be taken for the reinsertion of Servicii Energetice Muntenia in the business activity.** We mention that, on 26 November 2014, Servicii Energetice Muntenia entered into insolvency with reorganization proceedings in accordance with Law no. 85/2014, ordered by the Bucharest Court;

- On 28 February 2019, the Trade Register Office of Timis Court admitted ELSA's request for registration of the rightful increase of E-Distributie Banat SA's share capital, with contribution in kind with a land, ELSA becoming shareholder of E-Distributie Banat SA, with 0.00431744696016% of the share capital.

## **Litigations**

### **Litigations between ELSA and its subsidiaries:**

- EFSA filed to the Bucharest Court a lawsuit for damages (file no. 2869/3/2019). The object of the complaint was to order ELSA to:
  - pay the amount of RON 17,274,162, representing the value of the invoices paid by EFSA in the absence of supporting documents, as noted by the Court of Accounts through Report no. 2835/17 May 2013 and Decision no. 20/17 June 2013;
  - pay the legal interest in the amount of RON 3,213,446, due starting with the date when the defendant collected the amounts and until 31 March 2019, the legal interest calculated from 31 March 2019 until the issuance date of an enforceable court decision and the legal penalty interest calculated from the date of the enforceable court decision until the actual payment of the principal debit.

On 20 June 2019, the Bucharest Court rejected the request filed by EFSA. The decision is not final and it may be appealed within 30 days from its communication.

- SDTS filed to the Brasov Court a lawsuit for damages (file no. 4469/62/2018). The object of the complaint is to order ELSA to:
  - pay the amount of RON 8,951,811, representing the value of the services paid by SDTS and considered to be not provided by ELSA, during the period 2010-2014, based on the consultancy, mandate and service agreements concluded between the parties, as noted by the Court of Accounts through Report no. 700/23618/04 December 2013 and Decision no. 75/23 December 2013 (for the period 2010-2012), respectively by the plaintiff, as a result of the extension of the verifications ordered by the Court of Accounts (until 2014);
  - pay the legal interest calculated from the date of payment until the date of effective refund, as well as the difference between the value of the services paid by SDTS and not provided by ELSA and their value updated with the inflation rate for the period between the payment date and the action date.

The file has the first term on 9 September 2019.

- EFSA filed a lawsuit for damages to the Bucharest Court (file no. 6665/3/2019) for ordering ELSA to pay the amount of RON 6,232,398, representing claims according to the Decision of the Court of Accounts no. 11/2016 and the Inspection Report of the Court of Accounts no. 5799/29 November 2016. Within the same file, EFSA also requested that ELSA has to pay the amount of RON 793,234 representing the legal interest calculated from the date when ELSA collected the sums of money (the total amount of which is RON 6,232,398) until 31 March 2019, as well as the legal interest calculated from 31 March 2019 until the date of execution of an enforceable court decision and the legal interest calculated from the date of the enforceable court decision up to the date of effective payment by ELSA of the principal debit. The file has the first term on 19 September 2019.
- ELSA requested the court to order SDTN to pay the amount of RON 2,712,500, representing penalties for non-payment on due date of the dividends due to ELSA for the financial year 2016. The action was admitted, SDTN filing an appeal.

**Litigations of ELSA and its subsidiaries with entities outside the Group:**

- In January 2019, ELSA, together with its distribution subsidiaries, has filed in court applications for the annulment of the ANRE orders regarding the approval of the regulated specific tariffs for electricity distribution service and of the price for reactive electricity (ANRE Order no. 197/2018, ANRE Order no. 198/2018 and ANRE Order no. 199/2018).  
At the same time, in each file, ANRE was required to recognize the amounts that were not included in the 2019 tariffs and to include these amounts in the tariffs' computation for the year following the final settlement of the disputes. The files are pending before the Bucharest Court of Appeal, in course of settlement.
- On 20 June 2019, also, in case no. 7968/2/2015, the High Court of Cassation and Justice has definitively settled Electrica's action for the annulment of ANRE Order no. 165/2015 regarding the amendment of the Methodology for establishing the electricity distribution tariffs, approved through ANRE Order no. 72/2013 and for the annulment of the ANRE address no. 872/01 February 2016, rejecting the preliminary complaint against Order 165/2015.
- On 17 April 2019, The High Court of Cassation and Justice has resolved the case no. 3883/2/2018, dismissing definitively the request of suspension of the Competition Council Decision no. 77/20 December 2017, by which the Company was fined with the amount of RON 10,800,984, until the final resolution on the case no. 3889/2/2018, in which ELSA requested the cancellation of the sanction as being unlawful and unfounded and, alternatively, the reduction of the fine.
- On 20 June 2019, the case no. 46365/3/2016 vs. SAPE had been settled. The Bucharest Tribunal dismissed SAPE's action for claims of approx. EUR 800 million, admitting:
  - the exception of Electrica's lack of passive processing quality, for the claim based on contractual civil liability;
  - the exception of the prescription of the material right to action, for the claim based on civil tort liability.
 The solution may be appealed within 30 days from the communication date. Until the report date, no communication was made.
- In case no. 6043/2/2018, having as object forcing NAFA to correct the recording of tax receivables so that it reflects the solutions pronounced by the courts in disputes between the parties, on 15 April 2019, the court admitted the request and forced the defendant to correct the record of the tax receivables, so that it reflects the prescription of the amount of RON 16,915,950, representing income tax as per the Decision no. 3/2008, as well as all the accessories related to this amount, including the amount of RON 30,777,354, included in the Decision no. 357/2008, as well as to remove these amounts from the fiscal records of ELSA.  
The decision may be appealed within 15 days of communication.

**Key events after 2019 half-year**

The following significant events took place after the conclusion of the first semester of 2019 and until the date of issue of this document:

- On 2 August 2019, the mandate agreement of the Chief Corporate Governance and M&A Officer, Ms. Alexandra Popescu Borisilavski, has terminated upon lapse of the 4 year duration.

## **Distribution segment**

After completing in 2018 the organizational transformation program initiated in 2017, the distribution companies of Electrica Group have gone through a stabilization and consolidation period, a necessary step before starting a new regulatory period (the fourth regulatory period - RP4). Currently, the implementation of the actions resulting from this program is continued, in the context of the new regulatory framework, the revenue and expenses budget and the strategic directions of the Group. In this context, the strategic projects for RP4 have been validated and budgeted and a set of identified Lean solutions has been implemented, activities to be carried out during the next period.

The priorities for the distribution segment are:

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

### **■ Distribution activity:**

**ANRE** has issued orders requesting additional efforts from distribution operators to comply with the new requirements:

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

- On 25 February 2019, the new distribution tariffs were approved through ANRE orders no. 24, 25 and 26, applicable from 1 March 2019 (until 30 June 2019). These tariffs record an increase of approximately 2.3% as compared with the tariffs for the first two months of 2019, following the application of the GEO no. 114/2018 provisions on the increase of the monetary contribution paid to ANRE (from 0.1% to 2%);
- On 24 June 2019, ANRE approved, through orders no. 78, 79 and 80, new distribution tariffs applicable from 1 July 2019, increased by 2.3% for Electrica group DSO as compared with 1 March 2019, as a result of GEO no. 19/2019 application, regarding the increase of RRR to 6.9%, starting with 29 March 2019;
- On 1 July 2019, Electrica group DSOs sent to ANRE data regarding distribution tariffs setting for 2020 and RP4 new projection. ANRE analysis will be carried out by 1 September 2019, with distribution tariffs for 2020 being approved by 15 December 2019.

#### **b) Smart metering systems regulations:**

- ANRE Decision no. 778/08 May 2019 to approve smart metering implementation calendar on national level, for 2019-2028. The plans for smart metering implementation for Electrica group DSOs have been approved for the values and parameters requested to ANRE.

#### **c) Investments regulations**

- ANRE has launched to public debate the amendment of Investments Procedure approved through Order no. 8/2016, proposing: the obligation of carrying out the preventive maintenance plan in a proportion of 95% vs. 90%; capping to 10% any possible exceeding of smart metering maintenance costs, recognition in RAB of replacement works, conditional on the exclusion from RAB of dismantled assets.

**d) Primary legislation:**

- GEO no. 19/29 March 2019, for the amendment and completion of some normative acts, approves the regulated rate of return of 6.9% for 2019-2024 for electricity and natural gas distribution and transmission operators. ANRE has the obligation to amend the regulations in order to implement the provisions within 60 days from the date of entry into force of GEO no. 19;
- Law no. 117/20 June 2019 for the amendment and completion of Law no. 50/1991 regarding the authorization of construction works' execution, provides for the installation of the prosumers' photovoltaic panels without a construction authorization, but only with the prior notification of the local public administration authorities.

**e) Other regulations****Network connection regulations:**

- ANRE order no. 36/2019 modifies the methodology for assessing the investment financing conditions for the counties' electrification, or for extending the electricity distribution network (EDN), and establishes an Appendix to calculate the investment's economic efficiency, applied at national level.

**Prosumers**

- ANRE have approved in December 2018 the regulation package regarding the prosumers which own electrical power plants from renewable sources with installed power of up to 27 kW per consumption spot:
  - (i) Order 226/2018 to approve commercial rules of produced energy;
  - (ii) Order 227/2018 to approve Framework-Contract for sale-purchase of produced energy;
  - (iii) Order 228/2018 to approve the Technical Norm „Technical conditions for connection to the public-interest electrical networks for prosumers with injection of active power in the network“.

**■ Investments**

- At the end of 2019 half year, the three distribution companies of Electrica group realized and commissioned investments amounting to RON 172.6 mn, representing 25.7% of the commissioning program value planned for 2019 (i.e. RON 670.8 mn, out of which RON 612.5 mn for 2019 and RON 58.3 mn related to 2018 plan; from the first category, RON 149 mn were realized, and RON 24 mn represent recoveries related to 2018). The values achieved in H1 2019 show a 3.9% decrease compared with same period of 2018.
- The investment plans were drafted in accordance with the requirements stipulated by the regulatory authority in the "Procedure regarding the elaboration and approval of the investment programs of the economic operators concessionaires of the electricity distribution service" approved by the ANRE Order no. 8/2016 with subsequent amendments and completions.

**Supply segment****■ Supply activity****Key Projects**

- Starting from the significant changes in the energy market regarding the regulatory framework, as well as from the increasing competition, EFSA launched an ambitious internal transformation project which aims to successfully meet the current and future challenges, and whose mission is the transformation and optimization of sales and customer relations activities, along with the development of the entire staff's skills.
- In the first phase, the project is focusing on developing the sales strategy. In the second phase, the effort will be focused on improving internal processes, systems and technology, and, naturally, on upgrading organizational structures.

## Regulatory Framework

- During January - February 2019, the application of the regulatory package approved by ANRE for the activity of supply of last resort/universal service activity (US) - applicable starting with H2 2018, continued – ANRE Order no. 26/2018, ANRE Order no. 27/2018 and ANRE Order no. 39/2018;
- As of 1 March 2019, the supply regulatory framework was modified in accordance with the provisions of GEO no. 114/2018, as follows:
  - ANRE Order no. 10/2019 - ANRE approves the Methodology of establishing the prices of electricity sold by producers based on regulated contracts and on the quantities of electricity from the regulated contracts concluded by the producers with the suppliers of last resort. ANRE Order no. 34/2019 - ANRE approves the contractual framework for electricity sale and purchase concluded between the electricity producers and suppliers of last resort. Based on this methodology, for the period March - December 2019, the suppliers of last resort have received part of the electricity needed to ensure the household customers' consumption through agreements with regulated prices from producers;
  - ANRE Order no. 11/2019 (cancels order no. 39/2018) - ANRE approves the Methodology for setting the regulated tariffs and the prices applied by SoLRs to the final customers. The criteria and rules for determining the regulated tariffs for household consumers (different tariffs for bound and optional SoLRs) are established, as well as the criteria for endorsement of the universal service (US) price for each bound SoLR network area. The regulated tariffs consist of: purchase component, supply component, adjustment component and service charges (transmission, distribution and system services). Based on this methodology, ANRE approved for EFSA, as bound SoLR, the regulated tariffs for household customers for the period 01 March 2019 – 31 December 2019 and endorsed the prices related to US for the period 01 March 2019 - 31 December 2019;
  - ANRE Order no. 17/2019 - optional SoLR designation from 01 March 2019 for a period of one year, through a competitive process, based on the criteria of eligibility, availability and capability; EFSA is designated optional SoLR through the ANRE decision no. 334/28 February 2019 for the following network areas: Banat, Dobrogea, South Muntenia, Oltenia, Moldova.
- The tariffs for the transmission and system services were not changed in the first semester of 2019, being applicable the tariffs approved by the ANRE order no. 108/2018; the distribution service tariffs were modified starting with 1 January 2019 through ANRE orders no. 194 - 201/2018 and starting with 1 March through ANRE Orders no. 19 - 25/2019; as of 1 July 2019, the tariffs for the transmission and system service were changed, through ANRE order no. 81/2019, as well as the distribution service tariffs, through ANRE orders no. 78 – 80/2019;
- GEO no. 114/2018 completed by GEO no. 19/2019 regarding the setting of measures in the field of public investments and fiscal-budgetary measures, amendment and completion of some normative acts:
  - The monetary contribution from the license holders in electricity area equals 2% of the turnover achieved from the activities that are subject to the licenses granted by ANRE, according to the provisions of ANRE order no. 18/2019;
  - For the period 1 March 2019 – 28 February 2022, for household customers, the electricity supply is made under regulated conditions;
  - The purchase cost differences between suppliers from 2018 and 2019, unrecoverable through the prices charged, will be recovered by 30 June 2022.
- The ANRE Order no. 207/2018 establishes the estimated mandatory quota for the purchase of certificates for the year 2019 at the value of 0.433 green certificates/MWh;
- ANRE Orders no. 226 and no. 227/2018 established the rules for trading of electricity produced in electric power stations held by prosumers and approved the framework agreement for sale-purchase of electricity produced by them. The electricity supplier has the obligation to buy the electricity produced and delivered by the

prosumer, if the latter has/concludes a supply agreement with the electricity supplier. The distributor's obligation that the reading frequency of the meter index for each prosumer connected to the network is one calendar month is established, as well as the supplier's obligation to issue invoices based on the data measured by distribution operator.

## 2.2. Summary of financial indicators

A summary of the main financial indicators is presented below:

- In the six month period ended 30 June 2019, EBITDA decreased to RON 358.9 mn, by RON 118.3 mn, as compared with the same period of 2018;
- The volume of the investments in the distribution network in the first six months of 2019 was of RON 351.1 mn, increasing by approx. RON 61.6 mn, or 21.3%, compared to RON 289.5 mn cumulated in the first semester of 2018;
- The operating profit of H1 2019 is of RON 123.8 mn, posting a significant decrease as compared with the same period of the previous year, when the Group recorded an operating profit of RON 261.4 mn, mainly due to the electricity prices recorded in 2019, the changed regulatory framework applicable for the distribution segment in 2019, as well as the impact of the regulated supply segment, particularly in January and February 2019;
- The cost of electricity purchased increased by RON 413.9 mn, or 32.6%, to RON 1,682.6 mn in the six month period ended 30 June 2019, compared to RON 1,268.7 mn recorded in the comparative period, mainly as a result of the increased electricity prices;
- Revenue from the distribution segment increased by RON 82.7 mn, or 6.6%, to RON 1,326.7 mn (out of which RON 720.3 mn external revenues), compared to H1 2018; the contribution of the electricity distribution segment to the Group's consolidated revenue is of 23.2%;
- In the first semester of 2019, the revenue from the electricity supply segment increased by RON 406 mn y-o-y, or 20.5%, to RON 2,385.3 mn (out of which RON 2,366.8 mn external revenues), both as a result of rising selling prices and increase in the quantity of electricity and natural gas supplied; the contribution of the electricity supply segment to the Group's consolidated revenue is of 76.3%.

## 3. Organizational Structure

### 3.1. Group Structure

ELSA is the parent company for the Group, which comprises four subsidiaries in its distribution segment: SDTN, SDTS, SDMN and ELSERV, whereas the supply segment comprises one subsidiary, EFSA.

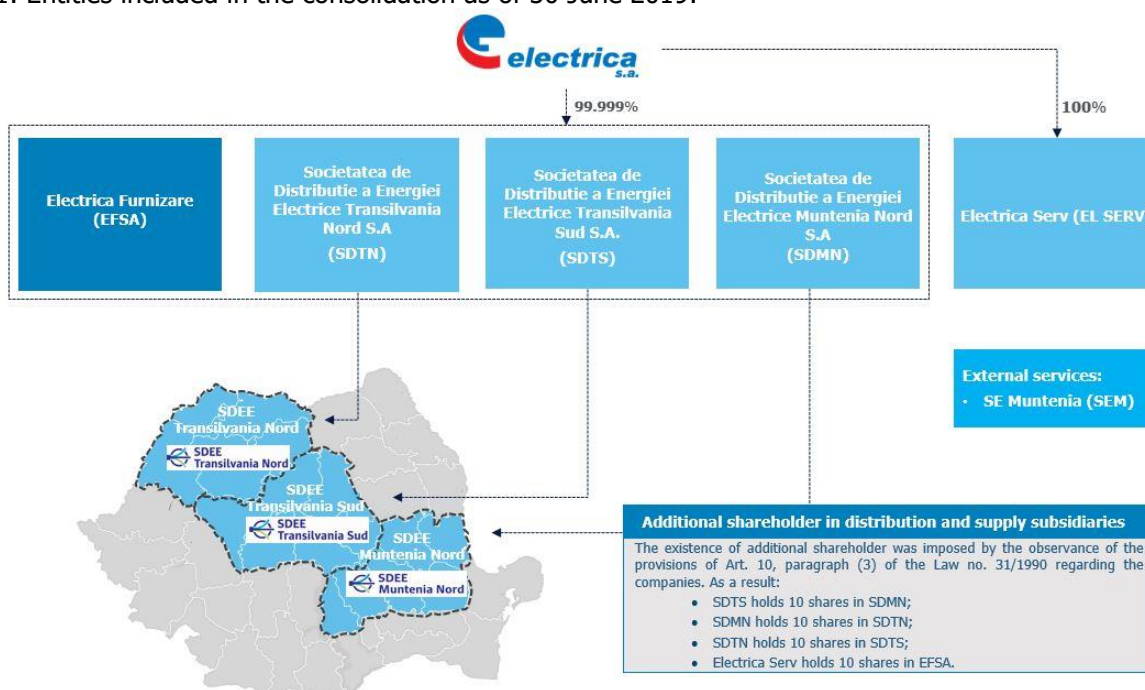
The Company also owns all shares of SEM. In October 2014, the Board of Directors of SEM decided the commencement of the insolvency procedure with a view to reorganization. The insolvency procedures were initiated in 2014.

In the first part of 2019, SE Muntenia completed the reorganization plan, the payables included in the payment schedule being fully paid, thus the legal procedures for exiting the insolvency procedures can be completed in the following period.

Considering the positive effects of the measures established by the Reorganization Plan, the Bucharest Court established on 3 April 2019 the closure of the insolvency proceedings and decided that all the necessary measures can be taken for the reinsertion of the company in the business activity.

As of 30 June 2019, the main shareholder of Electrica SA is the Romanian State, represented by the Ministry of Energy (48.7805%).

Figure 1: Entities included in the consolidation as of 30 June 2019:



Source: Electrica

### Presentation of Group subsidiaries

Subsidiary	Activity	Registration code	Headquarters	% shareholdings as of 30 June 2019	% shareholdings as of 31 December 2018
Societatea de Distribuție a Energiei Electrice Muntenia Nord SA (SDMN)	Electricity distribution in North Muntenia geographical area	14506181	Ploiesti	99.9999719027621%	99.9999696922382%
Societatea de Distribuție a Energiei Electrice Transilvania Nord SA (SDTN)	Electricity distribution in Northern Transylvania geographical area	14476722	Cluj-Napoca	99.9999731064276%	99.9999829770757%
Societatea de Distribuție a Energiei Electrice Transilvania Sud SA (SDTS)	Electricity distribution in Southern Transylvania geographical area	14493260	Brasov	99.999977569745%	99.999976413243%
Electrica Furnizare SA (EFSA)	Supply and trading of electricity	28909028	Bucharest	99.9998390431663%	99.9998390431663%
Electrica Serv SA (EL SERV)	Services in the energy sector (maintenance, repair, construction)	17329505	Bucharest	100%	100%
Servicii Energetice Muntenia SA (SEM)	Services in the energy sector (maintenance, repair, construction)	29384120	Bucharest	100%	100%

Subsidiary	Activity	Registration code	Headquarters	% shareholdings as of 30 June 2019	% shareholdings as of 31 December 2018
Servicii Energetice Oltenia SA (SEO)*	Services in the energy sector (maintenance, repair, construction)	29389861	Craiova	n/a*	n/a*

Source: Electrica

\*Societatea Energetica Electrica SA lost the control of Servicii Energetice Oltenia starting 31 October 2018 when the bankruptcy proceedings of the subsidiary began. As of this date, the Group ceased to consolidate this company.

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 electricity distribution service by operating the installations that function at voltages ranging from 0,4 kV to 110 kV (power lines, substations and electrical transformer stations).

