# Electrica Group Presentation

## The Finest CEElection Conference 2020

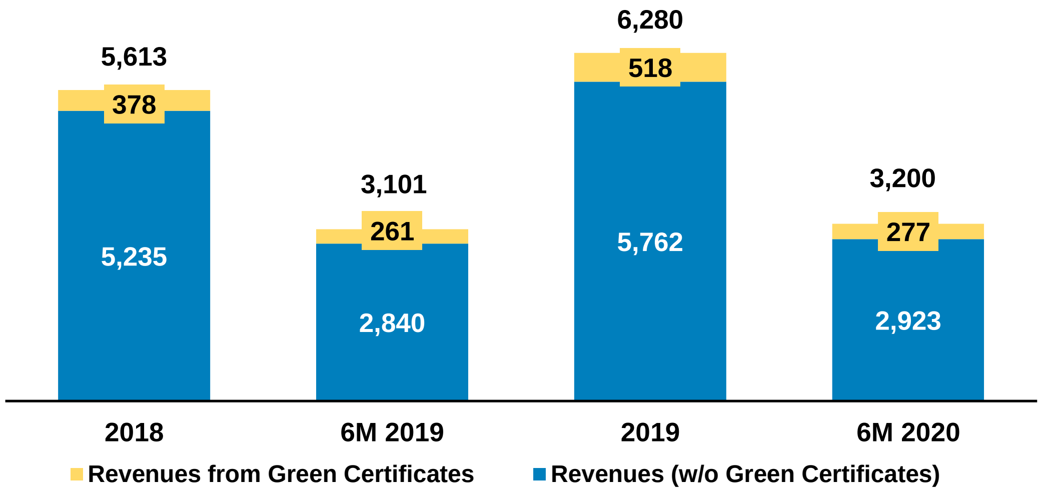
Bucharest, 5 October 2020

# Content

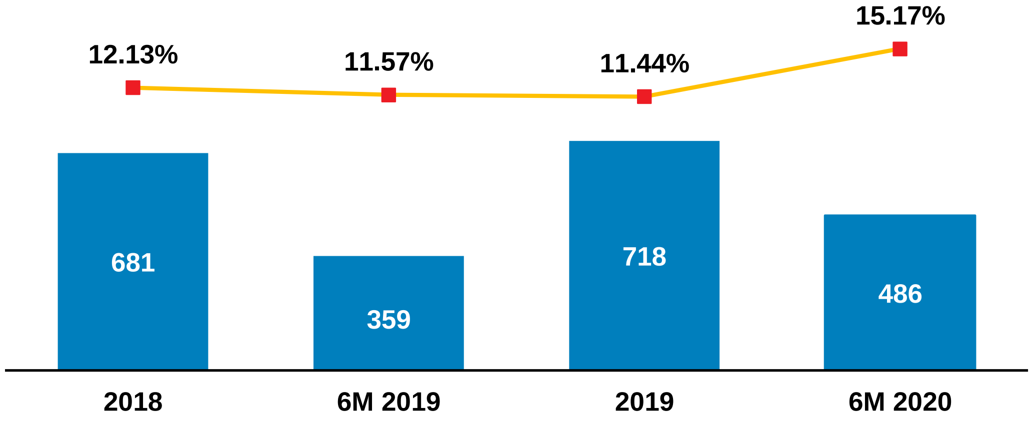
# Summary Consolidated Financials



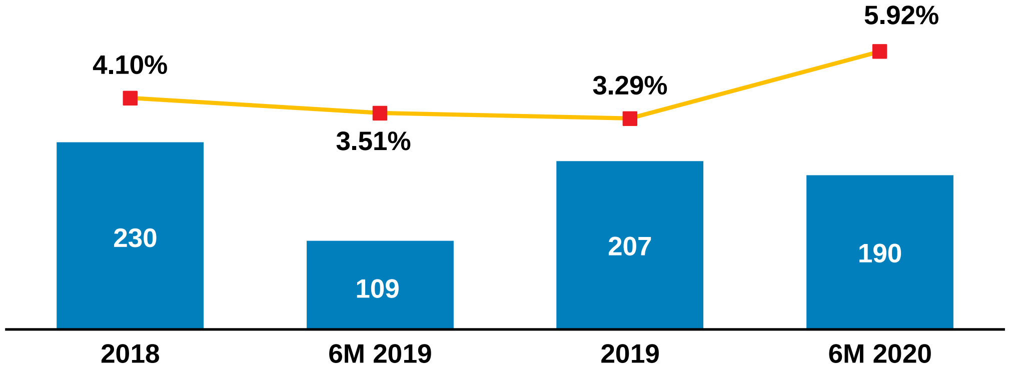
## Revenues
(RON mn)



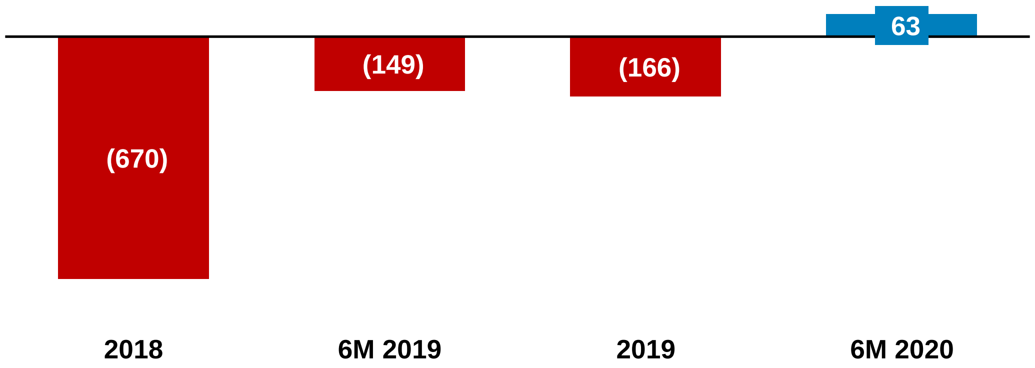

## EBITDA Growth and Margin Performance
EBITDA (RON mn) and EBITDA Margin (%)




## Net result and Net Result Margin
(RON mn)




## Net Debt/(Net Cash)[1]
(RON mn)



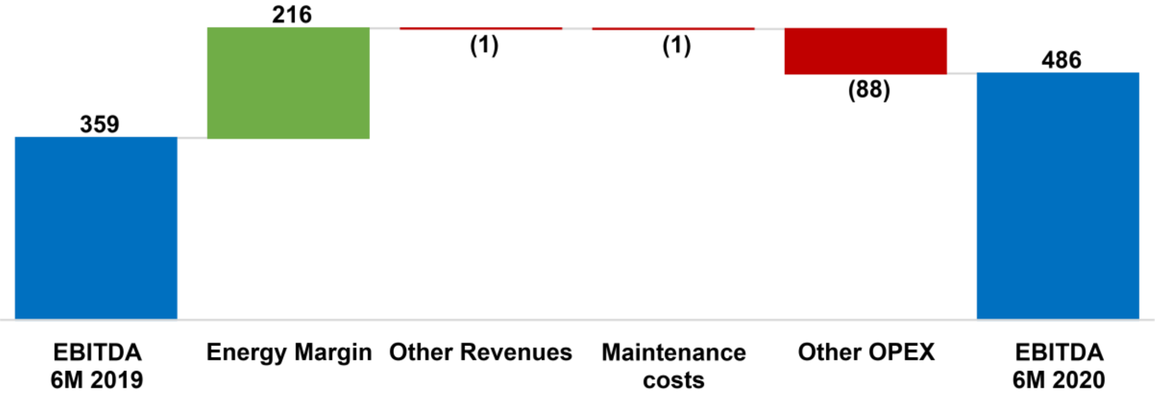

Source: Company data, consolidated interim financial statements

1. Net debt/(net Cash) is calculated as bank borrowings + bank overdrafts + financial leases + Financing of PP&E - Cash and cash equivalents – restricted cash - bank deposits - T-bills and government bonds.

