

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

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

Report date: **3 July 2020**

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

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

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

Sole registration code at the commercial registry: **13267221**

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

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

Regulated market where the issued securities are traded: **Bucharest Stock Exchange (BSE) and London Stock Exchange (LSE)**

Significant events to be reported:

Approval of the vote in favor of the merger of the three distribution companies within Electrica Group, respectively Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A., Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A. and Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A.

Societatea Energetică Electrica S.A. („**Electrica**”) informs that, in the meeting held on 3 July 2020, Electrica’s Board of Directors approved, in its capacity as majority shareholder of the companies Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A., Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A. and Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A. (the “**Companies**”), the participation of Electrica’s representative in the extraordinary general meetings of the shareholders of the Companies and the expression of a favorable vote (“*for*”) regarding, mainly, the following:

- (i) the approval of the plan for the merger by absorption between Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A., as absorbing company, and Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A. and Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A., as absorbed companies, authenticated under no. 1404 of 26 June 2020 (the “**Merger Plan**”);
- (ii) the approval of the merger by absorption process by way of which Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. will absorb Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A. and Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A. (the “**Merger**”), as per the provisions of

- art. 238 para. (1) let. a) of the Companies' Law no. 31/1990, in accordance with the provisions of the Merger Plan;
- (iii) the approval of the effective date of the Merger as established in the Merger Plan; Thus, the Merger will take effect on the effective date (the “**Effective Date**”), respectively:
 - a. 31 December 2020, in case the competent court approves the Merger procedure in the financial year 2020 (until 31 December 2020);
 - b. the date of the registration of the last general meeting's resolution which approved the operation, in case the competent court approves the Merger procedure in the financial year 2021 (starting from 1 January 2021).
 - (iv) the approval of the implementation of the Merger, namely the transfer of all the assets and liabilities of Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A. and of Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A. to Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A., in exchange for issuance to Electrica of shares in the share capital of Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A..

The Merger is based on the audited financial statements of the Companies as of 31 December 2019, but also takes into account the significant events that occurred after this date that have an effect on the implementation of the Merger, respectively the increase of the share capital of each of the Companies.

The Merger Plan was registered with the Trade Register Office attached to Cluj Tribunal, the Trade Register Office attached to Prahova Tribunal and the Trade Register Office attached to Braşov Tribunal and submitted for publication in the Official Gazette of Romania Part IV. The main elements of the Merger Plan are included in the annex to the present current report.

Furthermore, Electrica's Board of Directors approved, in its capacity as majority shareholder of the company Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A., the participation of the Electrica representative in the extraordinary general meeting of the shareholders of Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. and the expression of a favorable vote (“*for*”) regarding, mainly, the following:

- (i) the approval of the change of the company's name from Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. to Distribuție Energie Electrică Romania S.A.;
- (ii) the approval of the increase of the share capital of Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. in accordance with the provisions of the Merger Plan; and
- (iii) the approval of the amendment of the articles of association of Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. to reflect these changes.

Furthermore, in the meeting held on 3 July 2020, Electrica's Board of Directors endorsed and submitted for the approval of the extraordinary general meeting of shareholders of Electrica the proposals regarding the empowerment of Electrica's representative to participate in the extraordinary general meetings of the shareholders of Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A. and Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A. and to cast a favorable vote (“*for*”) with regard to the approval of the dissolution without liquidation and deregistration from the Trade Register of the absorbed companies, the dissolution of the absorbed companies being a direct consequence of the Merger.

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

The decisions of the extraordinary general meetings of the shareholders of the Companies concerning the approval of the Merger will be submitted to the Trade Register Office attached to Cluj Tribunal, the competence to verify the legality of the decisions concerning the Merger resting with the court.

Chief Executive Officer
Georgeta Corina Popescu

Annex

The main elements of the Merger Plan

1. The computation of the share exchange ratio

1.1. Information regarding Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. (“SDTN”) prior to the Merger

At the date of the Merger Plan, the share capital of SDTN is of RON 412,612,070. The share capital is fully subscribed and paid in, divided into 41,261,207 nominative shares. The nominal value of one share is of RON 10.