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

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

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

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

## 3.2. Key information by segments

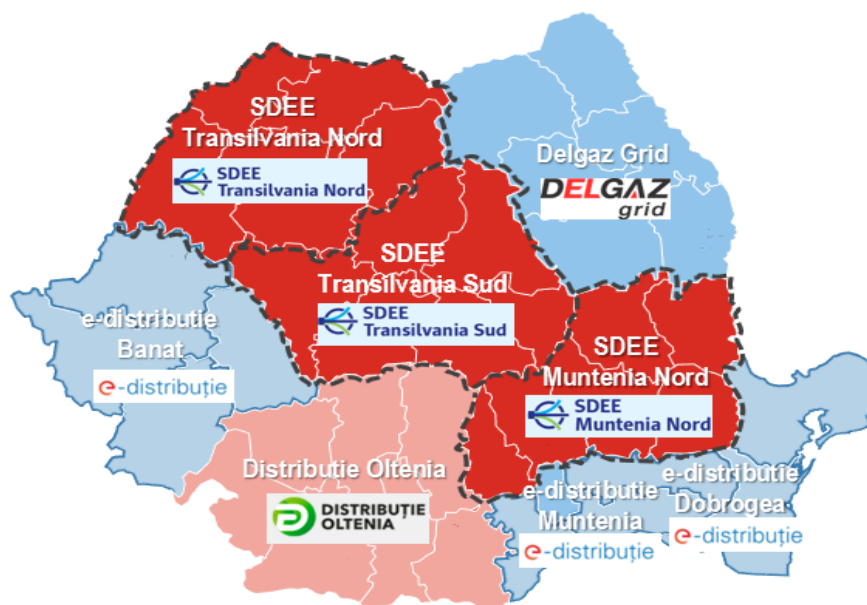
### **DISTRIBUTION SEGMENT**

#### **Information for the period ended 30 June 2019**

- The Regulated Assets Base (RAB estimated) at the end of H1 2019 was RON 5,257 mn
- 198,290 km of electric lines – 7,595 km for High Voltage ("HV"), 45,848 km for Medium Voltage ("MV") and 144,847 km for Low Voltage ("LV")
- Total area covered: 97,196 km<sup>2</sup>, 40.7% of Romania's territory
- 3.79 mn users at the end of H1 2019 for the distribution activity
- 8.86 TWh of electricity distributed in H1 2019, an increase of 0.3% as compared to H1 2018

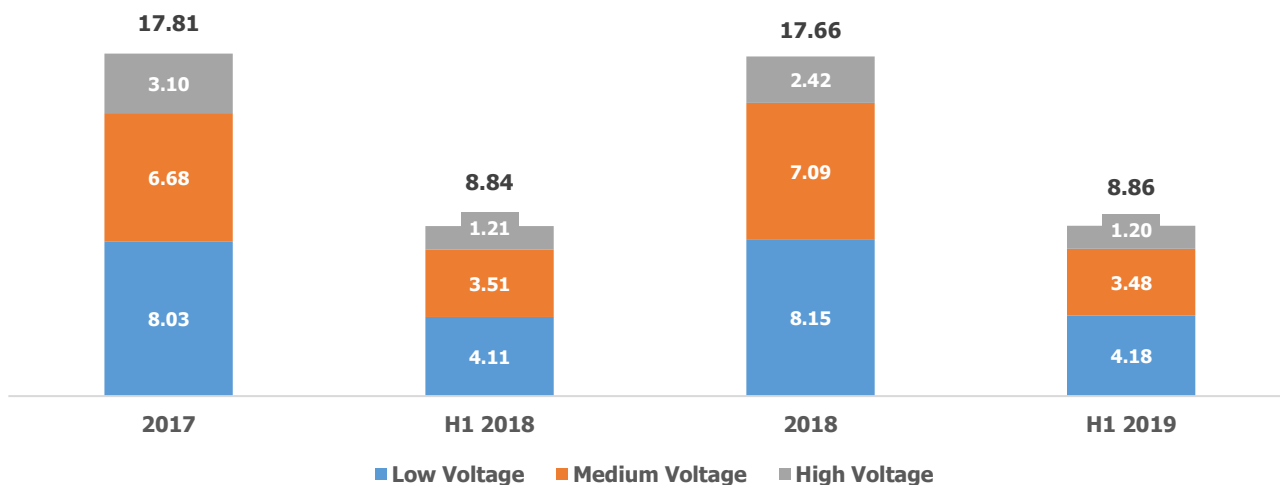


Figure 2: Romanian electricity distribution map



Source: Electrica

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



Source: Electrica

**SUPPLY SEGMENT**

**Market data (according to ANRE Report for May 2019)**

- The supply market comprises both the competitive segment and the regulated segment
- The regulated segment comprises five suppliers of last resort, while the competitive market segment comprises 89 suppliers (including those of last resort active in the retail market competitive segment, of which 79 are relatively small - less than 4% market share)
- EFSA has a market share of 18.84%; is the market leader on the regulated market, with a market share of 50.53%, while for the competitive market has a share of 10.97%. By comparison, at December 2018, EFSA

had a market share of 45.61% on the regulated market and a 9.36% market share on the competitive market (December 2018 ANRE report)

- In H1 2019, the Group supplied 4.6 TWh of electricity to a number of approx. 3.5 mn final consumers (both in last resort regime and on the competitive market), representing an increase of 7.7% y-o-y.

## 4. Shareholders' Structure

Until July 2014, the Romanian state, acting through the Ministry of Energy was the sole shareholder of ELSA. Starting 4 July 2014 the Company's shares are listed on Bucharest Stock Exchange, and the GDRs are listed on London Stock Exchange. As of 30 June 2019, the shareholders' structure is the following:

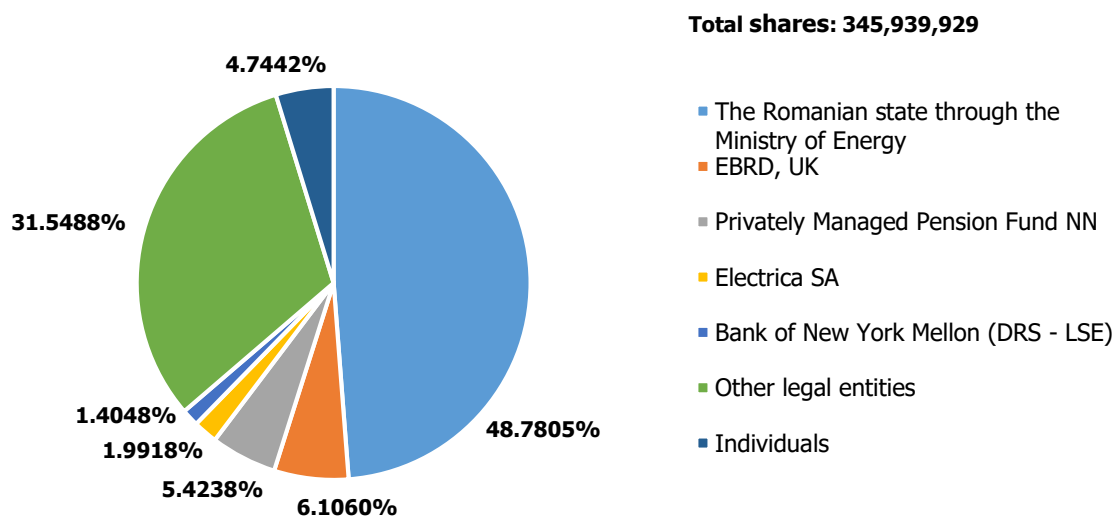
Shareholder	Number of shares	Stake held (% of the share capital)
The Romanian state, through the Ministry of Energy, Bucharest, Romania	168,751,185	48.7805%
The European Bank for Reconstruction and Development, London, UK	21,123,100	6.1060%
Privately Managed Pension Fund NN	18,763,175	5.4238%
Electrica SA (no voting rights)	6,890,593	1.9918%
BNY MELLON DRS, New York, USA	4,859,596	1.4048%
Other legal entities*	109,140,058	31.5488%
Individuals	16,412,222	4.7442%
<b>TOTAL</b>	<b>345,939,929</b>	<b>100.0000%</b>

Source: Central Depository, Electrica

\* *Dedeman SRL owns between 5 and 10% of the total number of shares*

Following the stabilization process after the IPO, ELSA owns 6,890,593 of its own shares, representing 1.9918% of the total share capital, which do not entitle ELSA either to voting rights, or dividends.

Figure 4: Shareholders' Structure as of 30 June 2019



Source: Electrica

## 5. Operational Results

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

Indicator	30 June 2019 (reviewed)	30 June 2018 (reviewed)	Variation (%)
Revenues	3,101.2	2,653.5	16.9%
Other income	78.8	74.9	5.2%
Electricity purchased	(1,682.6)	(1,268.7)	32.6%
Green certificates	(261.1)	(154.7)	68.8%
Construction costs related to concession agreements	(351.1)	(289.5)	21.3%
Employee benefits	(311.1)	(297.4)	4.6%
Repairs, maintenance and materials	(47.3)	(42.3)	11.7%
Depreciation and amortization	(240.9)	(216.0)	11.5%
Reversal of impairment of property, plant and equipment and intangible assets, net	5.9	0.2	3,066.8%
Reversal of impairment/(Impairment) of trade and other receivables, net	4.2	(2.5)	-
Impairment of assets held for sale	(0.2)	-	-
Change in provisions, net	13.8	0.1	17,343.0%
Other operating expenses	(185.9)	(196.2)	-5.3%
<b>Operating profit</b>	<b>123.8</b>	<b>261.4</b>	<b>-52.6%</b>
Finance income	7.2	5.9	21.2%
Finance costs	(6.2)	(3.4)	82.1%
<b>Net finance income</b>	<b>1.0</b>	<b>2.5</b>	<b>-61.9%</b>
<b>Profit before tax</b>	<b>124.7</b>	<b>263.9</b>	<b>-52.7%</b>
Income tax expense	(15.9)	(54.3)	-70.6%
<b>Profit for the period</b>	<b>108.8</b>	<b>209.6</b>	<b>-48.1%</b>

Source: Electrica

### Key financial indicators for the period ended 30 June 2019:

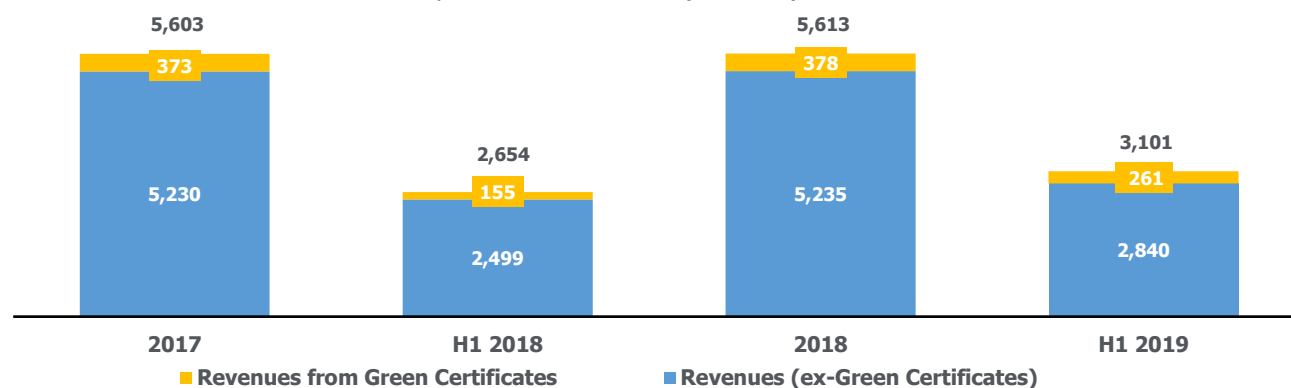
- **Revenues:** RON 3.1 bn, a 16.9% y-o-y increase;
- **EBITDA:** RON 358.9 mn, a RON 118.3 mn decrease compared to same period of last year;
- **EBIT:** RON 123.8 mn, a RON 137.6 mn decrease compared to H1 2018;
- **EBT:** RON 124.7 mn, a RON 139.2 mn y-o-y decrease;
- **Net result:** profit of RON 108.8 mn, a RON 100.8 mn y-o-y decrease.

## Revenues and other income

Electrica's revenues and other income in the six month period ending 30 June 2019 and 30 June 2018 amounted to RON 3,180 mn and RON 2,728.4 mn, respectively, representing an increase of approx. RON 451.6 mn, or 16.6%; the variation is generated mainly by the revenues' evolution, the other income recording only a slight increase of RON 3.9 mn.

### Revenues

Figure 5: Revenue for H1 2019 and comparative information (RON mn)



Source: Electrica

The revenues increased by RON 447.7 mn, or 16.9%, being the net effect of the following main factors:

- external revenue (outside the Group): the electricity and gas sales towards third parties decreased by RON 37 mn, having an unfavorable impact on the consolidated revenue;
- RON 82.7 mn increase of the distribution segment's revenues;
- increase of RON 406 mn on the supply segment.

In the six month period ending 30 June 2019, the revenue from the electricity distribution segment increased by approx. RON 82.7 mn, or 6.6%, to RON 1,326.7 mn, from RON 1,244 mn in the six month period ending 30 June 2018, as a result of the following factors:

- the total distributed quantity increased by 0.3% (on voltage levels: high voltage -0.8%, medium voltage -0.8%, low voltage 1.5%), generating a favorable effect on the total revenues from electricity distribution;
- the evolution of the distribution tariffs also had a positive effect on the energy revenues, especially after their increase by 2.3%, starting 1 March 2019;
- the revenues from electricity distribution segment are influenced also by the recognition of investments into the network under concession agreements in accordance with IFRIC 12, which recorded a significant increase in H1 2019, of RON 62.8 mn, as compared with H1 2018.

In the six month period ending 30 June 2019, the revenue from the electricity supply segment increased by RON 406 mn, or 20.5%, to RON 2,385.3 mn, from RON 1,979.3 mn in the same period of the previous year.

The variation of the supply segment revenue is mainly driven by the 6.3% retail sale price increase and the 7.7% increase in the supply of electricity on the retail market; the development of the natural gas supply activity had also a positive impact on the segment revenues.

The value of the green certificates included in the invoice to the final consumer, set by ANRE, increased from RON 46.5/MWh in the six-month period ending 30 June 2018 to RON 59.1/MWh in the six-month period ending 30 June 2019.

### Electricity purchased

In the six month period ending 30 June 2019, the expense for electricity purchased increased by RON 413.9 mn, or 32.6%, to RON 1,682.6 mn, from RON 1,268.7 mn in the comparative period.

This variance is mainly generated by the rise in the electricity purchase prices in H1 2019, compared with the same period of the previous year, being the effect of the electricity market evolution - experienced both in the supply and distribution segment, but also by the increase of the quantity of electricity purchased on the supply segment.

The cost of the electricity purchased for supply and balancing (including transmission and system services) increased by RON 350.3 mn, or 35.6%, to RON 1,334 mn in the first six months of 2019, from RON 983.8 mn recorded in the same period of 2018, being the cumulative effect of higher electricity purchase price and the increase in the quantity of electricity purchased.

Regarding the distribution segment, in the six month period ended 30 June 2019, the cost of the electricity purchased to cover network losses increased by RON 63.6 mn, or 22.3%, to RON 348.6 mn, from RON 284.9 mn, the evolution being generated by the increase in the electricity purchase prices (negative effect of RON 65.7 mn), effect slightly diminished by the reduction in the quantity of electricity needed to cover network losses (positive impact of RON 2 mn).

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

Six month period ending 30 June (RON million)	2019	2018
Electricity purchased to cover network losses <sup>1</sup>	348.6	284.9
Electricity purchased for supply and balancing <sup>2</sup>	1,206.2	867.0
Transmission and system services related to supply and balancing activities	127.9	116.8
<b>Total electricity purchased</b>	<b>1,682.6</b>	<b>1,268.7</b>

Source: Electrica

1. the distribution segment - the regulatory framework has undergone significant changes between the two compared periods, 2019 and 2018, thus in 2019 the ex-ante price recognized and approved by ANRE is approx. 243 RON/MWh in nominal terms, significantly different from the actual purchase price of the distribution companies of Electrica Group; according to the new methodology, there is the possibility to recover through the 2021 tariffs the difference between the actual NL electricity price of each DSO and the ex-ante price set by ANRE, provided that the average actual price is lower than or equal to the average of the actual 2019 prices of the network operators (DSO and the transmission and system operator - TSO). In case of exceeding the average, the difference between the average and the ex-ante price approved by ANRE will be recovered at most.

2. supply segment: considering the tariffs approved by ANRE, the price recognized for January - February 2019 on the regulated segment does not cover the actual electricity purchase price (the purchase price recognized by ANRE for January and February 2019 on the regulated segment was set based on the reference prices of transactions realized on the centralized market during March-April 2018, according to ANRE Order no. 39/2018); through GEO no. 114/2018, was set the legal framework for recovering the losses from the purchase of electricity on the regulated segment in the future periods, starting from 1 March 2019 and until 28 February 2022 (the difference between the actual price and the ANRE recognized price for 2018 and 2019).

### Green certificates

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

In the six-month period ended 30 June 2019, the cost of GC increased by RON 106.4 mn, or 68.8%, to RON 261.1 mn, from RON 154.7 mn in the same period of the prior year.

The increase was mainly determined by:

- higher supplied volumes, for which there is an obligation to purchase green certificates, by 8% (negative impact of RON 15 mn);
- 1.59% increase in the average purchase price from RON 133.14/GC in the six-month period ending 30 June 2018 to RON 136.46/GC in the six-month period month ended 30 June 2019, cumulated with the increase in average regulated quota of GC imposed to electricity suppliers by ANRE at 0.433 GC/MWh supplied from 0.346 GC/MWh supplied in the six-month period ending 30 June 2019 (negative impact of RON 55.2 mn);
- the regularization impact – negative variance of RON 36.2 mn, reflected in both revenue and expenses, therefore having no impact on the margin (the regularization for 2018 of RON 2.3 mn with impact in 2019 compared to the regularization of RON 33.9 mn with impact in 2018).

### **Construction costs**

In the six month period ending 30 June 2019, the costs related to concession agreements increased by RON 61.6 mn, or 21.3%, to RON 351.1 mn, from RON 289.5 mn in the comparative period. This increase is attributable to the realized investments related to the Regulated Asset Base.

### **Employee benefits**

The expenses for salaries and employee benefits increased by RON 13.8 mn, or 4.6%, to RON 311.1 mn in the six month period ending 30 June 2019, from RON 297.4 mn in the same period of the previous year, following the changes in the structure of the benefits granted to the Group's employees.

### **Impairment of trade and other receivables**

The net impairment of trade and receivables had a positive impact at the end of S1 2019, of RON 4.2 mn, being mainly the net effect of the impairment adjustments recognized for receivables and sundry debtors (mainly customers with financial difficulties or customers who have exceeded the due date) and the reversal of impairment adjustments, as a result of the analysis of the receivables and other receivables' structure as of 30 June 2019, and finding an improved receivables collection rate y-o-y.

### **Change in provisions**

The net change in provisions has a favorable impact on the 2019 half year result, reaching RON 13.8 mn, from RON 0.1 mn in the similar period of the previous year, mainly as a result of the reversal of previously recorded provisions for potential fiscal obligations of the group (including interest and penalties).

### **Other operating expenses**

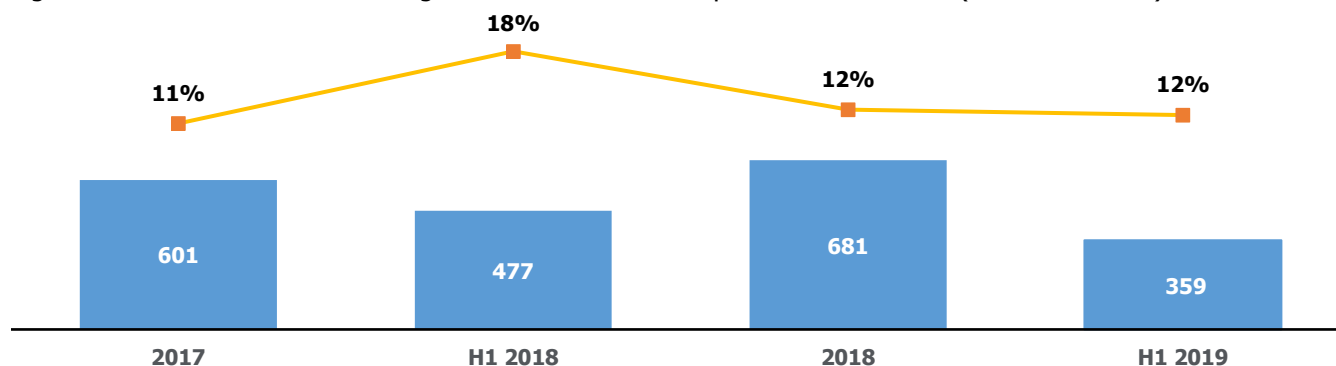
Other operating expenses decreased by RON 10.3 mn in the six month period ended 30 June 2019 compared to the similar period in 2018, reaching RON 185.9 mn, from RON 196.2 mn, as a result of the net effect of below factors:

- applying in 2019 the treatment of IFRS 16 'Leases', using the modified retrospective method, without influencing the comparative periods, which modifies the statement of profit or loss elements by reclassifying the rental expenses that fall within the scope of this standard in depreciation charge and interest expenses;
- recognition of expenses related to fixed assets' write off;

- the recognition in 2018 of expenses related to non-recurring transactions (goods' write-off, recognition of interest and penalties generated by a NAFA control at EFSA), which have no impact in 2019;
- the cost optimization measures at group level, as well as other effects that required additional resources in the comparative periods.

### EBITDA and EBITDA margin

Figure 6: EBITDA and EBITDA margin for H1 2019 and comparative information (RON mn and %)



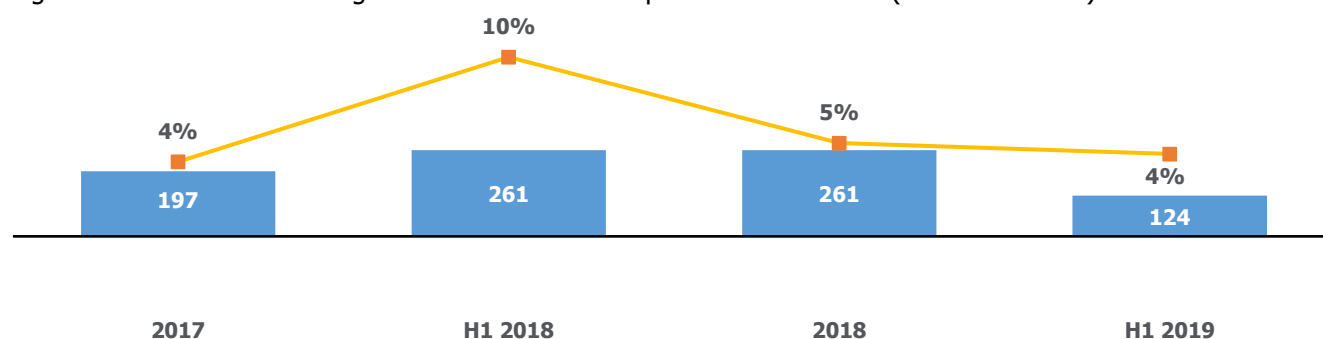
Source: Electrica

### Operating result

The Group EBIT decreased by approx. RON 137.6 mn y-o-y, adding to the EBITDA evolution:

- the impact of the depreciation and amortization, an increase by RON 24.9 mn, or 11.5%, as a result of the reclassifications under IFRS 16 'Leases', but also of a higher level of investments' commissioning, and
- the positive impact of impairment adjustments of tangible and intangible assets (RON 5.7 mn variation, as in 2019 were made assets' write offs, their value being reflected in other operating expenses, and in the same time was recognized a revenue from the reversal of impairment adjustment recognized in 2018 with this purpose, so that the impact on the result is almost insignificant).