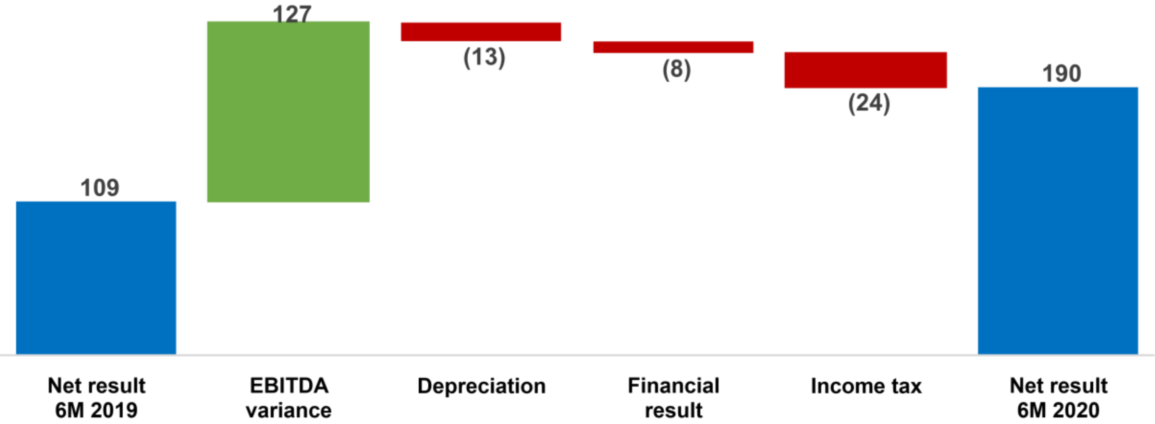
# Consolidated EBITDA and net result evolution



## EBITDA (RON mn)




## Net result (RON mn)




## Comments

**The consolidated EBITDA variation H1 2020 vs. H1 2019** is **RON +127 mn**, being mostly the net effect of:

- **The positive variation of the energy margin RON +216 mn**, thereof:
  - RON +23 mn from the distribution segment, generated largely by the following elements:
    - **RON +33 mn** – mainly increase in electricity distribution revenues, following the distribution tariffs rise exceeding the negative effect of the distributed electricity quantity drop
    - **RON -10 mn** – increase in cost of the electricity purchased to cover network losses, especially from the purchase price increase
  - RON +193 mn from the supply segment: predominantly price effect, determined by the lower level of electricity purchase prices, especially on the regulated segment, reflecting the partial recovery in H1 2020 of purchase losses from the previous years
- **Other OPEX increase by RON 88 mn**, the most significant impact being generated by:
  - employee benefits increase by **RON 65 mn**, mostly due to the changes in the structure of the benefits granted to the Group's employees, following the implementation of the new collective labor agreement, but also of the redundancy costs of the supply company incurred for the voluntary leave program
  - reduction by **RON 21 mn** of the operating expenses, especially on the distribution segment
  - variation of the impairment adjustments for trade and other receivables, with a negative effect of approx. **RON 32 mn**, following the analysis of the receivables' recoverability considering also the COVID 19 impact
  - unfavorable impact of the net change in provisions, of **RON 12 mn**

**Net result variation H1 2020 vs. H1 2019: RON +81 mn**, being the net effect of the EBITDA positive evolution **RON 127 mn**, amortization and depreciation charge increase **RON 13 mn**, the decrease of the finance result of **RON 8 mn** and the negative impact of income tax variation of **RON 24 mn.**

1 Other revenues refer to the variance of revenues from other activities, beside distribution and supply of electricity, as well as the variance of "Other revenue" line
Any calculation differences for the values expressed in RON mn may appear from their approximation

# Distribution highlights



## Key figures 6M 2020

**~3.81 million**
users

**199,390 km**
voltage lines

**97,196 km$^2$**
coverage area

**RAB: RON 5.6 bn (est.)**

**8.43 TWh** *(-4.8%)*
distributed energy

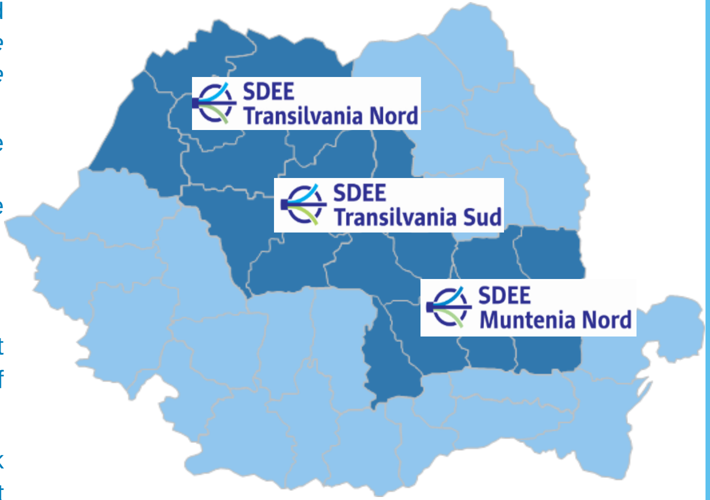
## Financial results

**EBITDA** for the distribution segment increased by **RON 5.5 mn** (+2%), mainly due to the evolution of:

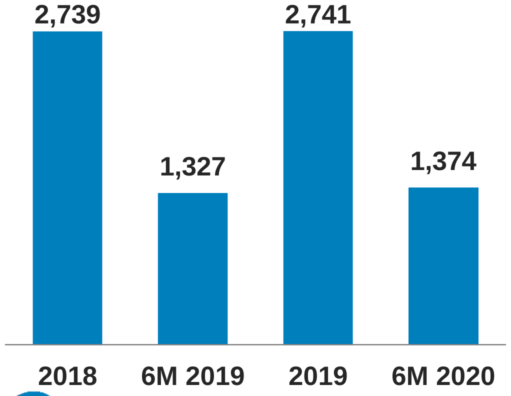
- ▲ **revenues: RON +47.4 mn** (+3.6%), being predominantly the effect of the electricity revenues increase by RON 31.6 mn (with impact on the margin), as a result of the distribution tariffs and reactive energy tariffs' rise, and of the increase by RON 12.8 mn of the revenues from network construction (*these have no significant impact on the margin, since they are recognized in relation to the network investments, and are almost entirely offset by the related expense*)
- ▲ **NL cost: +RON 9.8 mn**, largely due to higher electricity purchase price, negative effect partially diminished by the slight decrease of the quantity of electricity needed
- ▲ **employee benefits expenses: +RON 37.3 mn**, impact generated mainly by the salary increases resulting from the new CLA in force
- ▼ **operating expenses**: approx. **-RON 30 mn**, mainly following the streamlining of several cost categories
- ▼ **net change in provisions** – negative impact of **RON 11.5 mn**

**Net profit decreased** by **RON 22.8 mn**, as a net effect of the positive variance of EBITDA (**RON 5.5 mn**) offset by the increase of assets' depreciation and impairment adjustments (**RON 13.9 mn**), by the negative impact of the finance result evolution (**RON 9.4 mn**) and of the income tax variation **(RON 5.1 mn).**

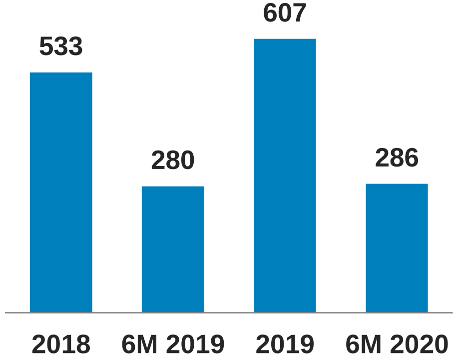
**The net debt increase** of **RON 43 mn** compared with YE 2019 comes from significantly higher network construction financing **(RON 181 mn)** and lower cash and cash equivalents (**RON 51 mn**), effect partially offset by the overdrafts decrease (**RON 172 mn**) and by the financial leasing balance decrease (**RON 16 mn**).