The net contribution and the accounting value of one share in SDTN before the Merger are as follows:

1.1.1. The net contribution of SDTN as of 31 December 2019 (NC–SDTN) has the following value:

Aggregated assets = RON 2,855,313,112

Aggregated liabilities = RON 1,519,474,469

NC–SDTN = RON 1,335,838,643

Between 31 December 2019 and the date of the Merger Plan, by the Resolution of the Extraordinary General Meeting of Shareholders of SDTN no. 4 of 18 June 2020, it was decided to increase the share capital of SDTN by RON 40,704,010 (respectively from RON 371,908,060 up to RON 412,612,070).

The net contribution of SDTN is equal to the net assets established according to the audited financial statements of the company as of 31 December 2019, adjusted as a result of the increase of the share capital of SDTN, in accordance to the above.

1.1.2. The accounting value of one share of SDTN as of 31 December 2019 (AV–SDTN)

$AV\text{-}SDTN = NC\text{-}SDTN / \text{Total no. of SDTN shares} = RON 1,335,838,643 / 41,261,207 \text{ shares} = RON 32.375171259532 / \text{share (rounded)}$

The total number of shares of SDTN considered results from the share capital increase described in section 1.1.1 above.

1.2. Information regarding Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A. (“SDTS”) prior to the Merger

At the date of the Merger Plan, the share capital of the absorbed company SDTS is of RON 476,379,330, fully subscribed and paid in, divided into 47,637,933 shares. The nominal value of one share is of RON 10.

The net contribution and the accounting value of one share of the absorbed company SDTS before the Merger are as follows:

1.2.1. The net contribution of SDTS as of 31 December 2019 (NC–SDTS):

Aggregated assets = RON 3,097,763,424

Aggregated liabilities = RON 1,509,117,226

NC–SDTS = RON 1,588,646,198

Between 31 December 2019 and the date of the Merger Plan, by the Resolution of the Extraordinary General Meeting of Shareholders of SDTS no. 5 of 18 June 2020, supplemented by the Resolution of the Extraordinary General Meeting of Shareholders of SDTS no. 6 of 23 June 2020, it was decided to increase the share capital of SDTS by RON 29,212,830 (respectively from RON 447,166,500 up to RON 476,379,330).

The net contribution of SDTS is equal to the net assets established according to the audited financial statements of the company as of 31 December 2019, adjusted as a result of the increase of the share capital of SDTS, in accordance to the above.

- 1.2.2. The accounting value of one share of SDTS as of 31 December 2019 (AV – SDTS)

$$AV-SDTS = NC-SDTS / \text{Total no. of shares} = \text{RON } 1,588,646,198 / 47,637,933 \text{ shares} = \text{RON } 33.3483444380343 / \text{share (rounded)}$$

The total number of shares of SDTS considered results from the share capital increase described in section 1.2.1 above.

- 1.3. Information regarding Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A. (“SDMN”) prior to the Merger

At the date of the Merger Plan, the share capital of the absorbed company SDMN is of RON 373,870,890. The share capital is divided into 37,387,089 shares. The nominal value of one share is of RON 10.

The net contribution and the accounting value of one share of the absorbed company SDMN before the Merger are as follows:

- 1.3.1. The net contribution of SDMN as of 31 December 2019 (NC–SDMN):

Aggregated assets = RON 2,974,423,910

Aggregated liabilities = RON 1,349,532,925

NC–SDMN = RON 1,624,890,985

Between 31 December 2019 and the date of the Merger Plan, by the Resolution of the Extraordinary General Meeting of Shareholders of SDMN no. 4 of 18 June 2020 and the Resolution of the Extraordinary General Meeting of Shareholders of SDMN no. 5 of 18 June 2020, authenticated under no. 975 / 18.06.2020 by notary public Violeta Simona Popescu, supplemented by the Resolution of the Extraordinary General Meeting of Shareholders of SDMN no. 6 of 24 June 2020, authenticated under no. 1039 / 24.06.2020 of notary public Violeta Simona Popescu, it was decided to increase the share capital of SDMN by RON 17,964,020 (respectively from RON 355,906,870 up to RON 373,870,890).