Figure 7: EBIT and EBIT margin for H1 2019 and comparative information (RON mn and %)



Source: Electrica

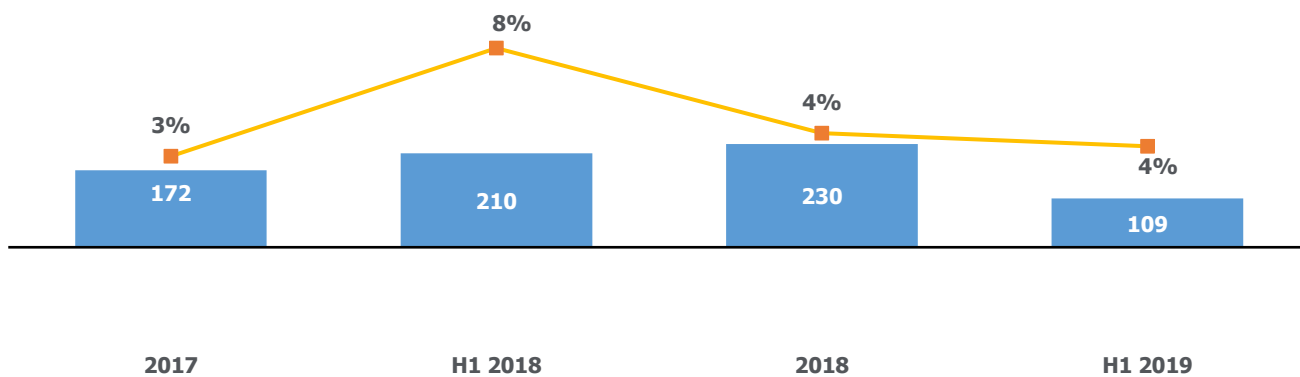
### Net finance income

The net finance income at group level decreased by 61.9% over the six month period ended 30 June 2019 compared to the similar period in 2018, as a result of the increase in finance cost, affected by the application of IFRS 16, 'Leasing Contracts', at a higher rate than the financial income increase.

**Net profit for the period**

As a result of the above described factors, in the six month period ended 30 June 2019, the net result decreased by RON 100.8 mn, reaching RON 108.8 mn, from RON 209.6 mn in the comparative period.

Figure 8: Net profit and Net profit margin for H1 2019 and comparative information (RON mn and %)



Source: Electrica



## 6. Financial position

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

	30 June 2019 (reviewed)	31 December 2018 (audited)	Variation 2019/2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets related to concession agreements	4,969.4	4,810.3	3.3%
Other intangible assets	14.9	13.9	7.2%
Tangible assets, net	562.9	601.2	-6.4%
Restricted cash	320.0	320.0	-
Deferred tax assets	23.5	28.9	-18.7%
Other non-current assets	1.9	1.9	1.5%
Right of use asset	59.1	-	-
<b>Total non-current assets</b>	<b>5,951.7</b>	<b>5,776.2</b>	<b>3.0%</b>
<b>Current assets</b>			
Trade receivables	873.9	806.3	8.4%
Other receivables	30.8	38.5	-20.0%
Cash and cash equivalents	385.4	665.7	-42.1%
Deposits with a maturity date of more than 3 months	123.7	136.5	-9.4%
Inventories	68.5	63.6	7.7%
Prepayments	7.2	2.7	171.4%
Income tax receivables	7.9	16.4	-52.0%
Assets held for sale	15.9	23.2	-31.4%
<b>Total current assets</b>	<b>1,513.3</b>	<b>1,752.9</b>	<b>-13.7%</b>
<b>Total assets</b>	<b>7,465.0</b>	<b>7,529.1</b>	<b>-0.9%</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	3,459.4	3,459.4	-
Share premium	103.0	103.0	-
Treasury share reserves	(75.4)	(75.4)	-
Pre-paid capital contributions in kind from shareholders	5.1	5.1	-
Revaluation reserve	99.0	108.7	-8.9%
Other reserves	352.0	352.0	-
Retained earnings	1,546.4	1,675.5	-7.7%
<b>Total equity attributable to shareholders of the Company</b>	<b>5,489.7</b>	<b>5,628.4</b>	<b>-2.5%</b>
<b>Total equity</b>	<b>5,489.7</b>	<b>5,628.4</b>	<b>-2.5%</b>

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	30 June 2019 (reviewed)	31 December 2018 (audited)	Variation 2019/2018
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financing for network construction related to concession agreements	0.1	1.0	-88.8%
Finance lease liability – long-term	21.0	-	-
Deferred tax liabilities	180.2	183.4	-1.7%
Employee benefits	186.7	186.9	-0.1%
Other liabilities	39.5	41.2	-4.2%
Long-term bank borrowings	320.0	320.0	-
<b>Total non-current liabilities</b>	<b>747.6</b>	<b>732.5</b>	<b>2.1%</b>
<b>Current liabilities</b>			
Financing for network construction related to concession agreements	5.5	11.9	-53.4%
Finance lease liability – short term	39.3	-	-
Bank overdrafts	294.0	119.0	147.1%
Trade payables	605.5	742.2	-18.4%
Other payables	199.9	181.1	10.4%
Deferred revenue	5.0	5.0	-1.1%
Employee benefits	59.2	78.0	-24.2%
Provisions	15.3	29.1	-47.3%
Current income tax liability	4.0	1.9	112.7%
<b>Total current liabilities</b>	<b>1,227.7</b>	<b>1,168.2</b>	<b>5.1%</b>
<b>Total liabilities</b>	<b>1,975.3</b>	<b>1,900.7</b>	<b>3.9%</b>
<b>Total equity and liabilities</b>	<b>7,465.0</b>	<b>7,529.1</b>	<b>-0.9%</b>

Source: Electrica

### Non-current assets

The non-current assets increased by RON 175.5 mn in S1 2019, to RON 5,951.7 mn, from RON 5,776.2 mn at 31 December 2018, this variation being the cumulated effect of:

- network investments made by the distribution subsidiaries (the most relevant values of investments and commissioned assets are presented in Annex 11.3);
- the assets' disposals, which generates a decrease in the level of the tangible non-current assets;
- the application of IFRS 16 'Leases', using the modified retrospective method, without affecting the comparative periods, which resulted in the recognition of right of use assets in the amount of RON 59.1 mn.

### Current assets

In S1 2019, current assets decreased by RON 239.6 mn compared to 2018, from RON 1,752.9 mn to RON 1,513.3 mn, this evolution being mainly the net effect of higher trade receivables and lower value of cash and cash equivalents and of deposits, treasury certificates and government bonds. Below is presented the evolution of current assets' elements that generate most of the variation.

Trade receivables

Trade receivables increased by RON 67.6 mn during the six months ended 30 June 2019, to RON 873.9 mn, from RON 806.3 mn at 31 December 2018. This variation is mainly generated by the increase in sales, especially in the supply segment, the receivables collection period recording a slight decrease.

Cash and cash equivalents

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

Their value decreased by RON 280.4 mn in H1 2019, to RON 385.4 MN, from RON 665.7 mn in 2018, as a result of using them for the investments' internal financing.

**Share capital and share premium**

The subscribed share capital in nominal terms consists of 345,939,929 ordinary shares as of 30 June 2019 (345,939,929 ordinary shares on 31 December 2018) with a nominal value of RON 10/share. All the shares give equal rights to the net assets of the Company. Holders of ordinary shares are entitled to dividends and have the right to one vote per share in the General Meetings of Shareholders of the Company (excepting the 6,890,593 shares repurchased by the Company in July 2014 with the purpose to stabilize the share price).

The company recognizes the changes in its share capital only after their approval in the General Meeting of Shareholders and their registration with the Trade Register. Contributions made by the shareholder, which are not registered with the Trade Register at the end of the year are recognized as "Pre-paid capital contributions in kind from shareholders".

**Own Shares**

In July 2014, the Company bought back 5,206,593 shares and 421,000 GDRs, representing the equivalent of 1,684,000 shares. The total amount paid for these shares and GDRs was RON 75.4 mn and the value is unchanged since then.

**Dividends**

Dividends for the financial year 2018, with a total gross value of RON 247.5 mn were declared based on the individual annual audited statutory financial statements prepared in accordance with OMPF no. 2844/2016 for the approval of the accounting regulations in accordance with IFRS as adopted by the EU. Dividends for 2018 were approved by the Ordinary General Meeting of Shareholders dated 25 April 2019 and were paid starting with 24 June 2018. The gross dividend per share approved by the OGMS was of RON 0.73.

**Non-current liabilities**

The non-current liabilities recorded an increase in H1 2019, of RON 15.1 mn, reaching the value of RON 747.6 mn, from RON 732.5 mn in 2018, the main factor being the recognition of the long-term portion of leasing liabilities (related to previous operational leasing contracts), as a result of applying IFRS 16 'Leases' using the modified retrospective method.

**Current liabilities**

In H1 2019, the current liabilities increased by RON 59.6 mn, to RON 1,227.7 mn, from RON 1,168.2 mn at the end of 2018, as a result of the factors listed below:

- the increase of the bank overdrafts by RON 175 mn, the evolution being correlated with the necessary of financing at the Group level;
- trade payables lower by RON 136.7 mn, from RON 742.2 mn at the end of 2018 to RON 605.5 mn; the effect was generated mainly by the fact that as of 31 December 2018, the payables related to suppliers of non-current assets were much higher compared to June 30, 2019;
- recognition of the short-term portion of leasing liabilities - RON 39.3 mn (related to previous operational leasing contracts), as a result of applying IFRS 16 'Leases' using the modified retrospective method;
- decrease of provisions by RON 13.8 mn, mainly as a result of the reversal of provisions previously recorded for potential tax obligations of the group (including interest and penalties).

## 7. Cash Flow Statement

Selected financial information from the consolidated statement of cash flows – in RON mn:

Indicator	30 June 2019 (reviewed)	30 June 2018 (reviewed)	Variation (%)
<b>Cash flows from operating activities</b>			
Profit for the period	108.8	209.6	-48.1%
<b>Adjustments for:</b>			
Depreciation	19.1	19.9	-3.8%
Amortization	221.8	196.2	13.1%
Reversal of impairment of property, plant and equipment and intangible assets, net	(5.9)	(0.2)	3066.8%
Loss on disposal of property, plant and equipment and intangible assets	4.2	0.0	-
Reversal of impairment/(Impairment) of trade and other receivables, net	(4.2)	2.5	-
Impairment on assets held for sale	0.2	-	-
Change in provisions, net	(13.8)	(0.1)	17343.0%
Net finance income	(1.0)	(2.5)	-61.9%
Expense with corporate income tax	15.9	54.3	-70.6%
	<b>345.2</b>	<b>479.6</b>	<b>-28.0%</b>
<b>Changes in :</b>			
Trade receivables	(90.8)	93.0	-
Other receivables	21.6	45.1	-52.0%
Prepayments	(4.6)	(5.1)	-10.0%
Green certificates	-	9.7	-100.0%
Inventories	(4.9)	(3.1)	59.5%
Trade payables	39.9	(96.3)	-
Other payables	2.0	14.0	-85.6%
Employee benefits	(19.0)	(17.8)	6.7%
Deferred revenue	(0.1)	(1.5)	-96.5%
	<b>289.4</b>	<b>517.6</b>	<b>-44.1%</b>
Interest paid	(4.9)	(0.8)	492.7%
Income tax paid	(3.0)	(11.0)	-72.9%
<b>Net cash from operating activities</b>	<b>281.5</b>	<b>505.8</b>	<b>-44.3%</b>
<b>Cash flows used in investing activities</b>			
Payments for purchases of property, plant and equipment	(5.7)	(1.9)	202.7%
Payments for network construction related to concession agreements	(478.0)	(385.3)	24.0%
Payments for purchases of other intangible assets	(4.5)	(1.7)	169.9%
Proceeds from sale of property, plant and equipment	4.8	14.0	-65.9%
Purchase of treasury bills and government bonds	-	(95.3)	-100.0%
Proceeds from maturity of treasury bills and government bonds	-	466.7	-100.0%
Increase in deposits with maturity of 3 months or longer	(211.3)	(451.7)	-53.2%

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Indicator	30 June 2019 (reviewed)	30 June 2018 (reviewed)	Variation (%)
Proceeds from deposits with maturity of 3 months or longer	224.0	325.0	-31.1%
Interest received	6.7	4.6	44.4%
<b>Net cash used in investing activities</b>	<b>(464.0)</b>	<b>(125.5)</b>	<b>269.6%</b>
<b>Cash flows used in financing activities</b>			
Payment of finance lease liabilities	(19.3)	-	-
Dividends paid	(246.3)	(244.1)	0.9%
Repayment of financing for network construction related to concession agreements	(7.3)	(17.1)	-57.4%
<b>Net cash used in financing activities</b>	<b>(272.9)</b>	<b>(261.3)</b>	<b>4.5%</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(455.4)</b>	<b>118.9</b>	<b>-</b>
Cash and cash equivalents at 1 January	546.8	314.6	73.8%
<b>Cash and cash equivalents at 30 June</b>	<b>91.3</b>	<b>433.5</b>	<b>-78.9%</b>

In the six month period ended **30 June 2019**, the net decrease in cash and cash equivalents amounted to RON 455.4 mn.

The net cash used in the operating activity was of RON 289.4 mn. The net profit of the period was RON 108.8 mn; the main non-monetary elements adjustments for the net profit were: adding the depreciation and amortization of RON 240.9 mn, adding the income tax of RON 15.9 mn and deducting the net change in provisions of RON 13.8 mn.

Changes in working capital had an adverse effect of RON 55.8 mn, the most significant impact being generated by the change in trade and other receivables, having a negative impact, in the amount of RON 69.2 mn, and the positive change in trade and other payables of RON 23 mn (out of which, the change in employee benefits of RON 19 mn). Income tax and interest paid amounted to RON 7.9 mn.

For the investment activity, the cash used was of RON 464 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements - RON 478 mn; these have recorded a significant increase y-o-y, being in line with the evolution of the network investments.

The financing activity generated a decrease in cash and cash equivalents of RON 272.9 mn, the main factors being the dividends paid to the shareholders - RON 246.3 mn, and the payments related to leasing contracts, as a result of IFRS 16 application.

In the six month period ended **30 June 2018**, the net increase in cash and cash equivalents amounted to RON 118.9 mn.

The net cash generated by the operating activity was of RON 505.8 mn. The net profit for the period was RON 209.6 mn; the main non-monetary elements adjustments for the net profit were: adding the depreciation and amortization of RON 216 mn and adding the income tax of RON 54.3 mn.

Changes in working capital had a favorable effect, of RON 38 mn, the most significant impact being generated by the net change of the trade and other receivables of RON 138.1 mn and deducting the net change in trade and other payables of RON 100.1 mn (out of which the change in employee benefits of RON 17.8 mn). Income tax and interest paid amounted to RON 11.9 mn.

For the investment activity, the cash used was of RON 125.5 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements - RON 385.3 mn.

The financing activity generated a decrease in cash and cash equivalents of RON 261.3 mn, the main reason being the dividends payment to the shareholders - RON 244.1 mn.

## 8. Outlook

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

- Increased competition among the players on the national electricity supply market, especially in terms of diversifying the portfolio of products offered to customers (offers for natural gas, insurance, household products etc.) and digital services offered (mobile applications, online invoices and payments, expansion of customer service through chat solutions);
- The customers who, in accordance with the legal provisions, have the right to benefit from regulated tariffs or from the universal service and do not wish to migrate to the eligible segment, will be ensured with the supply of electricity under regulated conditions;
- The new secondary legislation, which reintroduced provisions related to regulated contracts and changed the tariffs methodology for the household customers, as well as the methodology for designating optional suppliers of last resort, will also influence the electricity market and the SoLRs future strategies with respect to portfolio management;
- The regulatory trend in the electricity distribution area is the principle of remuneration of the distribution operator considering both the quality of the service, as well as the operational costs and efficiency based on comparative analyzes between DSO;
- 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;
- Full electric vehicles and light commercial vehicles will lead to the increase of the consumption of electricity in the transportation sector;
- Future technological development will support energy efficiency policies such as:
  - Development of transmission and distribution networks, including smart grid and smart metering;
  - End-use electricity streamlining (thermal integrity of buildings, lighting, electric appliances, motor drives, heat pumps etc.);
- The smart metering implementation will offer complex tariff options to the consumers, detailed information regarding the consumption profile, which might lead to increased flexibility and peak demand reduction. Thus, the consumers will be better informed and more involved in decision-making process, as active participants. The smart metering implementation pace depends on the implementation timetable to be adopted at national level;
- The significant reduction in the cost of photovoltaic technologies is an opportunity for the development of small-scale generating projects, especially in the household area;
- The development of the transmission and distribution infrastructure and long-distance interconnection will become a necessity. The electricity market target model, which implies the development of European Union's internal electricity market, will continue to evolve and be in line with future trends and challenges in the energy

industry;

- Common rules for the electricity market – regulatory package no 4. of the EC (Clean package) - The European Parliament adopted on 26 March 2019 the proposal for a Directive of the European Parliament and of the Council concerning common rules for the electricity internal market. The proposal will be subject to the approval of the European Council, the strategic directions for distribution being:
  - Smart metering systems - if smart metering installation will benefit from a positive evaluation, at least 80% of the end users must have smart meters within seven years since the positive assessment took place or by 2024, in the case of the member states which initiated the systematic introduction of smart metering systems before the date of entry into force of the Directive;
  - Incentives to use flexibility in distribution networks - the regulatory framework ensures that the distribution operators can purchase services from entities that provide distributed electricity services, dispatchable consumption or electricity storage services, and promotes taking energy efficiency measures;
  - Integration of electro-mobility into the distribution network – the regulatory framework facilitates the connection of the private recharging points and with public access to the distribution network; the distribution operators are not be allowed to own, develop, manage or operate recharging points for electric vehicles, with the exception of those cases where the distribution operators own private recharging points solely for their own use. Exceptions are permitted only if certain conditions are met cumulatively;
  - Ownership of electricity storage facilities by distribution operators - the distribution operators do not own, develop, manage or operate electricity storage facilities. Exceptions are permitted only if certain conditions are met cumulatively.

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

Key driver	Description	Impact on
GDP evolution and industry structure	The economic growth is a key determinant 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. Intensification of electricity consumption is a major trend in Romania. Over 2010 - 2018, there was a significant increase in consumption, as opposed to a decrease of the gas consumption over the same period, mainly due to the curtailment of heavy industry production.	Electricity consumption
Demographic evolution and technology development	Despite the demographic decline recorded at EU and Romanian level, the electricity consumption is impacted by the changes in the consumer behavior and the increase in urbanization. For example, smart devices are expected to generate a massive increase in connected devices and implicitly in the electricity consumption and revenue growth across multiple industries.	Electricity consumption
Changes in regulatory framework	The regulatory framework has undergone major changes in order to align 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 an European Energy Union, which highlights the need for integration and cooperation amongst member states. From 2019, the 4th Regulatory Period started and ANRE approved significant changes in the methodology for all tariff elements (regulated rate of return, regulated assets base, network losses, operating and maintenance expenses, dynamic distribution tariffs starting from 2020). For the supply segment important changes are forecasted, also, in the strategies for electricity purchase and sales to	Electricity prices



Key driver	Description	Impact on
	final customers, considering the legislative impact regarding the regulated contracts for the household customers, the designation methodology for optional SoLR and the methodology of eligible household customer returning to regulated tariffs. The change in the amount of the contribution due to ANRE from 0.1% to 2% of the turnover generated by licensed activities has the potential to lead to restructuring of the activities of the players in the electricity market.	
Technological development	Smart networks and smart meters will create benefits for the end users, distributors and suppliers in terms of energy efficiency, resource optimization and network operation, implementation of demand response etc. It is necessary to prepare the networks and to integrate the distributed resources (storage solutions, micro-grids, local production, electric machines, etc.), considering also the management of their impact.	Electricity prices and consumption
Increase environmental awareness	in Romania has adopted the EU 20-20-20 targets, aiming to reduce greenhouse effect 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.	Electricity prices and consumption, regulatory framework

Source: Electrica

### The regulatory framework outlook and the impact on the electricity market

The energy regulatory framework has experienced major changes in the past decade, including market liberalization, unbundling and the implementation of the support scheme for renewable energy, and the changes brought by GEO no. 114/2018 and GEO no. 19/2019 will lead to new market rules and possible reorganization in the activities of energy market players.

For the **distribution area**, the most significant changes in the Romanian legislation are presented in *chapter 2.1*.

The changes to the Romanian legislation with relevant impact for the **supply segment** are the following:

- The amendments to the Electricity and Natural Gas Law no. 123/2012 introduce additional obligations for the electricity suppliers to ensure the coverage of their customers' consumption, with priority for the customers that benefit from the US, from their own portfolio. The provision affects the electricity purchase strategy of the SoLRs, with impact on the functioning of the entire market in the short and medium term. Additionally, the supplier does not have the right to unilaterally terminate the electricity supply contracts with the final customers;
- GEO no. 114/2018 and GEO no. 19/2019 have major influences over the supply area, too, through new provisions related to electricity area, respectively the reintroduction of the regulated tariffs for household customers and of the agreements for the purchase of electricity at a regulated price, as well as the premises for the recovery of the purchase losses between 2018 and 2019, as well as for natural gas supply, respectively the selling prices capping. Another significant impact is the increase of the annual monetary contribution related to the organization and functioning of ANRE;
- The new secondary legislation, approved by ANRE at the beginning of 2019, reintroduces the regulated agreements with producers and changes the tariff methodology for the regulated segment of customers. These legislative changes have the potential to bring significant changes over the market participants' strategies for the next period;
- Starting with 01 July 2019, the increase of tariffs for distribution, transmission, the regulated tariffs of the electricity market operator (OPCOM), the contribution for high efficiency cogeneration as well as the increase

of the electricity price of the regulated contracts concluded by SoLR with the producers of electricity and thermal energy in cogeneration, will lead on short term, in H2 2019, to an increase of electricity prices to final consumers in the competitive segment. For the household consumers the regulated tariffs will not change, leading to profit decrease or even losses for SoLR, which can be recovered in the future through the correction component provided in the applicable methodology.