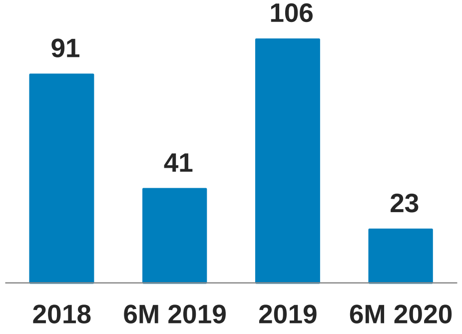

### Revenues
(RON mn)



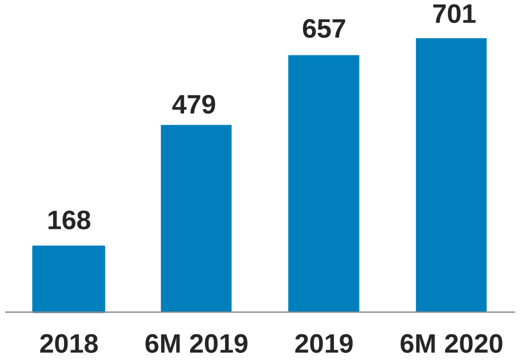

### EBITDA
(RON mn)




### Net result
(RON mn)




### Net debt/(Net cash)[1]
(RON mn)




Source: Company data, Consolidated interim financial statements - segment reporting
1. Net debt/ (Net cash) is calculated as bank borrowings + bank overdrafts + financial leases + Financing of PP&E - Cash and cash equivalents - restricted cash - bank deposits - T-bills and government bonds

# Electrica Serv

## General overview

Electrica Serv, a wholly-owned subsidiary of ELSA, provides repair and other energy ancillary services to third parties and various services to the companies within the group (vehicles rental, building rental etc.).

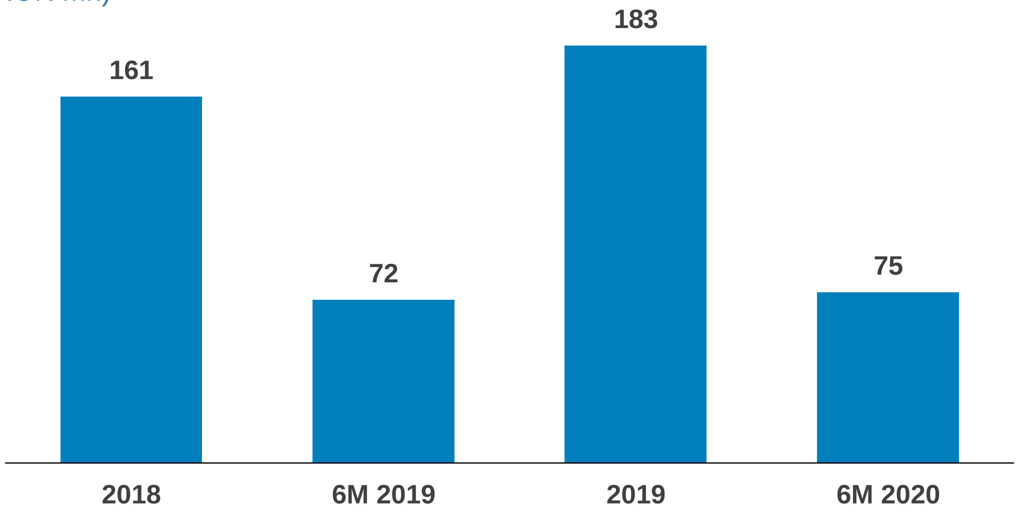
**Key financial information**

**EBITDA** decreased by **RON 11 mn** in H1 2020 compared to H1 2019 mainly due to:

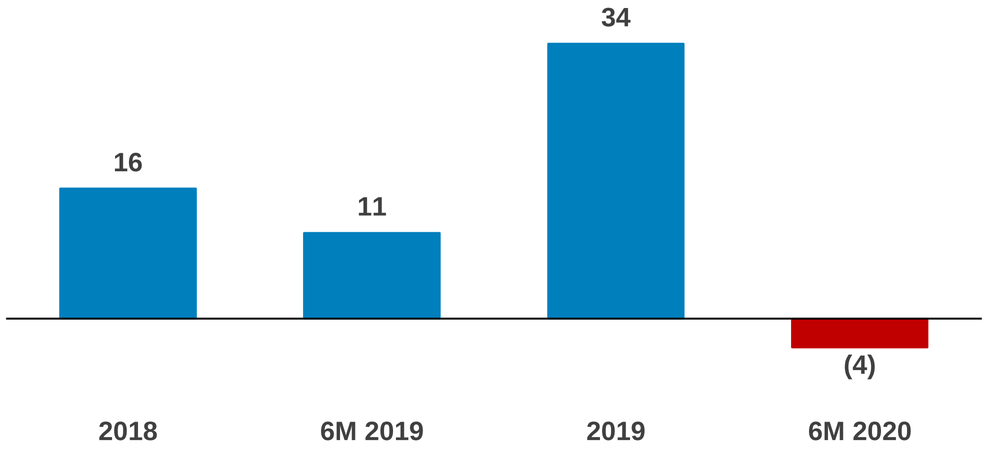
- ▼ decrease of revenues by app. **RON 16.7 mn** (after eliminating the impact of the assets sale to the Group's DSOs – w/o eliminating this impact, the revenues increase by **RON 3.3 mn**), following the reduction in the number of works (impacting also the related expenses)
- ▼ decrease of other operating expenses by app. **RON 2.3 mn** (after eliminating the impact of the assets sale to the Group's DSOs – w/o eliminating this impact, the expenses increase by **RON 17 mn**)
- ▼ decrease of maintenance and repair expenses by **RON 4.2 mn**
- ▲ employee benefits costs increase by **RON +2.9 mn**

The **net result** is lower by **RON 14 mn**, as a result of EBITDA evolution, the depreciation charge increase of **RON 1.4 mn,** the negative effect of the income tax benefit variation of **RON 2.2 mn**, partially balanced by the positive effect of the financial result evolution of **RON 0.5 mn.**

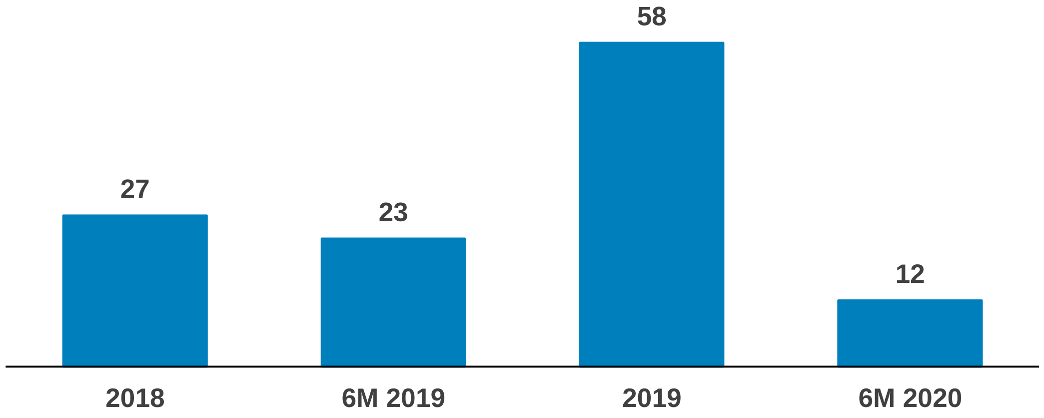
### Revenues
(RON mn)