The net contribution of SDMN is equal to the net assets established according to the audited financial statements of the company as of 31 December 2019, adjusted as a result of the increase of the share capital of SDMN, in accordance to the above.

- 1.3.2. The accounting value of one share of SDMN as of 31 December 2019 (AV –SDMN)

$$AV-SDMN = NC-SDMN / \text{Total no. of shares} = \text{RON } 1,624,890,985 / 37,387,089 \text{ shares} = \text{RON } 43.4612864617515 / \text{share (rounded)}$$

The total number of shares of SDMN considered results from the share capital increase described in section 1.3.1 above.

1.4. Exchange ratio

As per the provisions of Order No. 897/2015 of the Ministry of Public Finance for the approval of the Methodological Norms for the accounting of the main operations of merger, spin-off, dissolution and liquidation of companies, as well as of withdrawal or exclusion of shareholders from companies, the accounting value of one share (computed as per the method detailed at points 1.1.2, 1.2.2, 1.3.2 above for each participating company) will be taken into account for the computation of the share exchange ratio.

As such:

- (i) The share exchange ratio for the SDTS shares (SER-SDTS) = AV-SDTS / AV-SDTN = RON 33.3483444380343 / RON 32.375171259532 = 1.0300592441875 (rounded)
- (ii) The share exchange ratio for the SDMN shares (SER-SDMN) = AV-SDMN / AV-SDTN = RON 43.4612864617515 / RON 32.375171259532 = 1.34242645740308 (rounded)

1.5. Number of the shares to be issued by SDTN

The number of shares to be issued by the absorbing company SDTN in order to be distributed to the shareholders of the absorbed companies SDTS and SDMN:

- (i) SDTS: Total number of SDTS shares x Share exchange ratio (SER-SDTS) = 47,637,933 x 1.0300592441875 = 49,069,893 (rounded), shares allocated as follows:
 - Electrica – 49,069,882 shares;
 - SDTN – 11 shares;
- (ii) SDMN: Total number of SDMN shares x Share exchange ratio (SER-SDMN) = 37,387,089 x 1.34242645740308 = 50,189,417 (rounded), shares allocated as follows:
 - Electrica – 50,189,401 shares;
 - SDTS – 16 shares.

Considering the fact that, in accordance with the legal provisions, a company must issue an indivisible (integer) number of shares, the number of shares that SDTN will issue as a result of the Merger has been rounded to the nearest whole amount.

SDTN and SDTS, as shareholders, will not receive shares as they would be canceled following the absorption anyway, because SDTN would end up holding its own shares (according to the provisions of the Companies Law no. 31/1990 art. 250). Thus, the shares to be issued to the shareholders SDTN and SDTS and canceled following the Merger are:

- SDTN – 11 shares;
- SDTS – 16 shares.

Furthermore, the shares held by SDMN in SDTN prior to the Effective Date are canceled (i.e. 11 shares after the capital increases, nominal value 10 RON / share).

2. The share capital structure of the absorbing company SDTN after the Merger

Following the Merger, SDTN will have a share capital of RON 1,405,204,790, fully subscribed and paid in RON. The share capital will be divided in 140,520,479 shares (of which 99,259,283 newly issued shares), with a nominal value of RON 10 each.

Thus, the structure of the share capital of SDTN following the Merger will be as follows:

- Electrica will hold a number of 140,520,479 shares with a nominal value of RON 10 each and an aggregated value of RON 1,405,204,790, representing 100% of the share capital of SDTN.

After the completion of the Merger, within nine months from the Effective Date, a new shareholder will be co-opted in SDTN, in order to ensure compliance with the provisions of art. 10 (3) of the Companies Law no. 31/1990.

3. Other relevant provisions

- 3.1. Following the Merger, SDTN will keep its legal form, sole registration code and directors.
- 3.2. Following the Merger, SDTN will change its name from Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. to Distribuție Energie Electrică Romania S.A..
- 3.3. On the Effective Date of the Merger, all the employees of the absorbed companies SDTS and SDMN, as well as all their rights and obligations will be transferred to SDTN, the latter therefore becoming the employer of all the respective employees, in accordance with the applicable legal provisions.