Considering legislative and regulatory changes, Electrica Group is reviewing its medium and long-term strategy in order to manage responsibly and sustainably their impact on the company's activities, in the context of a regulatory framework that has undergone numerous successive and profound changes in the last months of 2018 and early 2019.

## 9. Capital Expenditures

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

Electrica's capital expenditures in the six month periods ending 30 June 2019 and 30 June 2018 amounted to RON 363 mn and RON 296.5 mn, respectively.

The volume of investments in the distribution network increased by approx. RON 61.6 mn y-o-y (as presented in chapter 5), this increase being mainly attributable to the realized investments related to the Regulated Asset Base.

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

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

## 10. Statements

Based on the best available information, we confirm that the reviewed interim condensed consolidated financial statements for the six month period ended 30 June 2019 prepared in accordance with the International Accounting Standard IAS 34 – Interim Financial Reporting, provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 65 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 14 to ASF Regulation no. 5/2018 for the six month period ended 30 June 2019, comprises accurate and real information regarding the Group's development and performance.

**Chair of the Board of Directors,**

**Valentin RADU**

**Chief Executive Officer,**

**Corina Georgeta POPESCU**

**Chief Financial Officer,**

**Mihai DARIE**

## 11. Annexes

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

In the first part of 2019 (up to date) three current reports were issued with regard to the agreements concluded according to art. 82 of Law 24/2017:

- Current report from 16 January 2019:
  - Services agreement no. 8/16 January 2019 with Societatea de Distributie a Energiei Electrice „Transilvania Sud”: Rendering of services using AMR system
  
- Current report from 26 March 2019:
  - Services agreement no. 46/26 March 2019 with Societatea de Distributie a Energiei Electrice „Muntenia Nord”: Rendering of services using AMR system
  
- Current report from 6 May 2019:
  - Services agreement no. 54/25 April 2019 with Societatea de Distributie a Energiei Electrice „Transilvania Nord”: Rendering of services using AMR system
  
- Current report from 29 July 2019:
  - Services agreement no. 87/26 July 2019 with Societatea de Distributie a Energiei Electrice „Transilvania Sud”: Rendering services of metering systems installation

## 11.2. Litigations

### Electricra Group significant litigations in the first semester of 2019

#### 1. Disputes with ANRE

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1	Plaintiff: ELSA Defendant: ANRE 192/2/2015	Cancellation of the Order of the president of ANRE no. 146/2014 regarding the establishment of the regulated rate of return considered to the approval of the tariffs for the electricity distribution service provided by concessionary DSOs starting with 1 January 2015 and the abrogation of Art. 122 of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – suspended until the settlement of case no. 7341/2/2014.
2	Plaintiff: ELSA; Enel Distributie Muntenia S.A. Defendant: ANRE 7968/2/2015	Cancellation of ANRE President's Order no. 165/2015 regarding the modification of the Tariff Setting Methodology for the Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – definitively dismissed by court.
3	Plaintiff: ELSA; Defendant: ANRE; 361/2/2015	Cancellation of ANRE President's Order no. 155/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTN.	High Court of Cassation and Justice	Suspended until the settlement of the case file no. 192/2/2015.
4	Plaintiff: ELSA; Defendant: ANRE; 360/2/2015	Cancellation of ANRE President's Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTS.	High Court of Cassation and Justice	Suspended until the settlement of the case file no. 192/2/2015.
6	Plaintiff: ELSA; Defendant: ANRE; 340/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order 171/2015.	High Court of Cassation and Justice	Appeal – in course of settlement. The suspension of the case was claimed until the settlement of the case file 192/2/2015, the court will pronounce upon the suspension request.
7	Plaintiff: ELSA; Defendant: ANRE; 342/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order. No. 172/2015.	High Court of Cassation and Justice	Appeal – in course of settlement. Suspended until the settlement of the case file 192/2/2015.
8	Plaintiff: ELSA; SDTN; SDTS; SDMN; Defendant: ANRE; 7614/2/2018	Action for partial annulment of ANRE Order no. 169/2018 regarding the approval of the Tariff Setting Methodology for the Electricity Distribution Service.	Bucharest Court of Appeal	In course of settlement. Case no. 8436/2/2018, with the same object, was attached to this file.
9	Plaintiff: ELSA; SDTN; SDTS; SDMN; Defendant: ANRE	Action for the annulment of the ANRE Order no. 168/2018 regarding the regulatory rate of return and obliging ANRE to issue a new order.	Bucharest Court of Appeal	In course of settlement. Case no. 8430/2/2018, with the same object, was attached to this file.

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Subject matter</b>	<b>Court</b>	<b>Case status</b>
	7591/2/2018			
10	Plaintiff: ELSA, SDMN Defendant: ANRE 434/2/2019	Action for annulment of ANRE Order 197/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive electric energy for SDMN.	Bucharest Court of Appeal	In course of settlement.
11	Plaintiff: ELSA, SDTS Defendant: ANRE 435/2/2019	Action for annulment of ANRE Order 199/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive electric energy for SDTS.	Bucharest Court of Appeal	In course of settlement.
12	Plaintiff: ELSA, SDTN Defendant: ANRE 436/2/2019	Action for annulment of ANRE Order 198/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive electric energy for SDTN.	Bucharest Court of Appeal	In course of settlement.
13	Plaintiff: SDMN Defendant: ANRE 184/2/2015	Contentious administrative litigation – Cancellation of ANRE President’s Order No. 146/2014 regarding the setting of the regulated rate of return applied at the approval of the tariffs for the electricity distribution service provided by the DSOs from 1 January 2015 and the abrogation of Art. 122 of the Tariff Setting Methodology for the Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Suspended case file until the final settlement of the case 7341/2/2014. The Plaintiff quit the judgement of the appeal against the suspension decision. The Court rejects the appeal filed by Fondul Proprietatea SA against the Decision of the Bucharest Court of Appeal of 25 June 2015 – the Section VIII Administrative and Fiscal Litigation, as unfounded. The case file no. 7341/2/2014 is in course of settlement (term: 11.09.2019).
14	Plaintiff: SDMN Defendant: ANRE 164/2/2016	Cancellation of Order no. 165/2014, of the President of ANRE regarding the modification of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	The case file no 1574/2/2016 has been linked to this case file. The court of first instance rejected the application as unreasonable. SDMN filed an appeal, in course of settlement.
15	Plaintiff: SDMN Defendant: ANRE 41/42/2016	Cancellation of ANRE President’s Order No. 172/2015 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy, for SDMN.	High Court of Cassation and Justice	By Decision no.689/1 March 2017, the Court of Appeal dismissed the action as unreasonable. SDMN has filed an appeal, which is in course of settlement.
16	Plaintiff: SDMN; SDTS Defendant: ANRE 8901/2/2018	Action in administrative litigation to oblige ANRE to issue an address of response to the request of DSOs from Electrica Group to issue a decision stating whether or not they have exclusive or special rights in accordance with the provisions of Law	Bucharest Court of Appeal	In course of settlement.

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<b>Crt. no.</b>	<b>Parties/Case number</b>	<b>file</b>	<b>Subject matter</b>	<b>Court</b>	<b>Case status</b>
			99/2016.		
17	Plaintiff: ELSA; SDMN; SDTN; SDTS; Defendant: ANRE  8019/2/2017		Annulment of administrative act for the refusal to issue a favorable opinion regarding the transfer of the AMR system and requiring the issue of favorable administrative documents for the cession of the AMR system from ELSA to DSOs, also obliging ANRE to make adjustments of the distribution tariffs of DSOs.	High Court of Cassation and Justice	The Court of First Instance upheld the plea of inadmissibility of all three heads of claim, dismissing them as inadmissible. An appeal was filed – in course of settlement.
18	Plaintiff: SDTN Defendant: ANRE  213/2/2015		Cancellation of ANRE President's Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by the DSOs from 1 January 2015 and the abrogation of Art. 122 of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – in course of settlement.
19	Plaintiff: SDTN Defendant: ANRE  18/33/2016		Action for annulment of the administrative act – Order no. 165/2015 of ANRE regarding the modification of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – in course of settlement.
20	Plaintiff: SDTS Defendant: ANRE  87/64/2016		Contentious administrative litigation (request for suspension of administrative act) – ANRE President's Order no. 165/2015 regarding the modification of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	Bucharest Court of Appeals	Suspended until the settlement of 18/64/2016.
21	Plaintiff: SDTS Defendant: ANRE  18/64/2016		Cancellation of Order no. 165/2015 of the ANRE President regarding the modification of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – in course of settlement.
22	Plaintiff: SDTS Defendant: ANRE  88/64/2016		Cancellation of the ANRE President's Order no. 171/2015 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy, for SDTS.	High Court of Cassation and Justice	Case definitively rejected by Court.
23	Plaintiff: SDTS Defendant: ANRE  41/64/2016		Cancellation of the ANRE Order no. 171/2015.	High Court of Cassation and Justice	Appeal – in course of settlement.

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Subject matter</b>	<b>Court</b>	<b>Case status</b>
24	Plaintiff: SDTS Defendant: ANRE  371/2/2015	Cancellation of the ANRE President's Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy, for SDTS.	High Court of Cassation and Justice	Suspended until the final settlement of the case no. 208/2/2015.
25	Plaintiff: SDTS Defendant: ANRE  208/2/2015	Cancellation of the ANRE President's Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by DSOs from 1 January 2015 and the abrogation of Art. 122 of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Suspended. Waiver of the trial at the appeal regarding the suspension decision.
26	Plaintiff: SDTS Defendant: ANRE  73/197/2019	Complaint against the contravention report no. 97341/18 December 2018.	Brasov Court	Claim dismissed on merits, appealable in 30 days from its communication.
27	Plaintiff: EFSA Defendant: ANRE  26210/3/2013	Judicial action having as object the recognition of the right provided in art. 79 para. (6) of the Law no. 123/2012, the obligation of the defendant to modify the regulated tariff by ANRE Order no. 40/2013, order the defendant to pay the amount of the prejudice that cannot be covered by the change of the mentioned regulated tariff.	High Court of Cassation and Justice	Case definitively dismissed by court.

**2. Fiscal matter disputes**

<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
1	Plaintiff: ELSA Defendant: NAFA  17237/299/2017	1. Suspension of forced execution initiated by NAFA-DGAMC in the enforcement file no. 13267221 under the enforceable order no. 13725/3 May 2017 and of the no. 13739/03 May 2017; 2. Cancellation of the enforcement order no. 13725/3 May 2017, of the no. 61/90/1/2017/263129 (which also bears the No. 13739/3 May 2017) issued by NAFA-DGAMC for the amount of RON 39,248,818 and all subsequent execution orders issued in connection with the forced execution of the amount of RON 39,248,818 in the execution file no. 13267221.	District 1 Court	Suspended until the final settlement of case no. 9131/2/2017.
2	Plaintiff: ELSA Defendant: NAFA  9131/2/2017	Annulment of the tax decisions issued by NAFA and communicated to the company by address no. 665/17 March 2017, new accessories amounting to RON 39,000,000.	Bucharest Court of Appeal	In course of settlement. Case no. 7949/2/2018 was attached to this file.
3	Plaintiff: ELSA Defendant: NAFA  6043/2/2018	1. Oblige NAFA to correct the evidence of tax receivables, so that it reflects the judgments in the litigation between parties through judgments that have entered into the power of the trial. 2. In particular, in	High Court of Cassation and Justice	On merits, Electrica's action was admitted. NAFA filed an appeal.



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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
		order to adjust the fiscal statement in the sense indicated in paragraph 1, the NAFA shall be obliged to draw up those corrective administrative acts or operations which: a) to reflect in the fiscal file the extinguishing by prescription of the amount of RON 16,915,950 representing the profit tax registered in Decision no. 3/2008 (the "Main Claim") and the removal from its tax records, b) to reflect in the fiscal file the corresponding extinction of all the accessories calculated by NAFA in the Main Claim (expired by prescription) and the removal from their tax records (including the amount of RON 30,777,354 included in the Decision no. 357/2008).		
4	Plaintiff: ELSA Defendant: NAFA - DGAMC  25091/299/2018	Appeal to execution and suspension of forced execution - cancellation of the enforcement order no. 13566/22 June 2018 and the notice 13567/22 June 2018, issued in the execution file no. 13267221/61/90/1/2018/278530, amounting to RON 10,024,825 (representing the partial fine from the Competition Council).	District 1 Court	Suspended until the settlement of case no. 3889/2/2018.
5	Plaintiff: ELSA Defendant: NAFA - DGAMC  22092/299/2018	Appeal to execution and suspension of forced execution - cancellation of the enforcement order no. 13569/20.07.2018 and the notice 13570/20.07.2018, issued in the execution file no. 13267221/61/90/1/2018/279375, amounting to RON 776,159 (representing the partial fine from the Competition Council).	Bucharest Tribunal	Case definitely dismissed by court.
6	Plaintiff: SDMN Defendant: Public Service for local Finances Ploiesti  309/42/2015 239/1/2019	Cancellation of administrative act – taxation decision no. 124814/28 November 2014. The amount under litigation: RON 11,963,955, representing additional differences from the fiscal inspection report, out of which RON 8,528,896 additional tax on buildings for the period January 2009 - September 2014 and RON 3,439,085 as accessory fiscal obligations calculated until the date of 10 November 2014.	High Court of Cassation and Justice	By Decision no. 32/10 February 2016, Ploiesti Court of Appeal dismissed the action as unfounded. SDMN filed an appeal, which was rejected by the court; the company filed an appeal for annulment (case no. 239/1/2019) – in course of settlement.
7	Plaintiff: SDMN Defendant: NAFA  1018/2/2016	Cancellation of administrative act – Decision no. 462/23 November 2015, litigation amount of RON 7,731,693 (RON 4,689,686 income tax + RON 3,042,007 VAT) and for the amount of RON 6,154,799 (RON 3,991,503 interests/penalties and late fees related to income tax + RON 2,163,296 interests/penalties and delay fees related to the VAT).	Bucharest Court of Appeal	The first court dismissed the request as unfounded. The plaintiff filed an appeal, in course of settlement.
8	Plaintiff: EL SERV Defendant: NAFA	Cancellation of administrative act NAFA RIF 2017 and decision no. 305/30 May 2017, value of RON 46,260,952, the amount with	Bucharest Court of Appeal	Action admitted in part, appealable.

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
	5786/2/2018	which the fiscal loss of the Company was diminished; RON 7,563,561 as Additional VAT set up by VAT refusal to deduct + related accessories.		
9	Plaintiff: EL SERV Defendant: NAFA  31945/3/2018	Cancellation of administrative decision no. 221/19 July 2017 - cancellation of penalties related to the decision no. 305/2017 from above, RON 118,215.	Bucharest Court	Suspended until the final settlement of the case no. 5786/2/2018.
10	Plaintiff: SDTN Defendant: MFP-NAFA – DGRFP Cluj – AJFP Maramures  371/33/2017	Taxation contestation no. F-MM-180/2016 on tax and additional VAT, as well as interest/late payment and delay penalties. Preliminary administrative procedures were conducted in 2017, prior to the case filing. Amount: RON 32,295,033.	Cluj Court of Appeal	The case was partially admitted; appealable.
11	Plaintiff: EFSA Defendant: NAFA – DGAMC  8709/2/2018	Cancellation of: <ul style="list-style-type: none"> <li>• DGSC Decision no. 325/26 June 2018</li> <li>• Decision F-MC 678/28 December 2017</li> <li>• Report F-MC 385/28 December 2017</li> <li>• Decision no. 511/24 October 2018</li> <li>• Decision no. 21095/24 July 2018</li> </ul> Value: RON 11,483,652	Bucharest Court of Appeal	In course of settlement.

**3. Other significant litigations (whose value is more than RON 1 mn)**

<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
1	Plaintiff: SPEEH Hydroelectrica S.A. Defendant: ELSA  13268/3/2015	Obligation of Electrica to pay to SPEEH Hydroelectrica SA the sum of RON 5,444,761 (the loss suffered by selling energy at an average price per MWh under the production cost of 1 MWh); partially obliges to pay the unrealized benefit of Hydroelectrica by selling the total amount of 398,300 MWh, calculated according to the ANRE regulations (RON 9,646,826, according to the written instructions dated 5 May 2015/ RON 5,444,761 according to the applicant's conclusions mentioned in the Conclusion of 15 March 2017) obliging the defendant to pay the legal interest from the date of delivery of the decision until the effective payment, court costs.	High Court of Cassation and Justice	The court of first instance rejects the exception of the prescription of the material right to action as unreasonable and the action as unfounded. Both parties have appealed, rejected as unfounded. Both parties filed an appeal - in course of settlement.
2	Creditor: ELSA Debtor: Petprod S.A. 47478/3/2012*/a1	Insolvency proceedings, enter a claim to the statement of affairs for the amount of RON 2,591,163	Bucharest Court	Ongoing procedure
3	Creditor: ELSA Debtor: CET Braila S.A. 2712/113/2013	Insolvency proceedings, enter a claim to the statement of affairs for the amount of RON 3,826,035	Braila Court	Ongoing procedure
4	Creditor: ELSA, AAAS, BCR SA and others Debtor: Oltchim S.A. 887/90/2013	Bankruptcy, enter a claim to the statement of affairs in amount of RON 614,124,366	Valcea Court	Ongoing procedure
5	Creditor: ELSA	Insolvency proceedings, enter a claim to the	Alba Court	Ongoing procedure

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
	Debtor: Romenergy Industry SRL 2088/107/2016	statement of affairs in amount of RON 2,917,266		
6	Creditor: ELSA Debtor: SEM 40081/3/2014	Insolvency proceedings – debt RON 9,542,337.	Bucharest Court	The receivable assigned to ELSA from EL SERV, which was fully recovered. Reorganization period ended, case closed.
7	Creditor: ELSA Debtor: Transenergo Com S.A. 1372/3/2017	Insolvency proceedings. Debt RON 37,088,830.	Bucharest Court	Ongoing procedure
8	Creditor: ELSA Debtor: Electra Management & Supply SRL 41095/3/2016	Bankruptcy. Debt: RON 6,027,537.	Bucharest Court	Ongoing procedure
9	Creditor: ELSA Debtor: Fidelis Energy SRL 3052/99/2017	Insolvency proceedings. Debt: RON 11,354,912.	Iasi Court	Ongoing procedure
10	Plaintiff: SAPE Defendant: ELSA and others 46365/3/2016	Action for damages – RON 3,629,529,920.	Bucharest Court	On the merits, the court acknowledges the lack of passive procedural quality of the defendant Electrica SA on the subsidiary claim based on contractual liability and rejects the subsidiary claim based on contractual liability made by the applicant in contradiction with the defendant Electrica SA as being brought against an unqualified person passive process. It rejects the exception to the lack of passive procedural quality invoked by Electrica SA on the main claim based on tort liability and the exception to the lack of passive procedural quality invoked by the other defendants. Admits the exception to the limitation of the right of action and, as a consequence: Dismisses the application for a lawsuit based on the civil liability of the plaintiff in contravention of the defendant Electrica SA as prescribed and rejects as prescribed the request for legal action as formulated and completed (based principally on third party civil liability, and on contractual liability, in the alternative) formulated by the

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
				applicant in contradiction with the other defendants. Appealable within 30 days of communication.
11	Plaintiff: SEM Defendant: ELSA 5930/3/2016	Obligation to increase the share capital of SEM, with the value of the land located in Dobroiesti, str. Zorilor no. 71, Ilfov County ("Terrain warehouses and Fundeni thermal power station"), with an area of 6,479.62 sqm, CADP M03 no. 10982/2008, respectively from Bucharest, Timisoara Boulevard no. 104, sector 6 ("Workshop for repairing energy equipment"), with an area of 8,745.31 sqm, CADP M03 no. 12917/2014 – amounting to RON 7,344,390.	High Court of Cassation and Justice	The court of first instance accepted the exception of the prescription of the material right to action, dismissing the action as prescribed, but the court of appeal annulled the sentence, sending the case for re-judgment. ELSA filed an appeal – admitted by court – the case being in re-judgement proceedings.
12	Plaintiff: ELSA Defendant: Competition Council 3889/2/2018	Action in administrative litigation - annulment of Competition Council Decision no. 77/20 December 2017, imposing on ELSA a fine in the amount of RON 10,800,984 and, in the alternative, the reduction of the fine set up to the legal minimum of 0.5% of ELSA's turnover, by re-individualizing the alleged anticompetitive facts, retaining and fully capitalizing on all the attenuating circumstances applicable to ELSA.	Bucharest Court of Appeal	The court dismissed ELSA's action as unfounded, appealable in 15 days from its communication. ELSA will file an appeal.
13	Plaintiff: ELSA Defendant: Competition Council 3883/2/2018	Application for suspension of the enforcement of the Competition Council Decision no. 77/20 December 2017, establishing a fine in the amount of RON 10,800,984 to ELSA.	High Court of Cassation and Justice	The action was definitively dismissed.
14	Plaintiff: ELSA Defendant: EL SERV 39968/3/2018	Action for damages - request payment of penalty interest in the amount of RON 6,782,891, corresponding to the amount of RON 10,327,442.	Bucharest Court	Action admitted in part, appealable in 30 days from its communication.
15	Plaintiff: ELSA Defendant: Elite Insurance Company 44380/3/2018	Claims - request for equivalent insurance policy issued to guarantee the obligations of Transenergo Com S.A., in the amount of RON 4,000,000.	Bucharest Court	In course of settlement.
16	Plaintiff: ELSA Defendant: SDTN 944/1285/2018	Claims - interests for unpaid dividends for 2016 – RON 2,712,500	Cluj Commercial Tribunal	On merits, the action was admitted. SDTN filed an appeal.
17	Creditor: ELSA Debtor: Termoficare 2000 873/1259/2008	Insolvency proceedings: debt RON 1,100,903	Arges Specialised Court	Closed case in February 2019, the company being deleted from the Trade Registry.
18	Plaintiff: Boicu and others Defendant: ELSA,	Labor litigation - money rights - obliging the petitioner to pay the salary rights from 2013 until the final date of the decision that the court will pronounce, claims which up	Iasi Court	Suspended, considering the insolvency of Servicii Energetice Moldova.