### Net result
(RON mn)




### EBITDA
(RON mn)




Source: Company data – Consolidated interim financial statements - Segment reporting

# Supply market

## Key Facts

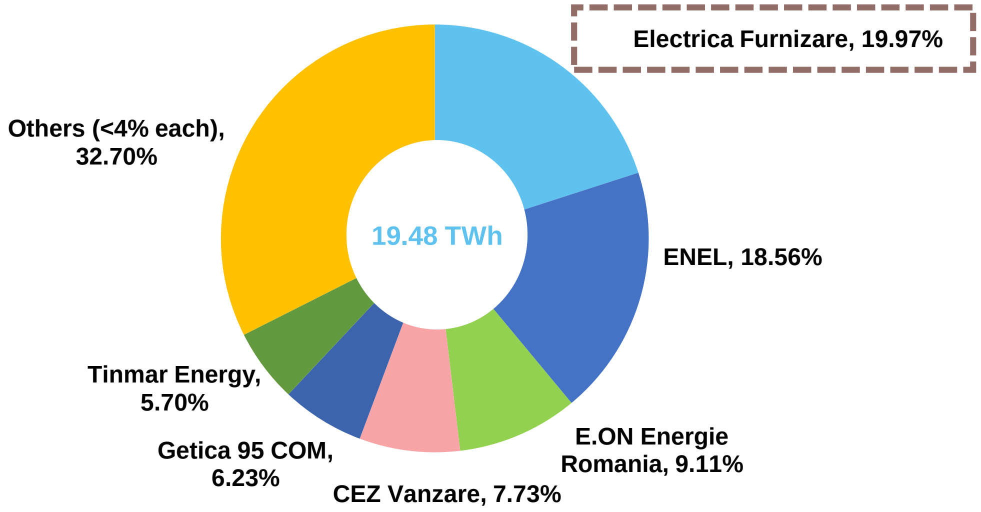
The supply market consists of regulated and competitive segments:

- The **regulated** segment comprises 5 bound suppliers of last resort (SoLR), integrated within the same group as the corresponding distribution operators
- The **competitive** segment comprised 87 players as of May 2020, out of which 78 with individual market shares below 4%

As of May 2020[3], **Electrica Furnizare (EFSA)** is market leader with a total market share of 19.97%; the market share on the regulated market is 53.80%, while on the competitive market the market share is 11.40%. By comparison, as of December 2019[3], EFSA had a market share of 51.70% on the regulated segment and a 10.94% market share on the competitive one.

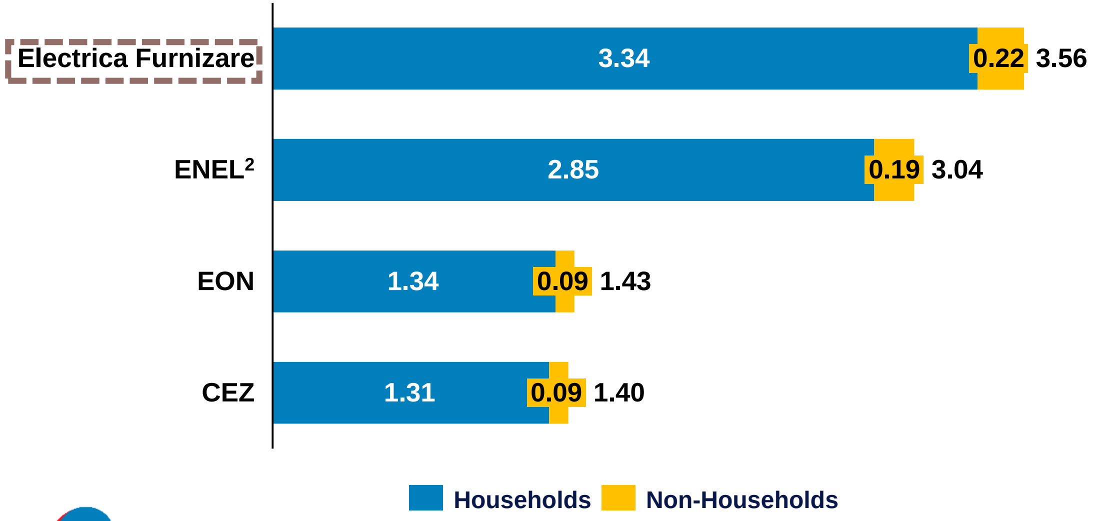
EFSA is bound SoLR for the areas covered by Electrica Group distribution operators; as of 1 March 2019, EFSA is optional SoLR for the other areas of Romania.

## Overall Market Share – 5 months 2020

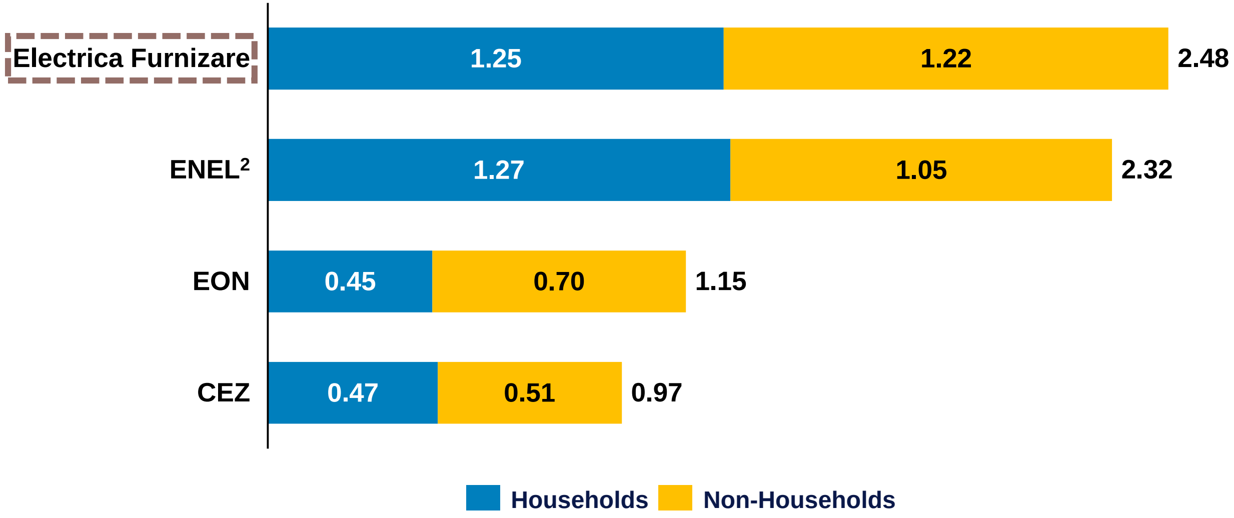



Source: May 2020 ANRE Report

## Number of consumption places in Q1 2020[1] (millions)




## Supplied volumes in Q1 2020[1] (TWh)




1. Based on the performance indicators published by each SoLR for Q1 2020
2. ENEL refers to Enel Energie Muntenia and Enel Energie
3. Based on ANRE monthly reports

