



**SOCIETATEA ENERGETICA ELECTRICA S.A.**

Condensed Consolidated Interim Financial Statements

as at and for the six month period ended

**30 June 2020**

prepared in accordance with

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

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

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

AS AT 30 JUNE 2020

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

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

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

AS AT 30 JUNE 2020

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

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

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

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

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

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

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**Chief Executive Officer**  
Georgeta Corina Popescu

**Chief Financial Officer**  
Mihai Darie

13 August 2020

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

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

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

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

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**Chief Executive Officer**  
 Georgeta Corina Popescu

**Chief Financial Officer**  
 Mihai Darie

13 August 2020



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

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

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

Note	Attributable to the owners of the Company							
	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity
<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	-	-	-	-	-	-	(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>

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

**Chief Executive Officer**  
 Georgeta Corina Popescu

**Chief Financial Officer**  
 Mihai Darie

13 August 2020

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

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

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

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

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

The non-cash transactions are disclosed in Note 13.

**Chief Executive Officer**

Georgeta Corina Popescu

**Chief Financial Officer**

Mihai Darie

13 August 2020

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

**1 Reporting entity and general information**

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

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

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

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

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

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

The main activities of the Group include operation and construction of electricity distribution networks and electricity and natural gas supply to final consumers. The Group is the electricity distribution operator and the main electricity supplier in Muntenia Nord area (Prahova, Buzau, 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 2020  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

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

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

<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-30 June 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
<b>Order 228,229,227/16.12.2019</b>			
<b>1 January-15 January 2020</b>			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.11	65.48	171.98
SDEE Transilvania Sud S.A.	20.69	62.49	169.01
SDEE Muntenia Nord S.A.	16.97	54.09	180.15
<b>Order 8,9,7/15.01.2020</b>			
<b>Starting with 16 January 2020</b>			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.77	64.31	168.91
SDEE Transilvania Sud S.A.	20.31	61.34	165.90
SDEE Muntenia Nord S.A.	16.68	53.16	177.06

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***COVID-19 impact***

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

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

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

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

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

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

## **2 Basis of accounting**

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

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

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

### ***Judgements and estimates***

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

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



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as at and for the year ended 31 December 2019.

**3 Basis of measurement**

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

**4 Significant accounting policies**

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

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

**5 Operating segments**

**(a) Basis for segmentation**

The following summary describes the operations of each reportable segment:

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

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

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

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**(b) Information about reportable segments**

<b>Six month period ended 30 June 2020 (reviewed)</b>	<b>Electricity and natural gas 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	2,435,404	747,900	16,681	-	<b>3,199,985</b>	-	<b>3,199,985</b>
Inter-segment revenue	20,177	626,193	92	-	<b>646,462</b>	(646,462)	-
<b>Segment revenue</b>	<b>2,455,581</b>	<b>1,374,093</b>	<b>16,773</b>	-	<b>3,846,447</b>	<b>(646,462)</b>	<b>3,199,985</b>
<b>Segment profit/(loss) before tax</b>	<b>219,396</b>	<b>23,300</b>	<b>(1,919)</b>	<b>203,948</b>	<b>444,725</b>	<b>(214,970)</b>	<b>229,755</b>
Net finance income/(cost)	2,264	(32,694)	(125)	238,013	<b>207,458</b>	(214,970)	<b>(7,512)</b>
Amortization and depreciation	(6,345)	(230,616)	(548)	(9,692)	<b>(247,201)</b>	-	<b>(247,201)</b>
Impairment of property, plant and equipment and intangible assets, net	-	860	-	(1,903)	<b>(1,043)</b>	-	<b>(1,043)</b>
Impairment of assets held for sale	-	(83)	-	-	<b>(83)</b>	-	<b>(83)</b>
EBITDA*	223,477	285,833	(1,246)	(22,470)	<b>485,594</b>	-	<b>485,594</b>
(Impairment)/Reversal of impairment of trade and other receivables, net	(25,254)	(2,549)	12	-	<b>(27,791)</b>	-	<b>(27,791)</b>
Segment net profit	185,707	14,730	115	203,944	<b>404,496</b>	(214,970)	<b>189,526</b>
Employee benefits	(60,173)	(292,886)	(8,281)	(14,675)	<b>(376,015)</b>	-	<b>(376,015)</b>
Capital expenditure	1,194	274,743	149	970	<b>277,056</b>	-	<b>277,056</b>
<b>Six month period ended 30 June 2019 (reviewed)</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>
EBITDA*	88,356	280,340	(416)	(9,096)	<b>359,184</b>	(256)	<b>358,928</b>
(Impairment)/Reversal of impairment of trade and other receivables, net	7,966	(3,791)	28	-	<b>4,203</b>	-	<b>4,203</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>