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
	Ministry of Economy 4041/99/2015	to the moment of the action - 2015, are quantified at the amount of RON 1,903,145.		
19	Plaintiff: EFSA Defendant: ELSA 2869/2/2019	Claims: request of payment of invoices paid without supporting documents, as it has been stated by the Court of Account, in amount of RON 20,487,687.	Bucharest Court	Action dismissed on merits, appealable within 30 days from its communication.
20	Plaintiff: EFSA Defendant: ELSA  6665/3/2019	Claims: request of payment of invoices paid without supporting documents, as it has been stated by the Court of Account, in amount of RON 7,025,632.	Bucharest Court	In course of settlement.
21	Plaintiff: VIR Company International S.R.L. Defendant: SDMN  7507/105/2017	Claims - the amount requested by VIR Company International SRL consists of: - EUR 5,000,000, damage caused by delayed issuance of the connection certificate for the photovoltaic plant located in Valea Calugareasca village, Darvari; - EUR 155,000, equivalent of the amount of electricity produced by the plant during the technological evidence period; - EUR 145,000, green certificates related to the amount of energy produced by the photovoltaic plant during the technological evidence period. In addition, it requires to SDMN to pay the penalty interest of 5.75%/year for all the amounts of money claimed and court costs.	Prahova Court	In course of settlement.
22	Creditor: SDMN Debtor: Transenergo Com S.A.  1372/3/2017	Insolvency proceedings. Debt: RON 8,418,833.	Bucharest Court	Ongoing proceedings.
23	Plaintiff: SDMN  Defendant: Romsys SRL  34254/3/2018	Claims: recovery of the amount of RON 1,657,833.00 RON, following CC Resolution no. 45/2016	Bucharest Court	Suspended during the insolvency period.
24	Creditoare: SDMN  Debitor: Romsys SRL  10810/3/2016	Insolvency proceedings: debt - RON 1,621,320.00 RON.	Bucharest Tribunal	Ongoing proceedings.
25	Creditoare: SDMN	Insolvency proceedings: debt - RON	Dambovită	Ongoing proceedings.

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
	Debitoare: Mechel Targoviste SA (COS) 1906/120/2013	1,357,789.92 RON.	Court	
26	Defendant: Petrosel Gheorghe  Civil part: Avramescu Dumitru, Avramescu Georgeta, Geambasu Ana  Responsible civil part: SDMN and EL SERV 16601/200/2017/a1	Penal case - the responsibility of the principal for the deed. Prejudice: RON 1,880,000	Buzau Court	Case settled on merits for the penal claims.  The civil case will be judged separately.
27	Plaintiff: SDTN Defendant: Romenergy Industry S.A. 2088/107/2016	Bankruptcy - debt: RON 5,439,537.	Alba Court	Ongoing proceedings.
28	Plaintiff: Asirom Vienna Insurance Group S.A. Defendant: SDTN 439/111/2017	Recourse claims – for the amount of RON 2,842,347, representing the indemnity paid by the plaintiff to the insured company SC Ciocorom SRL following a fire that took place on 07 March 2013. The guilt of SDTN is invoked for the over-voltage after a power outage.	Bihor Court	In course of settlement.
29	Plaintiff: Energo Proiect SRL Defendant: SDTN 374/1285/2018	Claims of RON 2,387,357.	Cluj Commercial Court	In course of settlement.
30	Plaintiff: SDTN Defendant: Arelco Power SRL 4452/3/2017	Insolvency proceedings: debt RON 1,249,930.	Bucharest Tribunal	Ongoing proceedings.
31	Plaintiff: SDTS Defendant: Romenergy Industry S.A. 2088/107/2016	Bankruptcy - debt: RON 3,987,508.	Alba Court	Ongoing proceedings.
32	Plaintiff: SDTS Defendant: Romenergy Industry S.A. 3086/62/2016	Payment ordinance - debt: RON 2,806,318.	Brasov Court	Suspended case file until the settlement of the case file regarding the bankruptcy of Romenergy Industry S.A. (file no. 2088/107/2016).
33	Plaintiff: SDTS Defendant: ELSA 4469/62/2018	Claims according to the Courts of Account Decision – RON 8,951,811	Brasov Court	In course of settlement.

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Crt. no.	Parties/Case file number	Object	Court	Case status
34	Plaintiff: SDTS Defendant: Arelco Power 4452/3/2017	Insolvency proceedings: debt RON 1,537,043	Bucharest Court	Ongoing proceedings.
35	Plaintiff: SDTS Defendant: Atecno Serv 259/62/2018	Insolvency proceedings: debt RON 1,352,120	Brasov Court	Ongoing proceedings.
36	Plaintiff: SDTS Defendant: Icco Energy 926/62/2019	Insolvency proceedings: debt RON 2,044,069	Brasov Court	Ongoing proceedings.
37	Plaintiff: EL SERV Defendant: National Leasing IFN SA 39542/3/2009	Claims – EUR 1,177,222, equivalent of RON 5,298,203, calculated on the exchange rate respectively of 4.5006 RON/EUR on 30 January 2017.	Bucharest Court	Suspended according to the insolvency Law no. 85/2006.
38	Plaintiff: EL SERV Defendant: Best Recuperare Creante SRL 2253/3/2011 (former 58348/3/2010)	Insolvency – amount to be recovered: RON 3,938,811.	Bucharest Court	Ongoing proceedings.
39	Plaintiff: EL SERV Defendant: National Leasing IFN S.A. 18711/3/2010	Insolvency – amount to be recovered remained: RON 12,204,221.	Bucharest Court	Ongoing proceedings.
40	Plaintiff: EL SERV Defendant: Best Recuperare Creante SRL 54060/3/2011	Summons for payment – RON 3,938,811.	Bucharest Court	Suspended according to the insolvency Law no. 85/2006.
41	Plaintiff: EL SERV Defendant: Servicii Energetice Banat S.A. 8776/30/2013 (joint with cu 2982/30/2014)	Bankruptcy - debt RON 73,453,299.	Timis Court	Ongoing proceedings.
42	Plaintiff: EL SERV Defendant: SEO 2570/63/2014	Bankruptcy - debt RON 26,448,134.	Dolj Court	Ongoing proceedings.
43	Plaintiff: EL SERV Defendant: SED 8785/118/2014	Bankruptcy - debt RON 12,297,491.	Constanta Court	Ongoing proceedings.
44	Plaintiff: EL SERV Defendant: SEMO 4435/110/2015	Bankruptcy – debt: RON 73,708,083.	Bacau Court	Ongoing proceedings.
45	Plaintiff: EL SERV Defendant: New Koppel Romania	Claims – EUR 655,164, equivalent of RON 2,948,240.	Bucharest Court	Ongoing proceedings.

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
	20376/3/2016			
46	Plaintiff: Integrator S.A. Defendant: EL SERV, SAP Romania 34479/3/2016**	Claims – RON 17,677,309	Bucharest Court of Appeal	Suspended.
47	Plaintiff: EL SERV Defendant: SED 8785/118/2014/a1	Bankruptcy – opposition to the preliminary table - debt RON 3,025,622.	Constanta Court	Suspended.
48	Creditor: EFSA Debtor: Apaterm S.A. Galati 4783/121/2011*	Bankruptcy - enter a claim to the statement of affairs for the amount of RON 2,742,115.	Galati Court	Ongoing proceedings.
49	Creditor: EFSA Debtor: Vegetal Trading SRL Braila 1653/113/2014	Insolvency proceedings - enter a claim to the statement of affairs for the amount of RON 2,252,570.	Braila Court	Ongoing proceedings.
50	Creditor: EFSA Debtor: Ariesmin S.A. Branch 7375/107/2008	Bankruptcy - enter a claim to the statement of affairs for the amount of RON 20,711,588.	Alba Court	Ongoing proceedings.
51	Creditor: EFSA Debtor: Zlatmin S.A. Branch 6/107/2003	Bankruptcy - enter a claim to the statement of affairs for the amount of RON 9,314,176.	Alba Court	Ongoing proceedings.
52	Creditor: EFSA Debtor: Hidromecanica S.A. 3836/62/2009	Bankruptcy - enter a claim to the statement of affairs for the amount of RON 4,792,026.	Brasov Court	Ongoing proceedings.
53	Creditor: EFSA Debtor: Nitrarmonia S.A. 1183/62/2004	Bankruptcy - enter a claim to the statement of affairs for the amount of RON 2,285,997.	Brasov Court	Ongoing proceedings.
54	Creditor: EFSA Debtor: Remin S.A. 32/100/2009	Insolvency proceedings - enter a claim to the statement of affairs for the amount of RON 71,443,402.	Timisoara Court	Ongoing proceedings.
55	Creditor: EFSA Debtor: Olchim S.A. 887/90/2013	Insolvency proceedings - enter a claim to the statement of affairs for the amount of RON 56,533,826.	Valcea Court	Ongoing proceedings.
56	Creditor: EFSA Debtor: Energon Power and Gas S.R.L. 53/1285/2017	Insolvency proceedings - enter a claim to the statement of affairs for the amount of RON 2,392,985.	Cluj Specialised Court	Ongoing proceedings.
57	Creditor: EFSA Debtor: CUG S.A. 2145/1285/2005	Bankruptcy - enter a claim to the statement of affairs for the amount of RON 7,880,857.	Cluj Specialised Court	Ongoing proceedings.
58	Creditor: EFSA Debtor Mic.RO 4399/3/2012	Insolvency Proceedings: debt - RON 1,459,317.	Bucharest Tribunal	Ongoing proceedings.



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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
59	Creditor: EFSA Debtor : Romsuintest Peris S.A.  48114/3/2011	Insolvency Proceedings: debt - RON 1,161,774	Bucharest Tribunal	Ongoing proceedings.
60	Creditor: EFSA Debtor : Fabrica de Zahar Bod  15857/62/2010	Insolvency Proceedings: debt - RON 1,012,134.	Brasov Court	Ongoing proceedings.
61	Creditor: EFSA Debtor : CET Brasov S.A.  8207/62/2011	Bankruptcy: debt - RON 1,229,452.	Brasov Court	Ongoing proceedings.
62	Creditor: EFSA Debtor: Conlemn S.A.  3138/96/2008	Bankruptcy: debt - RON 1,202,344.	Harghita Court	Ongoing proceedings.
63	Creditor: EFSA Debtor : Industrial Group S.R.L.  2624/96/2010	Bankruptcy: debt - RON 1,360,030.	Harghita Court	Ongoing proceedings.
64	Creditor: EFSA Debtor: Metalurgica Vlahita S.A.  882/96/2009	Bankruptcy: debt - RON 1,211,479.	Harghita Court	Ongoing proceedings.
65	Creditor: EFSA Debtor: I.A.N.G Impex S.R.L.  1417/96/2013	Bankruptcy: debt - RON 1,071,128.	Harghita Court	Ongoing proceedings.
66	Creditor: EFSA Debtor: European Drinks S.A.  7745/271/2018	Claims (unpaid invoices): debt - RON 1,922,700.	Bihor Court	Action admitted.
67	Creditor: EFSA Debtor: European Drinks S.A.  640/111/2019	Claims: Payment ordinance for the amount of RON 2,240,862.	Bihor Court	Action admitted. The parties have signed a reschedule agreement.
68	Creditor: EFSA Debtor: European Drinks S.A.  298/111/2019	Claims: RON 4,557,367, remaining an amount of RON 1,478,657.	Bihor Court	Action admitted. The parties have signed a reschedule agreement.

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
69	Plaintiff: Reinvent Business Generation prin Intercom Management S.P.R.L. Defendant: EFSA  22362/3/2018	Claims for amount paid during the insolvency proceedings – RON 1,244,908	Bucharest Court	The action was dismissed on merits.
70	Plaintiff – defendant: Enol Defendant – plaintiff: EFSA  43820/3/2017	Action for annulment of a contractual provision – claims and counter – claim for the amount of RON 1,198,800.	Bucharest Court of Appeal	On merits, the court dismissed the main action, admitted the counter – claim, forcing Enol to pay the amount of RON 1,198,800. Enol filed an appeal, in course of settlement.
71	Creditor: Ivan Laura, Ivan Cornel, Ivan Vladimir Debtor : Servicii Energetice Muntenia (SEM)  34705/3/2015	Criminal liability - death from a work accident – USD 5,000,000	Bucharest Court	In course of settlement. SEM has been removed as a result of insolvency, so at this time it is not part of the file. However, the reintroduction could be called into question as a result of closing the proceedings on 03.04.2019
72	Plaintiff: SEM Debtor: E-Distributie Muntenia  24088/3/2015*	Claims - RON 3,068,930	Bucharest Court	In course of settlement.

**4. Litigations against the Romanian Court of Accounts**

<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
1	Plaintiff: ELSA Defendant: Romanian Court of Accounts  2268/2/2014*	Suspension and cancelling of the administrative act (Decision no.3/14 January 2014 and the Resolution no. 23/17 March 2014).	Bucharest Court of Appeal	Court on the merits: Admits in part the claim, cancels partially the Resolution no. 23 on 17 March 2014 regarding the items 1 and 5 and the Decision no. 3/14 January 2014 regarding the items 4 and 8; rejects, as ungrounded the claim regarding items 2, 3 and 4 in the Resolution no. 23/17 March 2014 and items 5, 6 and 7 in the Decision no 3/14 January 2014; rejects the claim for suspension of the enforcement of the Decision no. 3/14 January 2014, as ungrounded. Electrica and CCR have stated appeal, both being admitted. The court admits in part ELSA's request and sent the case for rejudgement to the first instance, regarding the

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<b>Crt. no.</b>	<b>Parties/Case file number</b>	<b>Object</b>	<b>Court</b>	<b>Case status</b>
				annulment of item 5 of the Decision no. 23/17 March 2014, corresponding to item 8 of the Decision no. 3/14 January 2014. Rejudgement phase: on the merits, the court rejected the plaintiff's request for annulment of point 5 of the Resolution no. 23/17.03.2014, with a correspondent in point 8 of the Decision no. 3/14.01.2014 issued by the defendant. With appeal within 15 days of communication. ELSA will file an appeal after the communication of the decision.
2	Plaintiff: ELSA Defendant: Romanian Court of Accounts  2229/2/2017	Partial annulment of Decision no. 12/27 December 2016, issued by the director of the 2 <sup>nd</sup> Direction from the IV <sup>th</sup> Department of the Court of Accounts, regarding the faults from point 1 to 8, with the consequence of dismissing the actions from point 1, 3 to 9 inclusive, imposed to ELSA by the disputed Decision; the partial annulment of the conclusion no. 12/27 February 2017 of the Court of Accounts, rejecting the objection raised by ELSA against Decision no. 12, regarding the faults and orders mentioned above. In the alternative, the extension of the deadlines for carrying out all the measures ordered by ELSA through Decision no. 12/27 December 2016 with at least 12 months; the suspension of the enforceability of Decision no. 12 until final settlement of the present dispute.	Bucharest Court of Appeal	In course of settlement.
3	Plaintiff: ELSA Defendant: Romanian Court of Accounts  7780/2/2018	Action in administrative litigation for annulment of Decision no. 38/09 October 2018, the annulment of the decision concluding the appeal imposed by the Decision no. 12/1 of 27 December 2016, the revocation of the Decision no. 12/1 and the cessation of any CCR control act.	Bucharest Court of Appeal	On merits, the actions was dismissed. Appealable in 15 days from the communication.
4	Plaintiff: EFSA Defendant: Romanian Court of Accounts  2213/2/2017	Disputes with the Court of Accounts (Law no. 94/1992), action for the annulment of the Decision no. 11/2016, of the Decision no. 23/2017 and of the Control Report no. 5799/2016.	High Court of Cassation and Justice	The first instance rejected the request filed by EFSA as unfounded. EFSA filed an appeal, in course of settlement.
5	Plaintiff: EL SERV Defendant: Romanian Court of Accounts  2098/2/2017	Disputes with the Court of Accounts Administrative act – Decision no. 11/27 February 2017, for the amount of RON 2,351,034.	Bucharest Court of Appeal	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
6	Plaintiff: SDMN Defendant: Romanian Court of Accounts 1677/105/2017	Suspension and annulment of the Control Report of the Prahova Chamber of Accounts no. 6618/11 November 2016 and of the Decision no. 45/2016.	Prahova Court	In course of settlement.
7	Plaintiff: SEM Defendant: Romanian Court of Accounts 3515/2/2015	Annulment of the Resolution no. 27/28.05.2015 and of the Report no. 520/06.03.2015, issued by the RCA.	High Court of Cassation and Justice	The court dismissed the appeal filed by SEM. Admits RCA's appeal and dismisses the case as unfounded.

## 5. Other litigations with significant impact

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: Niculescu Vladimir Defendant: SDMN, City Hall Valenii de Munte 1580/105/2008*	Claim under Law no. 10/2001 – for a land of 1,558 sqm and built area of 202 sqm, located in Valenii de Munte, N. Iorga str. No.129 and being used by the Exploitation Center Valeni.	Ploiesti Court of Appeal	On the merits of the case, the plaintiff's action was admitted in part, with the right to repairs by equivalent for the land of 1,402 sqm located in Valenii de Munte, Bvd. Nicolae Iorga no. 129 (currently no. 131), Prahova County. The Plaintiff and Valenii de Munte Town Hall filed an appeal – admitted – the case being sent for rejudgement.
2	Plaintiff: SDTN Defendant: Local Council of Oradea City, RCS&RDS 3340/111/2015	Cancellation of Oradea LCD no. 108/17 February 2014 on the public bidding for concession of the land of 100,000 sqm area, in order to develop an underground channel for installing the electronic and electric communication networks.	Bihar Court	At the request of RCS-RDS, the case was suspended until the case file 2414/2/2016 was settled with Delalina SRL, a case file by the HCCJ. RCS-RDS filed a request for re-examination of the stamp duty, so the case file 3340/111/2015/a1 was formed, within the application to challenge the constitutionality of the provisions of art. 39 par. 1 and par. 3 of GEO 80/2013 was invoked. The exception was admitted in principle and the case was suspended pending its settlement by the Constitutional Court. At the deadline of 31 January 2018, the court rejects the request filed by the petitioner RCS & RDS SA for the re-examination of the judicial tax in case no. 3340/111/2015, as inadmissible.

Crt. no.	Parties/Case file number	Object	Court	Case status
3	Plaintiff: Delalina S.R.L. Defendant: SDTN  910/111/2016	The obligation to issue technical permit for connection in the favour of SC Delalina SRL.	Bihor Court	The case file was suspended until the settlement of the case file no. 2414/2/2016 with Delalina SRL, case file on the lawsuit of the HCCJ.
4	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: SDTN, ANRE, Romanian Government, Ministry of Economy, Commerce and Relationships with the Business Environment, Ministry of Energy, Banat Enel Distribution, Muntenia Enel Distribution, Dobrogea Enel Distribution  2414/2/2016	Cancellation of administrative acts (Order 73/2014, Concession agreements).	High Court of Cassation and Justice	In merits, the court has rejected the exceptions and the action filed by the plaintiffs, which have initiated an appeal; in course of settlement.
5	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: ANRE Intervener: SDTN 4013/2/2016	The case file has as object the cancellation of the ANRE decision on refusal to give licenses for electricity distribution	Court of Appeals Bucharest	The file was suspended until the settlement of case file no. 2414/2/2016.
6	Plaintiff: ELSA Defendant: E – Distributie Banat S.A. 30399/325/2018	Obligation to do - Mainly obliging the defendant to hand over the documentation for the land in Bocsa. In the alternative, the obligation to draw up the CADP documentation and damages.	Timisoara Court	Case rejected on merits. Appealable in 30 days of its communication.
7	Plaintiff: ELSA Defendant: Baile Herculane City  4572/208/2018	Claim for land Lot 1-NC 32024 (area of 259 sqm) and lot 2 NC 31944 (with a surface of 1,394 sqm), both located in Baile Herculane, Uzinei str. 1 and FC rectification.	Caransebes Court	In course of settlement.
8	Plaintiff: E-Distributie Banat S.A. Defendant: ELSA  1994/30/2019	Complaint against the resolution of the Trade Register Office of Timis Court, exceeding the legal term.	Timis Court	In course of settlement.
9	Plaintiff: E-Distributie Banat S.A. Defendant: ELSA 12857/3/2019	i.ELSA's compliance with the obligation not to do so in relation to the share capital and EDB's Articles of Association and, as a consequence, ELSA to terminate the abusive measures consisting of the requests addressed to National Trade Register Office (NTRO) to modify the structure of the share capital and the Articles of Association of EDB by increasing the share capital with the value of the land in the ownership certificates (hereinafter referred to as "CADPs") held by ELSA over	Bucharest Court	First term on 2 October 2019.

Crt. no.	Parties/Case file number	Object	Court	Case status
		<p>the land used by the undersigned for its activity;</p> <p>ii. Confirming that ELSA is not a public authority involved in the privatization process and, as a consequence, stating ELSA's lack of legal right to request NTRO to amend the applicant's Articles of Association by increasing the share capital with the value of the land stated in the CADP on the land used by the applicant;</p> <p>iii. Faced with the abusive actions taken so far, ELSA will be ordered to pay damages whose existence and amount will be proved until the deadline stipulated by law.</p>		
10	<p>Plaintiff: E-Distributie Banat S.A. Defendant: ELSA</p> <p>2021/30/2019</p>	<p>The suspension of resolution no. 6573/28 February 2019 pronounced by NTRO Timis in file no. 14369/11 February 2019, which allowed ELSA to apply for changes regarding: the share capital, foreign participation in capital; term for share capital subscription and payment; number of shares; data change, adding legal persons shareholders, until the resolution of the complaint against the Resolution by Timis Court.</p>	Bucharest Court	The file is pending, the next term being 17 September 2019.