# Supply segment

## Key figures (6M 2020)

**~3.57 mn** consumers

**19.97%** total market share (as of May 2020)

**4.6 TWh** *(-0.8%)* supplied volumes - retail

## Financial results

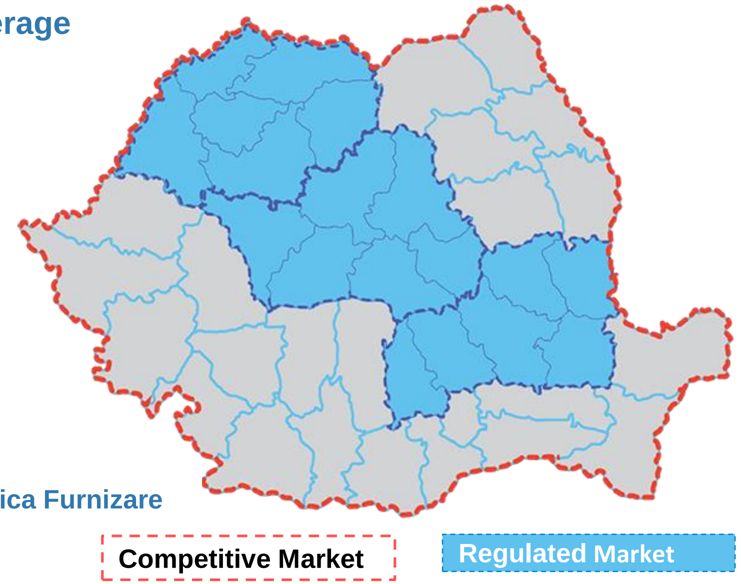
**EBITDA** significantly increased by **RON 135 mn** compared to 6M 2019, as a result of the following factors:

- ▼ electricity purchase costs lower by approx. **RON 141.4 mn** compared to 6M 2019, mainly due to the downward evolution of the electricity price, the most significant impact being on the regulated segment
- ▲ revenues increase of **RON 70.3 mn**, mainly as a result of the rise in sale prices
- ▲ employee benefits' increase by **RON 24.5 mn**, following the salary increases and the redundancy costs related to the voluntary leave program
- ▲ negative impact generated by the receivables impairment adjustment variation, of approx. **RON 33.2 mn**

The **net profit** increased by **RON 115.5 mn**, mainly from the positive evolution of EBITDA of **RON 135 mn**, but impacted by the negative impact of the income tax variation of **RON 21.1 mn**.

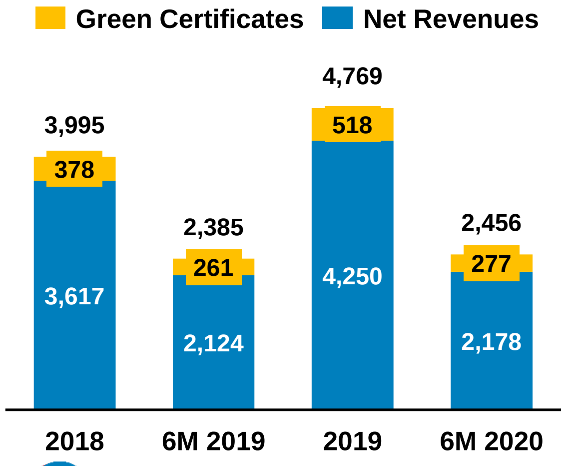
**Net cash** decreased by 8% compared to December 2019, mainly as the result of the cash and cash equivalents' decrease by **RON 21 mn**.

## Coverage

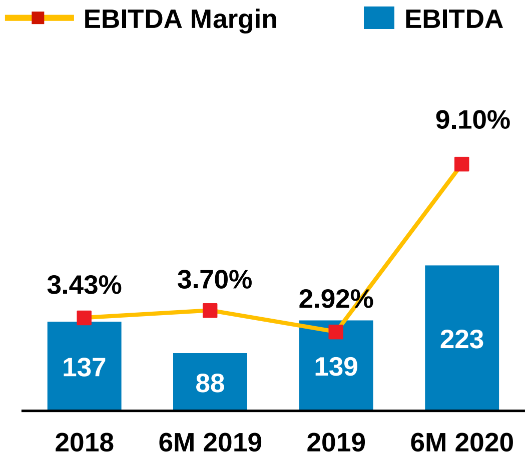



## Key Financial Metrics

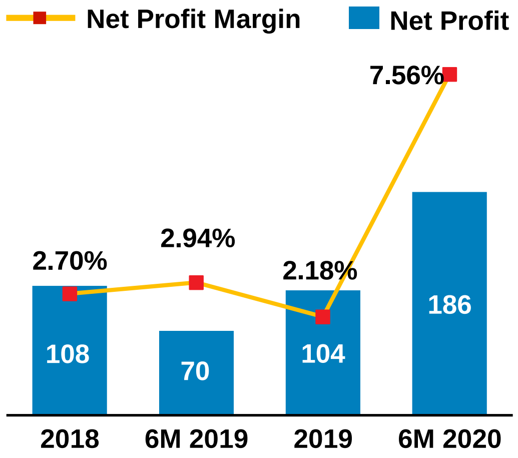
### Revenues
(RON mn)



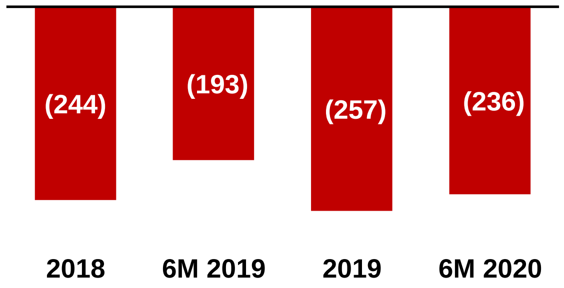

### EBITDA
(RON mn)




### Net Result
(RON mn)




### Net Debt/(Net cash)[1]
(RON mn)




Source: Company data, Consolidated interim financial statements - segment reporting

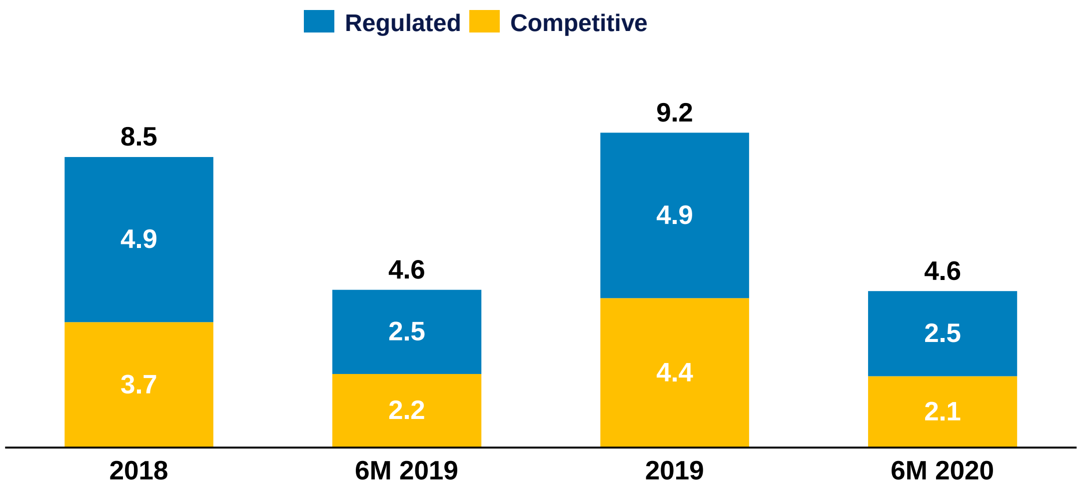
1. Net debt/ (Net Cash) is calculated as bank borrowings + bank overdrafts + financial leases + Financing of PP&E - Cash and cash equivalents – **restricted cash** - bank deposits, T-bills and government bonds