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

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

<b>Six month period ended 30 June 2020 (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	223,673	256,499	257,117	10,611	-	<b>747,900</b>
Inter-segment revenue	228,831	201,178	192,805	64,463	(61,084)	<b>626,193</b>
<b>Segment revenue</b>	<b>452,504</b>	<b>457,677</b>	<b>449,922</b>	<b>75,074</b>	<b>(61,084)</b>	<b>1,374,093</b>
<b>Segment (loss)/profit before tax</b>	<b>(214)</b>	<b>19,401</b>	<b>6,553</b>	<b>(3,577)</b>	<b>1,137</b>	<b>23,300</b>
Net finance (cost)/income	(10,980)	(10,764)	(11,380)	430	-	<b>(32,694)</b>
Amortization and depreciation	(67,052)	(74,840)	(74,111)	(15,750)	1,137	<b>(230,616)</b>
Impairment of property, plant and equipment and intangible assets, net	689	3	163	5	-	<b>860</b>
Impairment of assets held for sale	-	-	-	(83)	-	<b>(83)</b>
EBITDA*	77,129	105,002	91,881	11,821	-	<b>285,833</b>
(Impairment)/Reversal of impairment of trade and other receivables, net	(3,441)	(878)	1,481	289	-	<b>(2,549)</b>
Net (loss)/profit	(3,999)	15,956	5,170	(3,534)	1,137	<b>14,730</b>
Employee benefits	(91,704)	(90,619)	(91,963)	(18,600)	-	<b>(292,886)</b>
Capital expenditure	93,831	85,168	94,584	1,160	-	<b>274,743</b>
<b>Six month period ended 30 June 2019 (reviewed)</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 (loss)/profit 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>
EBITDA*	65,230	109,536	82,711	22,863	-	<b>280,340</b>
(Impairment)/Reversal of impairment of trade and other receivables, net	(398)	287	(3,680)	-	-	<b>(3,791)</b>
Net (loss)/profit	(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>

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

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

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

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

**6 Revenue**

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

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

**7 Other income**

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

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**8 Electricity and natural gas purchased**

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

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

**9 Earnings per share**

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

*Profit or loss attributable to Company's shareholders*

	<b>Six month period ended</b>	
	<b>30 June 2020 (reviewed)</b>	<b>30 June 2019 (reviewed)</b>
Profit for the period attributable to the owners of the Company	189,526	108,786
<b>Profit attributable to Company's shareholders</b>	<b>189,526</b>	<b>108,786</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 2020 is of 339,553,004 (30 June 2019: 339,049,336).

**Earnings per share**

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

**10 Dividends**

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

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**11 Income tax**

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

**12 Trade receivables**

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

Receivables from related parties are disclosed in Note 19.

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

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

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



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**13 Cash and cash equivalents**

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

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

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

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

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

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

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

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

**15 Other payables**

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

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**16 Long-term bank borrowings**

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

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

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

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

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

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

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

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**17 Provisions**

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

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

**18 Financial instruments – fair values**

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

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

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

**(b) Measurement of fair values**

*Fair value hierarchy*

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

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

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**19 Related parties**

**(a) Main shareholders**

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

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

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

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

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

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

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

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

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

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

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

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

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## **20 Contingencies**

### **Contingent Liabilities**

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

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

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

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

#### ***Tax inspection report for SDEE Muntenia Nord S.A.***

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

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

#### ***Tax inspection report for Electrica Serv S.A.***

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

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

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

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

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

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

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

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

***Other litigations and claims***

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

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

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

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

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

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

The decision remained final by non-appeal.

## **21 Subsequent events**

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

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

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

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

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

**Chief Executive Officer**  
Georgeta Corina Popescu

**Chief Financial Officer**  
Mihai Darie

13 August 2020