### 11.3. Details of the main investments of Electrica Group during 2019 half-year

During 1 January 2019 – 30 June 2019, the most significant investments of Electrica Group are the following:

DESCRIPTION	Value (RON mn)
<b>MUNTENIA NORD</b>	
Modernization of 110 kV OHL Focsani Vest – Tataranu, pillars 1-125	7.93
Modernization and SCADA system integration of IUP Targoviste 110/20/6 kV Substation	5.34
Modernization and SCADA system integration of Ramnicu Sarat 110/20 kV Substation	4.48
Modernization and SCADA system integration of Patarlagele 110/20 kV Substation	4.18
Upgrading protections of 110 kV cells and 6 kV cells, installation of the second neutral treatment group by resistor at 20 kV and SCADA system integration in 110/27,5/20/6 kV Ploiesti North Substation	4.00
Modernization of LV connections belonging to CE Ploiesti, in Zanoaga locality (Dumbrava village), Urlati city, Prahova county	1.80
Modernization of 20 kV OHL by insulation and conductor replacement – 20 kV OHL Jugureanu - Ciresu, 20kV OHL Cuza Voda - SRPA 02, 20kV OHL Baraganu - Victoria, 20kV OHL Cuza Voda - Viziru	1.60
Modernization and SCADA system integration of 110/20 kV Magura Substation	1.16
<b>TRANSILVANIA NORD</b>	
Replacing of 110/MV power transformers with low-loss transformers SDTN - stage 2	10.28
Modernization of Nadas 110/20 kV Substation	3.67
Preparation for switching to 20 kV - stage I: Modernization of transformer stations and SCADA system integration within Satu Mare branch	3.23
Modernization of Tasnad 110/20 kV Substation	2.46
Modernization of Alesd 110/20 kV Substation	2.17
Switching to 20 kV of transformer stations within Baia Mare branch – stage 1 2017	2.05
Modernization of Rodna 110/20 kV Substation	2.00
Switching of MV networks from 6 kV to 20 kV in the municipality of Carei	1.96
Construction of MV underground cable in order to increase the power supply reliability in area Osorhei, Bihor county	1.82
Modernization of Vascau 110/20 kV Substation	1.79
Modernization of Nasaud 110/20 kV Substation	1.62
Modernization of Marghita 110/20 kV Substation	1.48
Switching to 20 kV of distributors L5, L6, L17 and L2SMA from Turda Substation, Turda municipality, Cluj county	1.47
<b>TRANSILVANIA SUD</b>	
Modernization of transformer stations by MV cell replacement, indoor network distribution board replacement, integration in Distribution Automation System and repair of transformer stations buildings in Codlea, Brasov county	11.90
Modernization, securing and systematization of LV connections in Brasov (Minerva str., Mercur, Cometei, Soarelui, Constelatiei, Neptun, Saturn, Apollo, Victoriei Blvd., Aleea Sanzienelor, Aleea Lacramioarelor, Mimozei, Cocorului, Stefan Mironescu, Petuniei alley, Zizinului no. 81-99, Gen Mociulschi, Colonia Metrom, Oltet, Constructorilor alley, Barbu Lautaru, b-dul Garii, Szemler Ferencz no. 3, 5, 7, Infratii no.6, 8, 9, 16, 21, 22, 23, 13 Decembrie no. 86-88, Spicului, Bobului, Lacramioarelor, Garii Noua, Anghel Saligny, Calea Bucuresti), Brasov county stages 1, 2, 3 and 4	11.54
Modernization of transformer stations (MV cell replacement, indoor network distribution board of Astra neighbourhood, Tractorul, Triaj, Craiter, Garii area, Uzina 2, Racadau, etc) in Brasov, Brasov county	8.59
Increasing supply reliability level for the users connected to 110/20/6 kV Ocna Mures Substation, Alba county	7.89
Switching to 20 kV of the MV networks operating at 6 kV in Targu Mures, Mures county – ob. 2 MV works	7.62
Increasing distribution capacity and supply reliability for the developing area adjacent to the next objective Clinical Hospital BV: a new 110/20 kV Substation, in the axle of 110 kV OHL Bartolomeu-FS Rasnov, common circuit with 110 kV OHL ICA Ghimbav-Ghimbav in area of pillars no. 54-56	7.02

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<b>DESCRIPTION</b>	<b>Value (RON mn)</b>
Voltage level improvements of LV OHL Ojdula, Covasna county	4.22
Modernization of MV and LV network distribution by switching OHL into underground cable, in Bod Colonie, Brasov county	4.16
Increasing supply reliability level for the users connected to 110/20/6 kV Brasov Centru Substation, Brasov county	3.75
Modernization of 110 kV OHL Zizin - IABv - Metrom and 110 kV OHL Darste - IABv - Racadau by partial passage in 110 kV underground cable line	3.00
Modernization of built transformer stations and LV connections in Sighisoara (transformer stations no. 75, 70, 5, 72, 37, 62, 82, 81, 11, 1, 78, 44, 8, 12, 4, 23, 38) Mures county	2.99
Voltage level improvements, replacing of LV OHL conductors and modernization of electrical connection in locality of Racos, Brasov county	2.92
Modernization of LV OHL Papauti, in area of aerial transformer stations no. 1 and no. 2, Covasna county	2.18
Replacing of LV OHL conductors and modernization of LV electrical connection in CE Tg. Secuiesc, Covasna county	2.01
Modernization of LV network 0,4 Kv in Darlos, Sibiu county	2.00
Switching to 20 kV of MT networks in area of power supply point no. 2 from area Calea Bucuresti, B-dul Saturn, alignment CF, in Brasov city, Brasov county	1.97
Modernization with relocation of transformer stations in Tg Mures (transformer stations no. 50, 66, 251, 298, power supply point no. 29), Mures county	1.68
Switching to 20 kV of MT networks in power supply point no. 7 area, Florilor neighbourhood, in Brasov, Brasov county	1.64
Voltage level improvements in Pauleni Ciuc (Pauleni Ciuc, Soimeni and Delnita), Harghita county	1.61

During 1 January 2019 – 30 June 2019 period, the largest transfers from tangible assets in progress to tangible assets, representing mainly commissioning of investments, are the following:

<b>DESCRIPTION</b>	<b>Value (mil. RON)</b>
<b>MUNTENIA NORD</b>	
Switching of MV networks from 6 kV to 20 kV, voltage level improvement of area Spatarului road, Industriei alley, Brailei road	5.46
Modernization of EDN in area of aerial transformer station no. 3188 Botesti, aerial transformer station no. 3186 Unirea 1 and aerial transformer station no. 3087 Unirea 2 Blocuri, Vrancea county	1.89
Modernization of LV connections belonging to transformer stations powered from 20kV OHL Vadu Soresti, Buzau county	1.72
<b>TRANSILVANIA NORD</b>	
Switching MV networks to 20 kV (Sighet, Baia Mare, Turda, Carei)	4.77
Increasing the quality of distribution service vol. 1A+1B – modernization of aerial transformer stations at MV/LV Baia Mare operation centre	2.93
Preparation for switching to 20 kV stage I – Modernization of built transformer stations and SCADA system integration - Satu Mare branch	2.46
Implementation of DAS (Distribution Automation System) - Zalau branch	2.42
Increasing power supply reliability (Lemniu, Bocicau, Luncsoara, Giurgesti, Oradea, Ciumesti)	2.27
Modernization of Unirea 110/20 kV substation	1.45
Construction of 20 kV OHL in order to increase safety (Curtuiusu Mic, Agriesel, Baile Felix)	1.25
<b>TRANSILVANIA SUD</b>	
Modernization of transformer stations (MV cell replacement, indoor network distribution board of Astra neighbourhood, Tractorul, Triaj, Craiter, Garii area, Uzina 2, Racadau, etc), in Brasov city, Brasov county	7.00
Modernization, security and systematization of LV connections in Brasov county (streets: Minerva, Mercur, Cometei, Soarelui, Constelatiei, Neptun, Saturn, Apollo, Victoriei Blvd., Sanzienelor alley, Lacramioarelor alley, MIMOZEI, Cocorului, Stefan Mironescu, Petuniei alley, Zizinului no. 81-99, Gen	4.54



DESCRIPTION	Value (mil. RON)
Mociulschi, Colonia Metrom, Oltet, Constructorilor alley, Barbu Lautaru, Garii bvd., Szemler Ferencz no. 3, 5, 7, Infratirii no. 6, 8, 9, 16, 21, 22, 23, 13 Decembrie no. 86-88, Spicului, Bobului, Lacramioarelor, Garii Noua, Anghel Saligny, Calea Bucuresti), Brasov county stages 1, 2 and 3	
Modernization of LV network in Arpasu de Sus, Sibiu county	1.89
Modernization with relocation of built transformer stations in Tg. Mures (transformer stations no. 50, 66, 251, 298, power supply point no. 29), Mures county	1.74
Modernization of 20 kV OHL Ludus - Cipau, Mures county	1.58
Switching to 20 kV of area power supply point no. 5 – area Turnului str., Harmanului str., Victoriei bvd., Basarabia str., Munteniei str., Prahova str., Garii bvd. in Brasov city, Brasov county	1.47
Modernization of built transformer stations and LV connections in Sighisoara (built transformer stations no. 75, 70, 5, 72, 37, 62, 82, 81, 11, 1, 78, 44, 8, 12, 4, 23, 38), Mures county	1.37



**SOCIETATEA ENERGETICA ELECTRICA S.A.**

Condensed Consolidated Interim Financial Statements

as at and for the six month period ended

**30 June 2019**

prepared in accordance with

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

# **SOCIETATEA ENERGETICA ELECTRICA S.A.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019**

PREPARED IN ACCORDANCE WITH IAS 34 "INTERIM FINANCIAL REPORTING" AS ADOPTED BY THE EUROPEAN UNION

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

AS AT 30 JUNE 2019

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

	Note	30 June 2019 (reviewed)	31 December 2018 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets related to concession arrangements		4,969,375	4,810,340
Other intangible assets		14,904	13,899
Property, plant and equipment, net		562,942	601,178
Restricted cash		320,000	320,000
Deferred tax assets		23,506	28,895
Other non-current assets		1,869	1,842
Right of use asset		59,105	-
<b>Total non-current assets</b>		<b>5,951,701</b>	<b>5,776,154</b>
<b>Current assets</b>			
Trade receivables	13	873,913	806,293
Other receivables		30,780	38,461
Cash and cash equivalents		385,356	665,730
Deposits with maturity date more than three months	15	123,720	136,493
Inventories		68,504	63,585
Prepayments		7,236	2,666
Income tax receivable		7,916	16,481
Assets held for sale		15,911	23,209
<b>Total current assets</b>		<b>1,513,336</b>	<b>1,752,918</b>
<b>Total assets</b>		<b>7,465,037</b>	<b>7,529,072</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		3,459,399	3,459,399
Share premium		103,049	103,049
Treasury shares reserve		(75,372)	(75,372)
Pre-paid capital contributions in kind from shareholders		5,144	5,144
Revaluation reserve		99,018	108,704
Legal reserves		352,038	352,038
Retained earnings		1,546,445	1,675,479
<b>Total equity attributable to the owners of the Company</b>		<b>5,489,721</b>	<b>5,628,441</b>
<b>Total equity</b>		<b>5,489,721</b>	<b>5,628,441</b>

*(Continued on page 2)*

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

AS AT 30 JUNE 2019

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

	Note	30 June 2019 (reviewed)	31 December 2018 (audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financing for network construction related to concession agreements		110	981
Finance lease liability – long term		20,978	-
Deferred tax liabilities		180,238	183,381
Employee benefits		186,720	186,857
Other payables	16	39,534	41,247
Long-term bank borrowings	17	320,000	320,000
<b>Total non-current liabilities</b>		<b>747,580</b>	<b>732,466</b>
<b>Current liabilities</b>			
Financing for network construction related to concession agreements		5,527	11,851
Finance lease liability – short term		39,263	-
Bank overdrafts		294,018	118,972
Trade payables		605,530	742,200
Other payables	16	199,908	181,117
Deferred revenue		4,984	5,037
Employee benefits		59,152	77,988
Provisions	18	15,326	29,106
Current income tax liability		4,028	1,894
<b>Total current liabilities</b>		<b>1,227,736</b>	<b>1,168,165</b>
<b>Total liabilities</b>		<b>1,975,316</b>	<b>1,900,631</b>
<b>Total equity and liabilities</b>		<b>7,465,037</b>	<b>7,529,072</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 August 2019

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Six month period ended	
		30 June 2019 (reviewed)	30 June 2018 (reviewed)
Revenue	7	3,101,205	2,653,549
Other income	8	78,791	74,879
Electricity purchased	9	(1,682,598)	(1,268,728)
Green certificates		(261,118)	(154,670)
Construction costs related to concession agreements		(351,065)	(289,509)
Employee benefits		(311,141)	(297,373)
Repairs, maintenance and materials		(47,279)	(42,326)
Depreciation and amortization		(240,889)	(216,036)
Reversal of impairment of property, plant and equipment and intangible assets, net		5,922	187
Reversal of impairment/(Impairment) of trade and other receivables, net		4,203	(2,471)
Impairment of assets held for sale		(196)	-
Change in provisions, net		13,780	79
Other operating expenses		(185,850)	(196,199)
<b>Operating profit</b>		<b>123,765</b>	<b>261,382</b>
Finance income		7,162	5,910
Finance costs		(6,211)	(3,411)
<b>Net finance income</b>		<b>951</b>	<b>2,499</b>
<b>Profit before tax</b>		<b>124,716</b>	<b>263,881</b>
Income tax expense	12	(15,930)	(54,257)
<b>Profit for the period</b>		<b>108,786</b>	<b>209,624</b>
<b>Profit for the period attributable to:</b>			
- owners of the Company		108,786	209,624
<b>Profit for the period</b>		<b>108,786</b>	<b>209,624</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (RON)	10	<b>0.32</b>	<b>0.62</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 August 2019

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
 (All amounts are in THOUSAND RON, if not otherwise stated)

	<b>Three month period ended</b>	
	<b>30 June 2019</b> <b>(unaudited and not reviewed)</b>	<b>30 June 2018</b> <b>(unaudited and not reviewed)</b>
Revenue	1,517,490	1,303,789
Other income	36,222	35,212
Electricity purchased	(686,158)	(526,260)
Green certificates	(122,344)	(89,415)
Construction costs related to concession agreements	(212,807)	(168,663)
Employee benefits	(161,794)	(155,049)
Repairs, maintenance and materials	(25,742)	(24,583)
Depreciation and amortization	(119,321)	(105,754)
Reversal of impairment of property, plant and equipment and intangible assets, net	5,559	12
Reversal of impairment/(Impairment) of trade and other receivables, net	16,598	(928)
Impairment of assets held for sale	(98)	-
Change in provisions, net	13,398	(3,547)
Other operating expenses	(90,170)	(84,122)
<b>Operating profit</b>	<b>170,833</b>	<b>180,692</b>
Finance income	3,304	3,623
Finance costs	(2,643)	(2,531)
<b>Net finance income</b>	<b>661</b>	<b>1,092</b>
<b>Profit before tax</b>	<b>171,494</b>	<b>181,784</b>
Income tax expense	(21,853)	(31,416)
<b>Profit for the period</b>	<b>149,641</b>	<b>150,368</b>
<b>Profit for the period attributable to:</b>		
- owners of the Company	149,641	150,368
<b>Profit for the period</b>	<b>149,641</b>	<b>150,368</b>
<b>Earnings per share</b>		
Basic and diluted earnings per share (RON)	<b>0.44</b>	<b>0.44</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 August 2019

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

	<b>Six month period ended</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>(reviewed)</b>	<b>(reviewed)</b>
<b>Profit for the period</b>	<b>108,786</b>	<b>209,624</b>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income</b>	<b>108,786</b>	<b>209,624</b>
<b>Total comprehensive income attributable to:</b>		
- owners of the Company	108,786	209,624
<b>Total comprehensive income</b>	<b>108,786</b>	<b>209,624</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 August 2019



**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

	<b>Three month period ended</b>	
	<b>30 June 2019</b> <b>(unaudited and not reviewed)</b>	<b>30 June 2018</b> <b>(unaudited and not reviewed)</b>
<b>Profit for the period</b>	<b>149,641</b>	<b>150,368</b>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income</b>	<b>149,641</b>	<b>150,368</b>
<b>Total comprehensive income attributable to:</b>		
- owners of the Company	149,641	150,368
<b>Total comprehensive income</b>	<b>149,641</b>	<b>150,368</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 August 2019

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
*(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 2019 (audited)</b>	<b>3,459,399</b>	<b>103,049</b>	<b>(75,372)</b>	<b>5,144</b>	<b>108,704</b>	<b>352,038</b>	<b>1,675,479</b>	<b>5,628,441</b>
<b>Comprehensive income</b>								
Profit for the period (reviewed)	-	-	-	-	-	-	108,786	<b>108,786</b>
<b>Total comprehensive income (reviewed)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108,786</b>	<b>108,786</b>
<b>Transactions with owners of the Company (reviewed)</b>								
<b>Contributions and distributions</b>								
Dividends to the owners of the Company	11	-	-	-	-	-	(247,506)	<b>(247,506)</b>
<b>Total transactions with the owners of the Company (reviewed)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(247,506)</b>	<b>(247,506)</b>
<b>Other changes in equity (reviewed)</b>								
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(9,686)	-	9,686	-
<b>Balance at 30 June 2019 (reviewed)</b>	<b>3,459,399</b>	<b>103,049</b>	<b>(75,372)</b>	<b>5,144</b>	<b>99,018</b>	<b>352,038</b>	<b>1,546,445</b>	<b>5,489,721</b>

*(Continued on page 8)*

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
 (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>Restated balance at 1 January 2018 as reported previously (audited)</b>	<b>3,814,242</b>	<b>103,049</b>	<b>(75,372)</b>	<b>5,144</b>	<b>123,748</b>	<b>326,779</b>	<b>1,357,966</b>	<b>5,655,556</b>
Restatement impact (please see Note 3)	(354,843)	-	-	-	-	-	354,843	-
<b>Restated balance at 1 January 2018 (audited)</b>	<b>3,459,399</b>	<b>103,049</b>	<b>(75,372)</b>	<b>5,144</b>	<b>123,748</b>	<b>326,779</b>	<b>1,712,809</b>	<b>5,655,556</b>
<b>Comprehensive income</b>								
Profit for the period (reviewed)	-	-	-	-	-	-	209,624	<b>209,624</b>
<b>Total comprehensive income (reviewed)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209,624</b>	<b>209,624</b>
<b>Transactions with owners of the Company (reviewed)</b>								
<b>Contributions and distributions</b>								
Dividends to the owners of the Company	11	-	-	-	-	-	(245,370)	<b>(245,370)</b>
<b>Total transactions with the owners of the Company (reviewed)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(245,370)</b>	<b>(245,370)</b>
<b>Other changes in equity (reviewed)</b>								
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	(7,729)	-	7,729	-
<b>Restated balance at 30 June 2018 (reviewed)</b>	<b>3,459,399</b>	<b>103,049</b>	<b>(75,372)</b>	<b>5,144</b>	<b>116,019</b>	<b>326,779</b>	<b>1,684,792</b>	<b>5,619,810</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 August 2019

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Six month period ended	
		30 June 2019 (reviewed)	30 June 2018 (reviewed)
<b>Cash flows from operating activities</b>			
Profit for the period		108,786	209,624
<b>Adjustments for:</b>			
Depreciation		19,107	19,861
Amortisation		221,782	196,175
Reversal of impairment of property, plant and equipment and intangible assets, net		(5,922)	(187)
Loss on disposal of property, plant and equipment and intangible assets		4,241	17
(Reversal of impairment)/Impairment of trade and other receivables, net		(4,203)	2,471
Impairment on assets held for sale		196	-
Change in provisions, net	18	(13,780)	(79)
Net finance income		(951)	(2,499)
Expense with corporate income tax	12	15,930	54,257
		<b>345,186</b>	<b>479,640</b>
<b>Changes in:</b>			
Trade receivables		(90,796)	92,997
Other receivables		21,608	45,058
Prepayments		(4,570)	(5,078)
Green certificates		-	9,725
Inventories		(4,919)	(3,084)
Trade payables		39,936	(96,344)
Other payables		2,017	14,008
Employee benefits		(18,973)	(17,783)
Deferred revenue		(53)	(1,517)
		<b>289,436</b>	<b>517,622</b>
<b>Cash generated from operating activities</b>			
Interest paid		(4,931)	(832)
Income tax paid		(2,987)	(11,026)
<b>Net cash from operating activities</b>		<b>281,518</b>	<b>505,764</b>

(Continued on page 10)

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Six month period ended	
		30 June 2019 (reviewed)	30 June 2018 (reviewed)
<b>Cash flows used in investing activities</b>			
Payments for purchases of property, plant and equipment		(5,667)	(1,872)
Payments for network construction related to concession agreements		(478,005)	(385,343)
Payments for purchases of intangible assets		(4,513)	(1,672)
Proceeds from sale of property, plant and equipment		4,781	14,041
Purchase of treasury bills and government bonds	15	-	(95,339)
Proceeds from maturity of treasury bills and government bonds	15	-	466,722
Increase in deposits with maturity of 3 months or longer	15	(211,286)	(451,700)
Proceeds from deposits with maturity of 3 months or longer	15	224,000	325,000
Interest received		6,666	4,616
<b>Net cash used in investing activities</b>		<b>(464,024)</b>	<b>(125,547)</b>
<b>Cash flows used in financing activities</b>			
Payment of finance lease liabilities		(19,272)	-
Dividends paid		(246,340)	(244,147)
Repayment of financing for network construction related to concession agreements		(7,302)	(17,138)
<b>Net cash used in financing activities</b>		<b>(272,914)</b>	<b>(261,285)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(455,420)</b>	<b>118,932</b>
Cash and cash equivalents at 1 January		546,758	314,589
<b>Cash and cash equivalents at 30 June</b>	14	<b>91,338</b>	<b>433,521</b>

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

The non-cash transactions are disclosed in Note 14.

**Chief Executive Officer**  
 Georgeta Corina Popescu

**Chief Financial Officer**  
 Mihai Darie

13 August 2019

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

**1 Reporting entity and general information**

These financial statements are the condensed consolidated interim financial statements of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the six month period ended 30 June 2019.

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

As at 30 June 2019 and 31 December 2018 the major shareholder of Societatea Energetica Electrica SA is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.78% from the share capital.