# Supply- key aspects

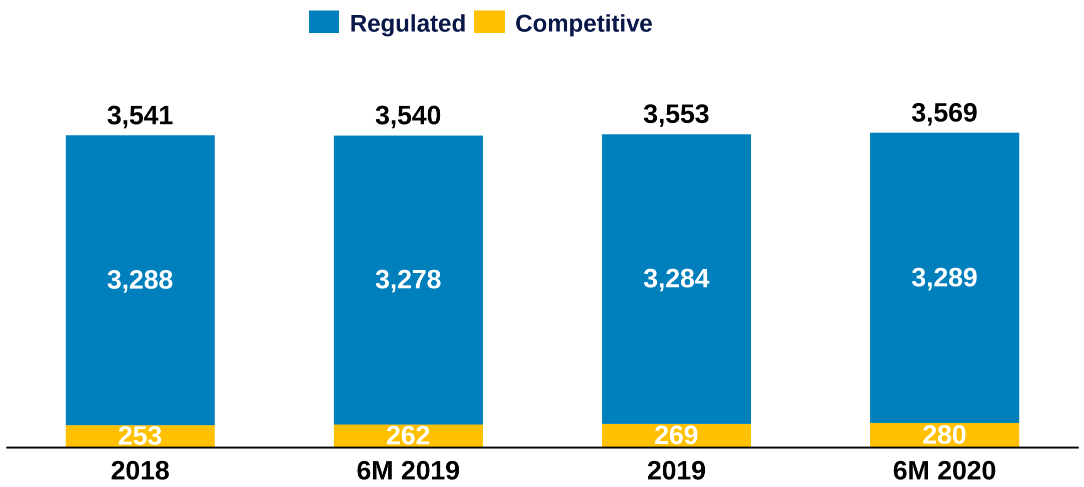


## Volume of Electricity Supplied on Retail Market

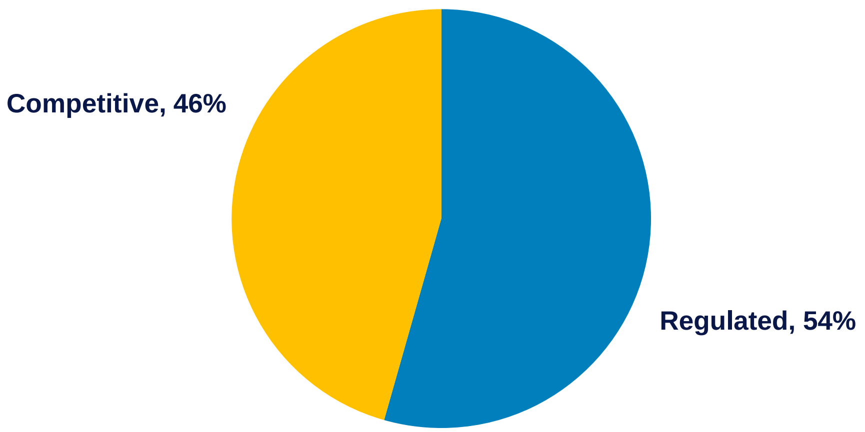
(TWh)



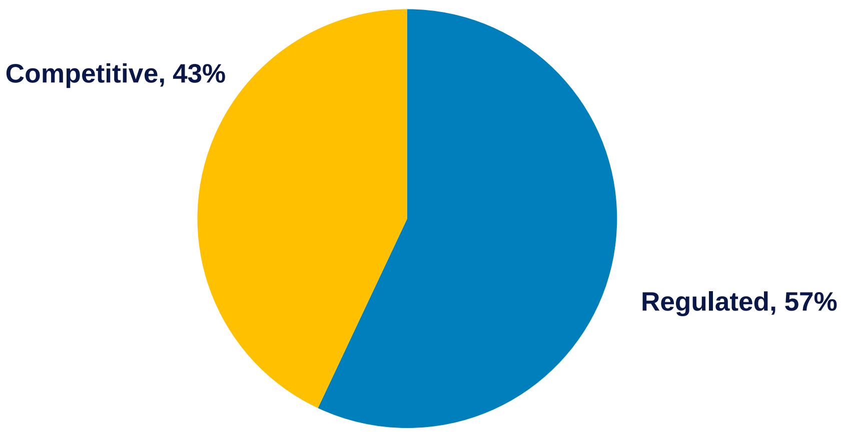

## Number of consumption places ('000's)




## Consumers by Volume (H1 2020)




## Consumers by Revenues[1] (H1 2020)

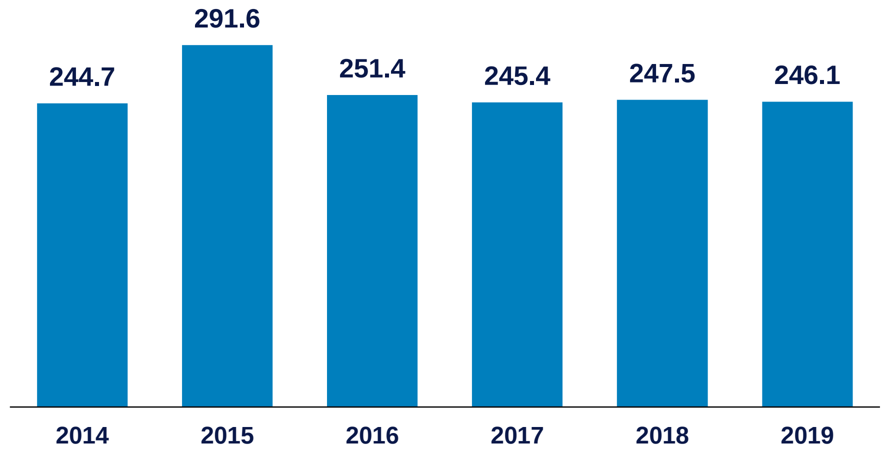



Source: Company Data

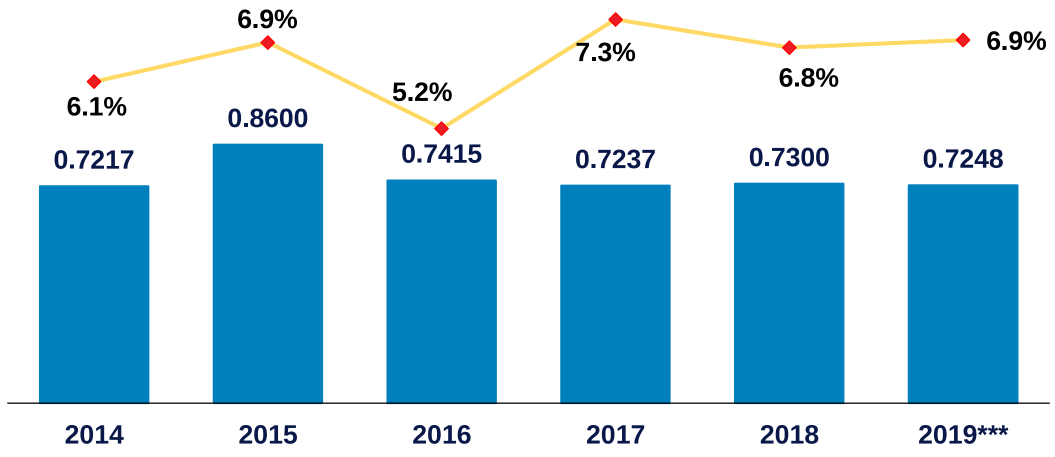
1. Only retail electricity sales portion

# Dividend distribution

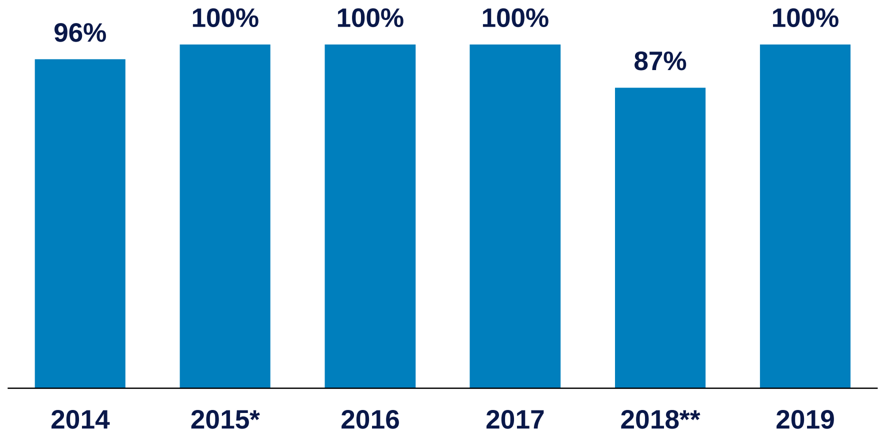
## Distributed gross dividends (FY 2014 - 2019) (RON mn)




## Gross dividend per share (RON) and Dividend yield[(1)] (%)




## Dividend payout ratio[(2)] (FY 2014 - 2019)




Source: BSE, Company Data

## Notes

[(1)] Dividend yield (%) is calculated as Gross Dividend per share/Closing share price on BSE at each ex-date

[(2)] Dividend payout ratio is calculated as Gross Dividends/Net profit distributable to dividend, where Net profit distributable to dividends is Net profit according to individual financial statements of Electrica SA less the legal reserves

* In 2015, the net distributable profit included the amount of RON 5.7 mn representing retained earnings from 2014

** Net distributable profit in total amount of RON 283.07 mn; out of this amount, RON 35.57 mn. was approved to be distributed to "Other reserves"

*** For 2019, the net distributable profit included also the net gain from the SPO, amounting to RON 1.2 mn

The statute of limitation for the shareholders' rights for the 2014, 2015 and 2016 dividends has intervened (RON 226.2 th – dividends for 2014, RON 159.8 th – dividends for 2015 and RON 124.2 th – dividends for 2016).

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Note: Dividends refer to each financial year indicated and are paid during the following year

# Measures adopted by the Electrica Group in COVID-19 context

16 March — **State of emergency** — 14 May — **State of alert** — 14 August

**Business continuity and our customers' wellfare are very important for us**

**Our employees' saftely remains a priority**

**We permanently analyze Electrica Group's financial perspective and liquidity**

**We recommend our clients to use electronic means of payment and shareholders to vote by correspondence in the GMS**

| State of emergency | State of alert |
|---|---|
| Essential activities and critical roles identified, staff backup insured and three action scenarios defined | Special protection measures (example: controlled access in headquarters of partners and employees; endowment with equipment and hygienic – sanitary materials, adapted program with extension of work-from-home regime where possible etc.) |
| Limited activities that involve interaction with customers and / or acces to clients' homes | |
| Scheduled works reprioritized | Investment and maintenance works accelerated, including those requiring consumers' interruption |
| Temporary suspension of access in certain locations | |
| Customer Relations Centers closed | Cash collection activities through own cashiers, customer relations centers and field activities for B2B partially resumed |
| Work-from-home regime implemented, where feasable, business trips cancelled except for those absolutely necessary | Business travel limitation – only those strictly necessary and only in Romania |

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# Hypotheses of the impact of the COVID 19 pandemic on distribution companies

| | |
|---|---|
| **Network losses (NL)** | **Evolution of the cost of electricity needed to cover NL**<br>❑ In H1 2020, the cost of electricity needed to cover NL was by RON 10 mn higher than in H1 2019, but by RON 12.5 mn below the budgeted level for H1 2020; the positive variation compared to the budget is generated by the evolution of the actual electricity purchase price compared to the estimated one. |
| **Distributed electricity** | **Evolution of the quantity of electricity distributed**<br>❑ In H1 2020, the electricity distributed quantity was 8.43 TWh, decreasing by 4.8% compared to H1 2019 and by 7.3% lower than the budgeted level for H1 2020; the largest volumes' reductions were recorded on high and medium voltage levels, as, following the state of emergency implementation, the consumption of certain users, especially companies, was significantly reduced.<br>❑ After the state of emergency ended and the state of alert entered into force, a slight improvement in the evolution of the distributed quantities can be noticed.<br>As the impact of the pandemic cannot be accurately separated from the total variation of volumes during this period in order to estimate the evolution in the following months, it is not possible to make a sufficiently reliable estimate of the evolution of distributed electricity revenues for the whole year. |
| **Investments** | ❑ The distribution companies aim to implement the investments and maintenance plans approved by ANRE for this year, but it is possible to be certain limitations in situations where contractors involved in carrying out investment works will not be able to honor contracts or deliveries of equipment and materials, if there will be diminutions of the contractors' capacities for performing works, either due to personnel unavailability, or due to financial solvency issues etc. At this moment, there are no elements that lead us to consider that the investment and maintenance plans for 2020 will not be possible to be fully accomplished, but we are carefully monitoring the impact of the COVID-19 crisis on them. Moreover, on 13 August 2020, ELSA's BoD approved the supplementation of the consolidated investment plan (CAPEX) of Electrica Group for 2020 with RON 20.1 mn (up to RON 698.3 mn), representing the increase of the 2020 annual financial plan regarding investments of SDTS. |

# Hypotheses of the impact of the COVID 19 pandemic on supply company (1/2)

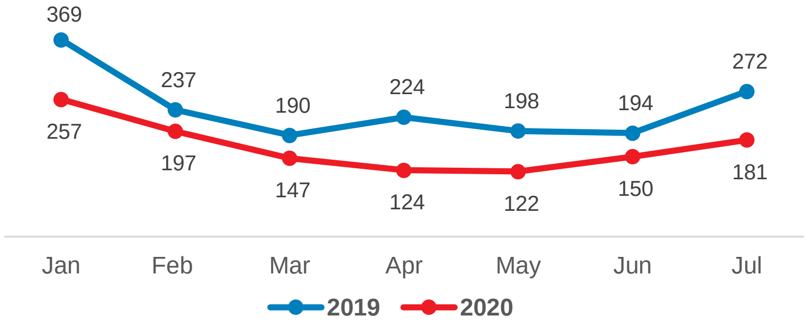
**Electricity Market**

- The COVID 19 pandemic influenced the consumption trend at European and local level; we are not able at the moment to make a reliable estimate on the impact of the amount of electricity supplied to customers compared to the values included in the budget, but a decrease compared to the values envisaged in the budget is considered.
- The estimated evolution of the quantity results as an effect of the mix between the estimated increase in the household customer segment and the estimated decrease for the other customer segments. Thus, as a result of the re-estimation of the supplied volumes correlated with the consumption reduction, of the purchase and sale prices evolution, it is possible that at the end of the year there will be an impact on the gross supply margin on the competitive segment, but difficult to quantify with sufficient credibility considering the complexity of correlating the projections of the influencing factors.
- The regulated tariffs approved for the first semester of 2020, applicable to household customers, as well as the substantiated prices for non-household customers benefiting from US and inactive customers, include an adjustment (correction) component related to the purchase losses recorded in previous years. The total value to be recovered by EFSA in 2020, calculated at the end of 2019 and included in the 2020 budget, is **RON 170 mn**. After the final closing and adjustments of 2019, the updated amount to be recovered was RON 145.5 mn. In H1 2020, EFSA registered an acceleration of the corrections recoveries, reaching RON 139 mn, compared to RON 112 mn budgeted for this period, due to the average purchase price achieved compared to the one used in the ex-ante computation.
- In the electricity purchase structure, the volumes of the regulated electricity purchase agreements allocated based on ANRE decisions were considered, agreements that ensured a coverage of 73% of the consumption needs of this category of customers in H1, respectively an estimated 99% coverage of the consumption needs of the regulated household clients in H2. Therefore, the quantities of energy purchased from the competitive market according to ANRE Order no. 236/2019 to cover the needs of household customers in H2 are resold on the wholesale and retail market at existing prices at this time.