As at 30 June 2019 and 31 December 2018, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 30 June 2019	% shareholding as at 31 Dec 2018
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. ("SDEE Muntenia Nord S.A.")	Electricity distribution in geographical area of Muntenia Nord	14506181	Ploiesti	99.9999719027621%	99.9999696922382%
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. ("SDEE Transilvania Nord S.A.")	Electricity distribution in geographical area of Transilvania Nord	14476722	Cluj-Napoca	99.9999731064276%	99.9999829770757%
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. ("SDEE Transilvania Sud S.A.")	Electricity distribution in geographical area of Transilvania Sud	14493260	Brasov	99.999977569745%	99.999976413243%
Electrica Furnizare S.A.	Electricity Supply	28909028	Bucuresti	99.9998390431663%	99.9998390431663%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%	100%
Servicii Energetice Muntenia S.A.	Services in the energy sector (maintenance, repairs, construction)	29384120	Bucuresti	100%	100%
Servicii Energetice Oltenia S.A.*	Services in the energy sector (maintenance, repairs, construction)	29389861	Craiova	n/a*	n/a*

*\*Societatea Energetica Electrica SA lost the control of Servicii Energetice Oltenia starting with 31 October 2018 when the bankruptcy proceedings of the subsidiary were initiated by the Court (see Note 21). As of this date, the Group ceased to consolidate this company.*

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

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

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 115,114,116/12.12.2017</b>			
<b>1 January-31 December 2018</b>			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.73	60.11	157.35
SDEE Transilvania Sud S.A.	20.29	60.38	160.80
SDEE Muntenia Nord S.A.	14.79	46.33	155.71

<b>Order 198,199,197/20.12.2018</b>			
<b>1 January-28 February 2019</b>			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.16	60.00	158.67
SDEE Transilvania Sud S.A.	20.27	60.10	160.31
SDEE Muntenia Nord S.A.	15.21	48.29	162.46

<b>Order 25,26,24/25.02.2019</b>			
<b>1 March-31 December 2019</b>			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.58	61.40	162.38
SDEE Transilvania Sud S.A.	20.75	61.52	164.08
SDEE Muntenia Nord S.A.	15.56	49.40	166.20

Starting with 1 July 2019 (please see Note 23), the specific tariffs for the electricity distribution service for the three distributor operators of the Group are as follows (RON/MWh, presented cumulatively for medium and low voltage levels):

<b>Order 79,80,78/24.06.2019</b>			
<b>1 July-31 December 2019</b>			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.03	62.88	166.27
SDEE Transilvania Sud S.A.	21.21	62.88	167.72
SDEE Muntenia Nord S.A.	15.93	50.58	170.16

## **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 2018. 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 2018.

These condensed consolidated interim financial statements have been prepared for submission to the Bucharest Stock Exchange. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 13 August 2019.

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

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

***Judgements and estimates***

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

The significant 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 2018.

**3 Restatements**

*Share capital restatement*

Until 31 December 2003, the statutory share capital in nominal terms was restated according to IAS 29 "Financial Reporting in Hyperinflationary Economies" with a corresponding adjustment to Retained Earnings. Through the General Meeting of Shareholders decision no. 1/27.04.2015 was approved the use of the amount known as "Inflation adjustment to share capital" having a value of RON 354,843 thousand to cover the accumulated accounting losses. Therefore, the share capital should have been decreased to reflect the above mentioned operation.

As a consequence, the Share capital has been overstated and Retained earnings understated with the amount of RON 354,843 thousand. The Company reclassified in the statement of financial position the amount RON 354,843 thousand from Share capital to Retained earnings, by restating each of the affected financial statement line items for prior periods, the reclassification having no impact within the Equity line.

The following tables summarise the impact on the Group's consolidated financial statements:

*Consolidated statement of financial position*

	<b>1 January 2018 as reported previously</b>	<b>1 January 2018 reclassifications</b>	<b>1 January 2018 as restated</b>
Share capital	3,814,242	(354,843)	3,459,399
Share premium	103,049	-	103,049
Treasury shares reserve	(75,372)	-	(75,372)
Pre-paid capital contribution in kind from shareholders	5,144	-	5,144
Revaluation reserve	123,748	-	123,748
Legal reserves	326,779	-	326,779
Retained earnings	1,357,966	354,843	1,712,809
<b>Total equity attributable to the owners of the Company</b>	<b>5,655,556</b>	<b>-</b>	<b>5,655,556</b>
	<b>30 June 2018 as reported previously</b>	<b>30 June 2018 reclassifications</b>	<b>30 June 2018 as restated</b>
Share capital	3,814,242	(354,843)	3,459,399
Share premium	103,049	-	103,049
Treasury shares reserve	(75,372)	-	(75,372)
Pre-paid capital contribution in kind from shareholders	5,144	-	5,144
Revaluation reserve	116,019	-	116,019
Legal reserves	326,779	-	326,779
Retained earnings	1,329,949	354,843	1,684,792
<b>Total equity attributable to the owners of the Company</b>	<b>5,619,810</b>	<b>-</b>	<b>5,619,810</b>



**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

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#### **4 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.

#### **5 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 2018, except for the adoption of new standards effective as of January 1<sup>st</sup> 2019.

Starting with January 1<sup>st</sup> 2019, the Group has applied for the first time a new standard, IFRS 16 „Leases“.

Due to the transition methods chosen by the Group in applying this standard, comparative information throughout these interim financial statements has not been restated to reflect the requirements of the new standard.

#### **IFRS 16 „Leases“**

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated over the lease term and the liability accrues interest. Interest expense is charged to profit or loss over the lease period on the remaining balance of the lease liability for each period. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals. Lessor accounting shall remain largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be retained.

In addition, the Group has taken into consideration the following aspects for the contracts that fall under IFRS 16 incidence: i) did not recognize any right-of-use assets or lease liabilities for contracts which expire within 12 months since implementation date; and ii) did not recognize any right-of-use assets or lease liabilities for lower value contracts.

Being permitted by the standard, the Group adopted IFRS 16 starting with January 1<sup>st</sup> 2019 using the modified retrospective approach, with no restatement of comparative information.

The right-of-use assets for previous operating leases were measured at the date of initial application at the amount of the lease liability, adjusted by prepaid or accrued lease payments. The lease liabilities were measured at the present value of the lease payments over the remaining lease term, discounted using the incremental borrowing rate as of January 1<sup>st</sup> 2019. The weighted average lessee's incremental borrowing rate used by the Group as at January 1<sup>st</sup> 2019 is 2.03%.

Initial application of IFRS 16 resulted in the recognition of right-of-use assets as at 1<sup>st</sup> of January 2019 and also lease liabilities amounting to RON 77,891 thousand out of which short-term liabilities in amount of RON 38,840 thousand and long-term liabilities in amount of RON 39,051 thousand.

As at 30<sup>th</sup> June 2019, the Group has recognized right-of-use assets amounting to RON 59,105 thousand and lease liabilities amounting to RON 60,241 thousand related to the previous operational leasing contracts, out of which short-term liabilities in amount of RON 39,263 thousand and long-term liabilities in amount of RON 20,978 thousand.

The Group has lease contracts mainly for rental of vehicles, land, buildings and optical fibres.

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

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**6 Operating segments**

**(a) Basis for segmentation**

The following summary describes the operations of each reportable segment:

<b>Reportable segments</b>	<b>Operations</b>
Electricity supply	Buying and supplying electricity to final consumers (includes Electrica Furnizare SA and the BRP activity of Electrica SA until 1 April 2018)
Electricity distribution	Electricity distribution service (includes Societatea de Distributie a Energiei Electrice Transilvania Sud SA, Societatea de Distributie a Energiei Electrice Transilvania Nord SA, Societatea de Distributie a Energiei Electrice Muntenia Nord SA, Electrica Serv SA and the activity performed by Societatea Energetica Electrica SA within the distribution network)
External electricity network maintenance	Repairs, maintenance and other services for electricity networks owned by other distributors (includes Servicii Energetice Muntenia SA and Servicii Energetice Oltenia SA - for the comparative period)
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 energy distribution, shared electricity network maintenance services, respectively. Inter-segment pricing policy is determined on an arm's length basis.

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

**(b) Information about reportable segments**

<b>Six month period ended 30 June 2019 (reviewed)</b>	<b>Electricity supply</b>	<b>Electricity distribution</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	2,366,765	720,265	14,175	-	<b>3,101,205</b>	-	<b>3,101,205</b>
Inter-segment revenue	18,545	606,408	1,028	-	<b>625,981</b>	(625,981)	-
<b>Segment revenue</b>	<b>2,385,310</b>	<b>1,326,673</b>	<b>15,203</b>	-	<b>3,727,186</b>	<b>(625,981)</b>	<b>3,101,205</b>
<b>Segment profit/(loss) before tax</b>	<b>82,781</b>	<b>40,969</b>	<b>(1,530)</b>	<b>255,639</b>	<b>377,859</b>	<b>(253,143)</b>	<b>124,716</b>
Net finance income/(cost)	1,786	(23,336)	(112)	275,500	<b>253,838</b>	(252,887)	<b>951</b>
Amortization and depreciation	(7,361)	(221,761)	(1,002)	(10,765)	<b>(240,889)</b>	-	<b>(240,889)</b>
Impairment of property, plant and equipment and intangible assets, net	-	5,922	-	-	<b>5,922</b>	-	<b>5,922</b>
Impairment of assets held for sale	-	(196)	-	-	<b>(196)</b>	-	<b>(196)</b>
Impairment of trade and other receivables, net	7,966	(3,791)	28	-	<b>4,203</b>	-	<b>4,203</b>
EBITDA*	88,356	280,340	(416)	(9,096)	<b>359,184</b>	(256)	<b>358,928</b>
Segment net profit/(loss)	70,199	37,577	(1,486)	255,639	<b>361,929</b>	(253,143)	<b>108,786</b>
Employee benefits	(35,679)	(255,557)	(7,743)	(12,162)	<b>(311,141)</b>	-	<b>(311,141)</b>
Capital expenditure	2,289	360,221	213	254	<b>362,977</b>	-	<b>362,977</b>
<b>Six month period ended 30 June 2018 (reviewed)</b>							
External revenues	1,963,940	670,750	18,859	-	<b>2,653,549</b>	-	<b>2,653,549</b>
Inter-segment revenue	15,407	573,264	284	-	<b>588,955</b>	(588,955)	-
<b>Segment revenue</b>	<b>1,979,347</b>	<b>1,244,014</b>	<b>19,143</b>	-	<b>3,242,504</b>	<b>(588,955)</b>	<b>2,653,549</b>
<b>Segment profit/(loss) before tax</b>	<b>158,364</b>	<b>124,965</b>	<b>(3,837)</b>	<b>304,314</b>	<b>583,806</b>	<b>(319,925)</b>	<b>263,881</b>
Net finance income/(cost)	1,724	(4,135)	52	306,350	<b>303,991</b>	(301,492)	<b>2,499</b>
Amortization and depreciation	(7,087)	(207,088)	(584)	(2,606)	<b>(217,365)</b>	1,329	<b>(216,036)</b>
Impairment of property, plant and equipment and intangible assets, net	-	187	-	-	<b>187</b>	-	<b>187</b>
Impairment losses on trade and other receivables, net	(4,790)	2,319	-	-	<b>(2,471)</b>	-	<b>(2,471)</b>
EBITDA*	163,727	336,001	(3,305)	570	<b>496,993</b>	(19,762)	<b>477,231</b>
Segment net profit/(loss)	132,742	96,330	(3,837)	304,314	<b>529,549</b>	(319,925)	<b>209,624</b>
Employee benefits	(36,388)	(232,923)	(13,149)	(14,913)	<b>(297,373)</b>	-	<b>(297,373)</b>
Capital expenditure	977	295,299	10	176	<b>296,462</b>	-	<b>296,462</b>

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<b>At 30 June 2019 (reviewed)</b>	<b>Electricity supply</b>	<b>Electricity distribution</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>1,030,740</b>	<b>7,112,547</b>	<b>111,861</b>	<b>633,297</b>	<b>8,888,445</b>	<b>(1,423,408)</b>	<b>7,465,037</b>
Trade and other receivables	708,521	440,201	11,468	118,043	<b>1,278,233</b>	(373,540)	<b>904,693</b>
Cash and cash equivalents	195,595	148,418	634	40,709	<b>385,356</b>	-	<b>385,356</b>
Restricted cash	-	-	-	320,000	<b>320,000</b>	-	<b>320,000</b>
Deposits with maturity date more than three months	-	48,286	-	75,434	<b>123,720</b>	-	<b>123,720</b>
Trade and other payables and short term employee benefits	773,182	467,650	3,915	8,329	<b>1,253,076</b>	(348,952)	<b>904,124</b>
Bank overdrafts	-	294,018	-	-	<b>294,018</b>	-	<b>294,018</b>
Finance lease	2,323	55,754	-	2,164	<b>60,241</b>	-	<b>60,241</b>
Financing for network construction related to concession agreements and bank loans	-	325,637	-	-	<b>325,637</b>	-	<b>325,637</b>
<b>At 31 December 2018 (audited)</b>							
<b>Segment assets</b>	<b>1,021,229</b>	<b>6,990,308</b>	<b>116,330</b>	<b>687,934</b>	<b>8,815,801</b>	<b>(1,286,729)</b>	<b>7,529,072</b>
Trade and other receivables	658,463	484,703	11,742	8,356	<b>1,163,264</b>	(318,510)	<b>844,754</b>
Cash and cash equivalents	243,741	248,702	3,332	169,955	<b>665,730</b>	-	<b>665,730</b>
Restricted cash	-	-	-	320,000	<b>320,000</b>	-	<b>320,000</b>
Deposits with maturity date more than three months	-	35,000	-	101,493	<b>136,493</b>	-	<b>136,493</b>
Trade and other payables, and short term employee benefits	714,093	578,130	30,967	13,241	<b>1,336,431</b>	(293,879)	<b>1,042,552</b>
Bank overdrafts	-	118,972	-	-	<b>118,972</b>	-	<b>118,972</b>
Financing for network construction related to concession agreements and bank loans	-	332,832	-	-	<b>332,832</b>	-	<b>332,832</b>

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

<b>Six month period ended 30 June 2019 (reviewed)</b>	<b>Distribution Muntenia Nord</b>	<b>Distribution Transilvania Nord</b>	<b>Distribution Transilvania Sud</b>	<b>Electricity network maintenance</b>	<b>Eliminations</b>	<b>Total Electricity distribution</b>
External revenues	201,034	221,929	289,880	7,422	-	<b>720,265</b>
Inter-segment revenue	214,199	189,894	198,760	64,280	(60,725)	<b>606,408</b>
<b>Segment revenue</b>	<b>415,233</b>	<b>411,823</b>	<b>488,640</b>	<b>71,702</b>	<b>(60,725)</b>	<b>1,326,673</b>
<b>Segment profit/(loss) before tax</b>	<b>(486)</b>	<b>26,450</b>	<b>5,608</b>	<b>8,259</b>	<b>1,138</b>	<b>40,969</b>
Net finance cost	(8,064)	(8,255)	(6,989)	(28)	-	<b>(23,336)</b>
Amortization and depreciation	(63,017)	(74,831)	(70,671)	(14,380)	1,138	<b>(221,761)</b>
Impairment of property, plant and equipment and intangible assets, net	5,365	-	557	-	-	<b>5,922</b>
Impairment of assets held for sale	-	-	-	(196)	-	<b>(196)</b>
Impairment of trade and other receivables, net	(398)	287	(3,680)	-	-	<b>(3,791)</b>
EBITDA*	65,230	109,536	82,711	22,863	-	<b>280,340</b>
Net profit/(loss)	(2,605)	22,312	6,186	10,546	1,138	<b>37,577</b>
Employee benefits	(81,372)	(76,544)	(81,965)	(15,676)	-	<b>(255,557)</b>
Capital expenditure	99,196	94,223	164,667	2,135	-	<b>360,221</b>
<b>Six month period ended 30 June 2018 (reviewed)</b>						
External revenues	215,553	229,477	212,239	13,481	-	<b>670,750</b>
Inter-segment revenue	200,323	183,301	186,119	66,898	(63,377)	<b>573,264</b>
<b>Segment revenue</b>	<b>415,876</b>	<b>412,778</b>	<b>398,358</b>	<b>80,379</b>	<b>(63,377)</b>	<b>1,244,014</b>
<b>Segment profit before tax</b>	<b>18,056</b>	<b>53,024</b>	<b>43,808</b>	<b>10,077</b>	-	<b>124,965</b>
Net finance income/(cost)	(2,195)	(1,622)	(788)	470	-	<b>(4,135)</b>
Amortization and depreciation	(64,643)	(68,889)	(68,981)	(4,575)	-	<b>(207,088)</b>
Impairment of property, plant and equipment and intangible assets, net	187	-	-	-	-	<b>187</b>
Impairment losses of trade and other receivables, net	534	1,843	(1,453)	1,395	-	<b>2,319</b>
EBITDA*	84,707	123,535	113,577	14,182	-	<b>336,001</b>
Net profit	11,362	40,809	34,954	9,205	-	<b>96,330</b>
Employee benefits	(73,711)	(68,617)	(71,671)	(18,924)	-	<b>(232,923)</b>
Capital expenditure	108,030	108,419	78,850	-	-	<b>295,299</b>

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At 30 June 2019 (reviewed)	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
<b>Segment assets</b>	<b>2,443,009</b>	<b>2,216,961</b>	<b>2,097,532</b>	<b>402,034</b>	<b>(46,989)</b>	<b>7,112,547</b>
Trade and other receivables	144,682	135,466	129,908	69,361	(39,216)	<b>440,201</b>
Cash and cash equivalents	96,003	25,022	10,689	16,704	-	<b>148,418</b>
Deposits with maturity date more than three months	-	-	-	48,286	-	<b>48,286</b>
Trade and other payables and short term employee benefits	104,134	198,261	185,182	19,289	(39,216)	<b>467,650</b>
Bank overdrafts	90,687	94,898	108,433	-	-	<b>294,018</b>
Finance lease	11,140	10,102	886	33,626	-	<b>55,754</b>
Financing for network construction related to concession agreements and bank loans	80,317	114,725	130,595	-	-	<b>325,637</b>
<b>At 31 December 2018 (audited)</b>						
<b>Segment assets</b>	<b>2,415,082</b>	<b>2,189,664</b>	<b>2,045,814</b>	<b>389,512</b>	<b>(49,764)</b>	<b>6,990,308</b>
Trade and other receivables	149,021	140,984	144,049	91,503	(40,854)	<b>484,703</b>
Cash and cash equivalents	125,119	25,171	71,720	26,692	-	<b>248,702</b>
Deposits with maturity date more than three months	-	-	-	35,000	-	<b>35,000</b>
Trade and other payables, and short term employee benefits	195,963	196,595	203,222	23,204	(40,854)	<b>578,130</b>
Bank overdrafts	-	29,153	89,819	-	-	<b>118,972</b>
Financing for network construction related to concession agreements and bank loans	82,026	116,202	134,604	-	-	<b>332,832</b>

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

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**(c) Reconciliation of information on reportable segments to IFRS measures**

	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
<b>Total assets</b>		
Total assets for reportable segments	8,888,445	8,815,801
Elimination of inter-segment assets	(1,446,914)	(1,315,624)
Unallocated amounts	23,506	28,895
<b>Consolidated total assets</b>	<b>7,465,037</b>	<b>7,529,072</b>
<b>Trade and other receivables</b>		
Trade and other receivables for reportable segments	1,278,233	1,163,264
Elimination of inter-segment trade and other receivables	(373,540)	(318,510)
<b>Consolidated trade and other receivables</b>	<b>904,693</b>	<b>844,754</b>
<b>Trade and other payables and short term employee benefits</b>		
Trade and other payable and short term employee benefits for reportable segments	1,253,076	1,336,431
Elimination of inter-segment trade and other payables and short term employee benefits	(348,952)	(293,879)
<b>Consolidated trade and other payables and short term employee benefits</b>	<b>904,124</b>	<b>1,042,552</b>

**7 Revenue**

	<b>Six month period ended</b>	
	<b>30 June 2019 (reviewed)</b>	<b>30 June 2018 (reviewed)</b>
Electricity distribution and supply	2,677,554	2,313,520
Supply of natural gas	32,077	-
Construction revenue related to concession agreements	358,086	295,299
Repairs, maintenance and other services rendered	29,730	37,776
Re-connection fees	3,684	3,514
Sales of merchandise	74	3,440
<b>Total</b>	<b>3,101,205</b>	<b>2,653,549</b>

Starting with 1 January 2018, with the adoption of IFRS 15 "Revenues from contracts with customers", the Group identified that it acts in the capacity of an agent in case of transactions as Balancing Responsible Party. Thus, in its quality as an agent, the Group recognizes revenue for the commission earned in exchange for facilitating the transfer of goods or services.

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

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**8 Other income**

	<b>Six month period ended</b>	
	<b>30 June 2019 (reviewed)</b>	<b>30 June 2018 (reviewed)</b>
Rental income	60,382	53,007
Late payment penalties from customers	9,316	5,048
Revenues from notices	6,889	7,838
Other	2,204	8,986
<b>Total</b>	<b>78,791</b>	<b>74,879</b>

**9 Electricity purchased**

The cost of the electricity purchased increased during the six month period ended 30 June 2019 as compared to the same period of the previous year, as a result of the increase in the acquisition price of electricity on the market and the increase in the amount of electricity purchased on the supply segment.

**10 Earnings per share**

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

*Profit attributable to Company's shareholders*

	<b>Six month period ended</b>	
	<b>30 June 2019 (reviewed)</b>	<b>30 June 2018 (reviewed)</b>
Profit for the period attributable to the owners of the Company	108,786	209,624
<b>Profit attributable to Company's shareholders</b>	<b>108,786</b>	<b>209,624</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 (reviewed) as at 30 June 2019 is of 339,049,336 (30 June 2018: 339,049,336).

**Earnings per share**

	<b>Six month period ended</b>	
	<b>30 June 2019 (reviewed)</b>	<b>30 June 2018 (reviewed)</b>
Basic and diluted earnings per share (RON)	<b>0.32</b>	<b>0.62</b>



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**11 Dividends**

On 25 April 2019 the General Shareholders Meeting of the Company approved dividend distribution of RON 247,506 thousand (2018: RON 245,370 thousand). The dividend per share distributed is RON 0.73 per share (2018: RON 0.7237 per share).

**12 Income tax**

	<b>Six month period ended</b>	
	<b>30 June 2019 (reviewed)</b>	<b>30 June 2018 (reviewed)</b>
Current period tax expense	13,684	27,539
Deferred tax expense	2,246	26,718
<b>Total income tax expense</b>	<b>15,930</b>	<b>54,257</b>

**13 Trade receivables**

	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
Trade receivables, gross	1,895,254	1,832,007
Bad debt allowance	(1,021,341)	(1,025,714)
<b>Total trade receivables, net</b>	<b>873,913</b>	<b>806,293</b>

Receivables from related parties are disclosed in Note 20.

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

	<b>Bad debt allowance</b>
<b>Balance as at 1 January 2019 (audited)</b>	<b>1,025,714</b>
Impairment recognized	27,480
Impairment reversed	(31,683)
Amounts written off	(170)
<b>Balance as at 30 June 2019 (reviewed)</b>	<b>1,021,341</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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**14 Cash and cash equivalents**

	<b>30 June 2019 (reviewed)</b>	<b>30 June 2018 (reviewed)</b>
<b>Total cash and cash equivalents in the condensed consolidated statement of financial position</b>	<b>385,356</b>	<b>564,860</b>
Overdrafts used for cash management purposes	(294,018)	(131,339)
<b>Total cash and cash equivalents in the condensed consolidated statement of cash flows</b>	<b>91,338</b>	<b>433,521</b>

The Group has overdrafts as follows:

<b>Bank</b>	<b>Contract date</b>	<b>Facility type</b>	<b>Maturity</b>	<b>Overdraft limit</b>	<b>Balance as at 30 June 2019 (reviewed)*</b>
ING Bank N.V.	May 2019	overdraft facility for financing working capital	May 2020	60,000	15,477
BRD Groupe Societe Generale	January 2019	overdraft facility for financing the current activity	January 2020	180,000	94,898
Banca Comerciala Romana	March 2019	overdraft facility for financing the current activity	March 2020	125,000	88,457
Banca Comerciala Romana	April 2019	multi-product facility for financing the current activity	March 2020	125,000	95,186
BNP Paribas	April 2019	credit line for financing general corporate purposes	March 2020	160,000	-
<b>Total</b>				<b>650,000</b>	<b>294,018</b>

<b>Bank</b>	<b>Contract date</b>	<b>Facility type</b>	<b>Maturity</b>	<b>Overdraft limit</b>	<b>Balance as at 30 June 2018 (reviewed)*</b>
BRD Groupe Societe Generale	May 2018	overdraft facility for financing the current activity	May 2019	95,000	6,838
Raiffeisen Bank	January 2018	overdraft facility for financing the current activity	April 2019	135,000	101,574
Raiffeisen Bank	November 2017	overdraft facility for financing working capital	November 2019	100,000	22,927
<b>Total</b>				<b>330,000</b>	<b>131,339</b>

*\*The balance of the overdrafts used also includes interest on the amounts used.*

As at 30 June 2019, Electrica SA has collateral deposits at BRD - Groupe Societe Generale set up as guarantees for the long term borrowings received from BRD by Societatea de Distributie a Energiei Electrice Transilvania Sud, Societatea de Distributie a Energiei Electrice Transilvania Nord and Societatea de Distributie a Energiei Electrice Muntenia Nord. The amount of the collateral deposits as at 30 June 2019 is RON 320,000 thousand (31 December 2018: RON 320,000 thousand) presented in the consolidated statement of financial position as long-term restricted cash. Refer also to Note 17.

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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 27,379 thousand during the six month period ended 30 June 2019 (six month period ended 30 June 2018: RON 26,835 thousand).

During the six month period ended 30 June 2019, the Group made payments related to property, plant and equipment and intangible assets in amount of RON 488,185 thousand (six month period ended 30 June 2018: RON 388,887 thousand).

**15 Deposits with maturity date more than three months**

	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
Deposits with maturity of more than three months	123,720	136,493
<b>Total deposits with maturity of more than three months</b>	<b>123,720</b>	<b>136,493</b>

Deposits with original maturity of more than three months have an average interest rate (yield) of 2.56% (2018: 2.9%).

As at 30 June 2019, respectively 31 December 2018, the Group did not hold treasury certificates or government bonds.

**16 Other payables**

	<b>30 June 2019 (reviewed)</b>		<b>31 December 2018 (audited)</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
VAT payable	107,459	-	85,293	-
Liabilities towards the State	12,320	-	8,489	-
Other liabilities	80,129	39,534	87,335	41,247
<b>Total</b>	<b>199,908</b>	<b>39,534</b>	<b>181,117</b>	<b>41,247</b>

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.

**17 Long-term bank borrowings**

	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
Long-term bank borrowings	320,000	320,000
<b>Total</b>	<b>320,000</b>	<b>320,000</b>

On 17 October 2016 the Company's distribution subsidiaries (Societatea de Distributie a Energiei Electrice Transilvania Sud S.A, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A and Societatea de Distributie a Energiei Electrice Transilvania Nord S.A) concluded long term loan contracts with BRD – Groupe Societe Generale, in which Electrica SA has the quality of guarantor. These are fully reimbursable at maturity (16 October 2021).

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Details of the long term bank borrowings are as follows:

<b>Lender</b>	<b>Facility type</b>	<b>Maturity</b>	<b>Loan amount</b>	<b>Balance at 30 June 2019 (reviewed)</b>	<b>Balance at 31 December 2018 (audited)</b>
BRD	term loan, non-revolving facility, financing the treasury deficit generated by the investment activity	Until 16 October 2021	80,000	80,000	80,000
BRD	term loan, non-revolving facility, financing the treasury deficit generated by the investment activity	Until 16 October 2021	114,000	114,000	114,000
BRD	term loan, non-revolving facility, financing the treasury deficit generated by the investment activity	Until 16 October 2021	126,000	126,000	126,000
<b>Total</b>			<b>320,000</b>	<b>320,000</b>	<b>320,000</b>

**18 Provisions**

	<b>Fiscal</b>	<b>Other</b>	<b>Provisions</b>
<b>Balance at 1 January 2019 (audited)</b>	<b>13,961</b>	<b>15,145</b>	<b>29,106</b>
Provisions recorded during the period	-	529	529
Provisions used	-	(210)	(210)
Provisions reversed	(11,387)	(2,712)	(14,099)
<b>Balance at 30 June 2019 (reviewed)</b>	<b>2,574</b>	<b>12,752</b>	<b>15,326</b>

As at 30 June 2019, provisions refer mainly to:

- RON 2,574 thousand representing potential tax charges of the Group (including interest and penalties);
- RON 3,774 thousand representing estimated payments upon termination of directors' contractual relations to cover non-compete clauses;
- RON 306 thousand referring to work litigations;
- RON 8,672 thousand for various claims and litigations involving the Group companies.

The provisions recorded during the six month period ended 30 June 2019 refer mainly to various claims and litigations involving the Group companies.

The provisions reversed and used during the six month period ended 30 June 2019 refer mainly:

- RON 1,747 thousand representing solved litigations (for which the sentence was issued by the instance);
- RON 1,175 thousand representing estimated payments upon termination of directors' contractual relations;
- RON 11,387 thousand representing potential tax charges of the Group (including interest and penalties).

As at 31 December 2018, provisions refer mainly to:

- RON 13,961 thousand representing potential tax charges of the Group (including interest and penalties);
- RON 4,892 thousand representing estimated payments upon termination of directors' contractual relations to cover non-compete clauses;
- RON 736 thousand referring to work litigations;
- RON 9,517 thousand for various claims and litigations involving the Group companies.

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**19 Financial instruments – fair values**

**(a) Accounting classifications and fair values**

According to IFRS 9, financial assets classified as held-to-maturity, loans and receivables 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 following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2019 (reviewed)	Note	Carrying amount			Fair value				
		Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>									
Trade receivables	13	873,913	-	-	<b>873,913</b>				
Deposits with maturity date more than three months	15	-	123,720	-	<b>123,720</b>				
Cash and cash equivalents		385,356	-	-	<b>385,356</b>				
Restricted cash		320,000	-	-	<b>320,000</b>				
<b>Total</b>		<b>1,579,269</b>	<b>123,720</b>	<b>-</b>	<b>1,702,989</b>				
<b>Financial liabilities not measured at fair value</b>									
Bank overdrafts		-	-	294,018	<b>294,018</b>				
Financing for network construction related to concession agreements		-	-	5,637	<b>5,637</b>		5,596		<b>5,596</b>
Long-term bank borrowings	17	-	-	320,000	<b>320,000</b>				
Finance lease		-	-	60,241	<b>60,241</b>				
Trade payables		-	-	605,530	<b>605,530</b>				
<b>Total</b>		<b>-</b>	<b>-</b>	<b>1,285,426</b>	<b>1,285,426</b>				
<b>31 December 2018 (audited)</b>									
		Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>									
Trade receivables	13	806,293	-	-	<b>806,293</b>				
Deposits with maturity date more than three months	15	-	136,493	-	<b>136,493</b>				
Cash and cash equivalents		665,730	-	-	<b>665,730</b>				
Restricted cash		320,000	-	-	<b>320,000</b>				
<b>Total</b>		<b>1,792,023</b>	<b>136,493</b>	<b>-</b>	<b>1,928,516</b>				

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31 December 2018 (audited)	Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities not measured at fair value</b>								
Bank overdrafts	-	-	118,972	<b>118,972</b>				
Financing for network construction related to concession agreements	-	-	12,832	<b>12,832</b>		12,832		<b>12,832</b>
Long-term bank borrowings	-	-	320,000	<b>320,000</b>				
Trade payables	-	-	742,200	<b>742,200</b>				
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,194,004</b>	<b>1,194,004</b>				

**(b) Measurement of fair values**

*Fair value hierarchy*

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

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

The following table describes the valuation techniques used in measuring Level 2 fair values.

*Financial instruments not measured at fair value*

Type	Valuation technique
Other financial liabilities	<i>Discounted cash flows (DCF) method</i>
	The discount rates used are the average 12 M ROBID-ROBOR interest rates of 3.34% as at 30 June 2019 (31 December 2018: 3.32%).

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**20 Related parties**

**(a) Main shareholders**

As at 30 June 2019 and 31 December 2018, the major shareholder of Societatea Energetica Electrica SA is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.78% from the share capital.

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

	<b>Six month period ended</b>	
	<b>30 June 2019 (reviewed)</b>	<b>30 June 2018 (reviewed)</b>
<b>Executive Management compensation</b>	13,653	10,961

Executive management compensation refers to both the managers with mandate contract and those with labor contract, from both the subsidiaries and Electrica SA.

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

	<b>Six month period ended</b>	
	<b>30 June 2019 (reviewed)</b>	<b>30 June 2018 (reviewed)</b>
<b>Members of Board of Directors</b>	1,509	1,728

**(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:

<b>Supplier</b>	<b>Purchases (excluding VAT)</b>		<b>Balance (including VAT)</b>	
	<b>Six month period ended 30 June 2019 (reviewed)</b>	<b>Six month period ended 30 June 2018 (reviewed)</b>	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
OPCOM	305,508	190,811	1,721	6,883
Transelectrica	235,683	232,944	86,777	137,970
Nuclearelectrica	208,904	74,271	13,413	21,323
Hidroelectrica	200,282	168,794	52,210	9,069
Complexul Energetic Oltenia	145,924	153,796	42,966	17,417
Electrocentrale Bucuresti	63,765	9,328	-	-
ANRE	25,798	-	-	-
Others	2,002	6,810	420	694
<b>Total</b>	<b>1,187,866</b>	<b>836,754</b>	<b>197,507</b>	<b>193,356</b>

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

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

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Six month period ended 30 June 2019 (reviewed)	30 June 2019 (reviewed)		
Transelectrica	16,261	4,978	-	4,978
OPCOM	15,019	956	-	956
CNCF CFR Bucuresti	7,963	2,767	-	2,767
CN Romarm	7,290	1,501	-	1,501
SNGN Romgaz	6,712	225	-	225
Cupru Min S.A. Abrud	5,496	-	-	-
Hidroelectrica	3,762	576	-	576
CFR Electrificare	3,460	855	-	855
CNAIR	2,841	2,567	-	2,567
CN Posta Romana	1,546	193	-	193
ANAR	800	71	-	71
Baita S.A.	689	84	-	84
CN Remin	310	71,237	(71,148)	89
CET Braila	10	3,900	(3,900)	-
Oltchim	-	670,526	(670,526)	-
C.N.C.A.F. MINVEST	-	26,802	(26,802)	-
Others	9,900	5,585	(2,492)	3,093
<b>Total</b>	<b>82,059</b>	<b>792,823</b>	<b>(774,868)</b>	<b>17,955</b>

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Six month period ended 30 June 2018 (reviewed)	31 December 2018 (audited)		
Cupru Min S.A. Abrud	15,872	4,150	-	4,150
OPCOM	9,647	1,610	-	1,610
CN Romarm	5,445	1,119	-	1,119
Hidroelectrica	4,601	988	-	988
SNGN Romgaz	3,007	1,467	-	1,467
CFR Electrificare	2,763	360	-	360
Transelectrica	2,506	3,241	-	3,241
CNCF CFR Bucuresti SA	1,839	65	-	65
CN Posta Romana	1,277	190	-	190
Baita SA	519	-	-	-
CN Remin SA	210	71,307	(71,254)	53
Oltchim	-	670,526	(670,526)	-
C.N.C.A.F. MINVEST S.A.	-	29,903	(29,903)	-
CET Braila	-	4,132	(4,132)	-
Others	5,011	5,248	(2,774)	2,474
<b>Total</b>	<b>52,697</b>	<b>794,306</b>	<b>(778,589)</b>	<b>15,717</b>



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**21 Subsidiaries in financial distress**

On 31 October 2018, the court decided the bankruptcy of Servicii Energetice Oltenia, at the request of the judicial administrator and cancelled its right of management and consequently the Group discontinued its consolidation as of the date as it no longer has control over this entity.

The individual assets and liabilities of Servicii Energetice Oltenia at the date the Group ceased its consolidation (31 October 2018) were as follows:

	<b>Carrying amount</b>
	<b>Servicii Energetice Oltenia as of 31 October 2018</b>
Property, plant and equipment	18,265
Trade receivables	8,772
Cash and cash equivalents	1,205
<b>Total assets</b>	<b>28,242</b>
Trade payables	(2,981)
Other payables	(7,569)
Provisions	(262)
Employee benefits	(12,483)
Deferred tax liabilities	(5,248)
<b>Total liabilities</b>	<b>(28,543)</b>
<b>Gain on loss of control</b>	<b>(301)</b>

In October 2014, the Board of Directors of Servicii Energetice Muntenia decided the commencement of the insolvency procedure with a view to reorganization. The insolvency procedure was initiated in 2014.

Considering the positive effects of the measures established by the Reorganization Plan confirmed on November 25, 2015, the Bucharest Court, on April 3, 2019, established the closure of insolvency proceedings of the subsidiary Servicii Energetice Muntenia and decided that all the necessary measures to be taken for the reinsertion of the company in the business activity, according to court clerk certificate issued on 4 April 2019 by the Bucharest Court.

As at 30 June 2019 and 31 December 2018 the carrying amount of the assets and liabilities of Servicii Energetice Muntenia included in the consolidated interim financial statements was as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
	<b>(reviewed)</b>	<b>(audited)</b>
Property, plant and equipment and inventories	99,956	101,254
Trade receivables	10,374	8,577
Cash and cash equivalents	634	3,332
<b>Total assets</b>	<b>110,964</b>	<b>113,163</b>
Trade payables	(2,257)	(4,142)
Payables to the State budget	(687)	(405)
Social security and other salary taxes	(143)	(519)
Provisions, employee benefits and deferred taxes	(15,830)	(15,730)
<b>Total liabilities</b>	<b>(18,917)</b>	<b>(20,796)</b>

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
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## **22 Contingencies**

### **Contingent Liabilities**

#### ***Fiscal environment***

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

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

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

#### ***Tax inspection report for Electrica Serv***

In May 2017 a tax inspection at Electrica Serv was finalized and the tax authorities concluded that additional tax obligations of RON 12,281 thousand should be paid by the subsidiary. This amount represents VAT (including related interest and penalties) that was considered tax deductible in the period 2012-2013 by the subsidiary in relation with certain invoices issued by a lease supplier who was inactive at that time. The company appealed in court the measures imposed by the tax authorities. On 3 July 2019 the Bucharest Court of Appeal partially admitted the appeal through the partial annulment of the fiscal decision for the amount of RON 7,264 thousand representing the VAT and the related interest and penalties, illegally retained as non-deductible. The solution is not final, being susceptible for appeal, after the release of the sentence. As at 30 June 2019 and 31 December 2018, 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 shall be able to obtain a favourable final Court decision in this case.

#### ***Litigation with National Agency of Fiscal Administration ("NAFA")***

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

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

Also, in April 2019, Electrica SA obtained another favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to correct the evidence of the tax receivables so that it reflects the extinction by prescription of the amount of RON 16,916 thousand representing income tax as well as all the related accessories.

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***Other litigations and claims***

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

As summarised in Note 18, the Group set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

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

- In 2015, Electrica SA was sued by Hidroelectrica S.A., which claimed the payment of RON 5,445 thousand and other damages, representing claims related to acquisition of electricity by the Company from Hidroelectrica S.A. at a price alleged to be unfair. The first court dismissed the exception of prescription of the material right for action as unreasonable and the action as unfounded. Both parties have filed an appeal, which were dismissed as unfounded. As of the date of these consolidated interim financial statements, both parties filed another appeal, being in the filter procedure at the High Court of Cassation and Justice, with term on 18.09.2019.
- Electrica SA was sued by Societatea de Administrare a Participatiilor in Energie S.A. ("SAPE") for the joint payment of the amount of RON 1,569,144 thousand and the amount of EUR 458,381 thousand for the alleged damages suffered by the Romanian State as a result of the inaction regarding the monitoring, coordination and verification of the performance with the observance of the conditions of legality of the privatization contracts of Electrica SA subsidiaries. Electrica SA filed a pleading in which it invoked the exception of the lack of passive procedural quality, exception regarding the statute of limitation, as well as other arguments on the merit of the case against SAPE's allegations. On 20 June 2019, the court dismissed SAPE's action for claims of approx. EUR 800 million, admitting:
  - the exception of Electrica's lack of passive processing quality, for the claim based on contractual civil liability;
  - the exception of the prescription of the material right to action, for the claim based on civil tort liability.

The solution may be appealed within 30 days from its' communication.

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
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**23 Subsequent events**

***Specific tariffs for the electricity distribution service, applicable starting with 1 July 2019 for the distribution subsidiaries***

In the Official Gazette of Romania, part I, no. 516/25.06.2019 were published the ANRE Orders no. 78, 79, 80/24.06.2019 for the amendment of orders related to the approval of the specific tariffs for electricity distribution service for Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A., Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. and Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A..

The new tariffs for the electricity distribution service for the three distributor operators of the Group are as follows (RON/MWh, presented cumulatively for medium and low voltage levels):

	<b>Order 79,80,78/24.06.2019</b>		
	<b>1 July-31 December 2019</b>		
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.03	62.88	166.27
SDEE Transilvania Sud S.A.	21.21	62.88	167.72
SDEE Muntenia Nord S.A.	15.93	50.58	170.16

***Litigation with National Agency of Fiscal Administration - Electrica Serv S.A.***

At the hearing dated on July 3, 2019 in case no. 5786/2/2018 in which Electrica Serv seeks the annulment of the fiscal administrative documents issued after the fiscal inspection that took place in 2017, the Bucharest Court of Appeal partly admitted the appeal within the meaning of the partial annulment of the taxation decision for the amount of RON 7,264 thousand representing the VAT and the related interest and penalties, illegally retained as non-deductible. The solution is not final, being susceptible for appeal, after the release of the sentence.

***Investment credit agreement SDEE Transilvania Sud S.A.***

On July 18, 2019, SDEE Transilvania Sud S.A, as a borrower and guarantor, concluded with Banca Transilvania S.A. an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Credit amount: RON 125,000 thousand; Used for: multiple draws; Period allowed for drawings: 18.07.2019 - 17.07.2020; Interest rate: fixed, 4.59% per annum; Reimbursement: equal quarterly installments, within a maximum of 84 months, with a grace period of 12 months from the signing date; Maturity: 30.06.2027.

**Chief Executive Officer**  
Georgeta Corina Popescu

**Chief Financial Officer**  
Mihai Darie

13 August 2019

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of,  
Societatea Energetica Electrica S.A.

### *Introduction*

1. We have reviewed the accompanying condensed consolidated interim financial statements of Societatea Energetica Electrica S.A. (the "Company") and its subsidiaries (together "the Group") as at June 30, 2019 which comprise the condensed consolidated statement of financial position and the related condensed consolidated statement of profit and loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard 34 – "Interim Financial Reporting" ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### *Scope of review*

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

### *Conclusion*

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects the condensed consolidated financial position of the Group as at June 30, 2019, and of its condensed consolidated financial performance and its condensed consolidated cash flows for the six months period then ended in accordance with International Financial Reporting Standard 34 – Interim Financial Reporting" as adopted by the European Union.

### *Other Matters*

4. The condensed consolidated interim financial statements as at June 30, 2018 have been reviewed by another auditor, which issued an unqualified conclusion on August 13, 2018.

# Deloitte.

5. We draw attention to the fact that we have not audited nor reviewed the accompanying condensed consolidated statements of profit or loss and condensed consolidated statement of comprehensive income for the three months period ended June 30, 2019 and June 30, 2018 and accordingly, we do not express an opinion nor a conclusion on them.
6. This report is made solely to the Group's shareholders, as a body. Our review work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders as a body, for our review work, for this report, or for the conclusion we have formed.

*Deloitte Audit SAC*

Deloitte Audit S.R.L.  
Bucharest, Romania  
August 13, 2019

Autoritatea Pentru Supravegherea Publică a  
Activității de Audit Statutar (ASPAAS)

Auditor financiar: **Deloitte Audit S.R.L.**

Registru Public Electronic: **FA25**

Autoritatea Pentru Supravegherea Publică a  
Activității de Audit Statutar (ASPAAS)

Auditor financiar: **Openshaw Steven**

Registru Public Electronic: **AF5469**