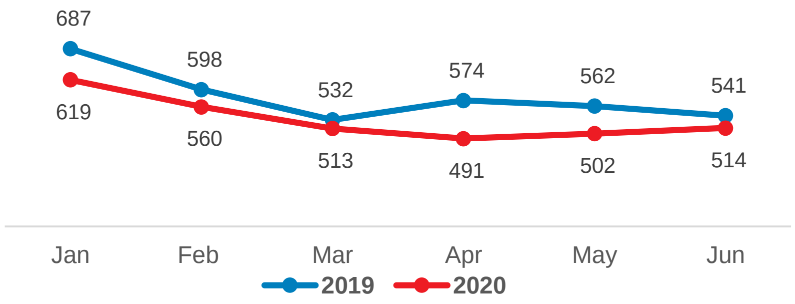
**Evolution of purchase prices**

- The downward evolution of purchase prices, especially on the SPOT markets is estimated to generate a favorable effect on the gross margin on supply.
- Prices in the spot market decreased between January and June 2020 compared to the same period of previous year, on average by 28%. The evolutions are determined by the consumption decrease at national and regional level, by the increased production from renewable sources, by the decrease of the natural gas prices, by the decrease of the electricity purchase prices on the markets of the countries from the region.
- The prices of forward products decreased significantly for Q3 2020 (approx. 26%), and for Q4 2020 it can be observed a 16% decrease compared to the beginning of March.

**Evolution of electricity price on DAM[1]** (RON/MWh)




**Evolution of electricity price on BM[1]** (RON/MWh)




[1]*Source: Transelectrica*

# Hypotheses of the impact of the COVID 19 pandemic on supply company (2/2)

**Receivables status**

**Receivables analysis**

- Regarding the postponement of the payment of electricity and natural gas bills, GEO no. 29/2020 for SMEs remains applicable. Based on this, until 30 June 2020, state of emergency certificates ("SEC") were issued at national level for 30,752 SMEs, of which 8,313 SMEs are in EFSA's portfolio and only 3,427 have debts/balances at that date.
- The balance value of EFSA receivables with valid SEC is of RON 30.5 mn, of which RON 4.5 mn are provisioned as of 30 June 2020. Until 30 June, only 762 clients with SEC requested deferral of payment, and the value of requested deferrals is of RON 21.2 mn (70% of the balance), insignificant amount compared to EFSA's portfolio.
- At EFSA's portfolio level, the following evolutions were observed on aging intervals in the collection of receivables as of 30 June 2020:
  - ✓ the 0 - 30 days interval weighs 66% in total receivables (69% at 31 December 2019 and 31 March 2020)
  - ✓ the 31 - 60 days interval comprises 4% of total receivables (3% at 31 December 2019 and 31 March 2020)
  - ✓ the 61 - 90 days interval represents 1% of total receivables (stable compared to YE and Q1 2020)
  - ✓ the more-than-90-days interval weighs 2% of total receivables (1% at 31 December 2019 and 31 March 2020)
  - ✓ under legal proceedings are 27% of total receivables (27% at 31 December 2019 and 26% at 31 March 2020)

**IFRS 9**

- At Group level, in the interim consolidated financial statements as of 30 June 2020, the adjustments for impairment of receivables are determined in accordance with IFRS 9 "Financial Instruments", based on the "expected credit loss" model. In applying this standard, the Group identified 5 customer groups based on common risk characteristics: 3 separate groups for distribution subsidiaries and 2 groups (non-household and household) for the supply subsidiary.
- Given the impact of the COVID-19 pandemic, the Group has taken a prudent approach to identifying the risk of default, taking into account a number of factors to ensure that it performs the default classification not only on the basis of expected credit losses, but also on the circumstances under which economic losses are probable. IFRS 9 is based on a set of principles that, by their nature, are not mechanical and require the application of a certain level of professional judgment. In applying IFRS 9 at 30 June 2020, the Group considered all available information without unjustified costs (including anticipated information) that may affect the credit risk of its receivables from initial recognition, thus recording an adjustment for impairment of trade receivables in the amount of RON 37.7 mn.

# Group liquidity

**Group liquidity**

- At Group level, the total liquidity available in the form of cash and overdraft limits as of 30 June 2020 was RON 1,088 mn. Without considering the unused overdraft line of RON 210 mn contracted in January related to the master accounts of the liquidity concentration structures ("cash pooling"), the total available liquidity was of RON 878 mn, comparable to the 31 March 2020 one, of RON 963.9 mn, and as of 31 December 2019, of RON 983.4 mn. In the meantime, on 25 June 2020, ELSA transferred the amount of RON 243.5 mn in the account for dividends payment.

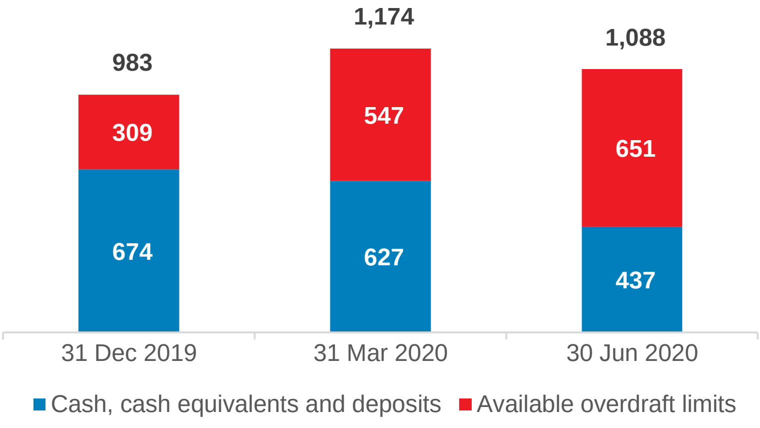
- Also, the level of actual cash on 30 June 2020 was of RON 437 mn. Compared with the values of actual cash from 31 March 2020, of RON 627 mn, and the one from 31 December 2019, of RON 674 mn, the level is lower due to the increase of utilization of cash through intragroup loans granted through the cash pooling banking structures, leading to less usage of bank overdrafts. These structures allow the Group to optimize the use of liquidity between companies and to quickly cover any unforeseen liquidity needs.

- The management constantly monitors the financial performance and liquidity of the Group companies on several levels, in order to ensure the availability of the funds necessary for the development of the activity, by analyzing with priority the cash flow. The aim is to secure the collection of receivables from customers as well as the availability and the bank financing ceilings at the Group level, tracking their flexibility.

- The level of receipts, payments and liquidity is monitored closely at the level of each company of the Group and consolidated in order to detect any deviation in time.

- On 25 June 2020, SDTN, as a borrower, and respectively SDTS, as a borrower, each concluded with BRD – Groupe Societe Generale investment credit agreements with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020, for the amount of RON 100 mn (SDTN) and RON 80 mn (SDTS). As at 30 June 2020, the outstanding balance is nil.

**Total liquidity (RON mn)**



# Main events in H1 2020 and up to date 1/2



**Relevant developments in Corporate Governance in H1 2020 and up to date**

**ELSA's General Meetings of Shareholders:**

- **OGMS dated 29 April 2020 – the shareholders approved the following:**
  - The individual and consolidated financial statements for 2019
  - The individual and consolidated budget for 2020
  - The proposed distribution of the net profit - RON 0.7248 gross dividend / share; total value of gross dividends – RON 246.1 mn; payment date – 26 June 2020
  - Discharge of liability of the BoD members
  - Election of Mr. Iulian Cristian Bosoanca as new member of BoD for filling in the vacant position
- **EGMS dated 21 August 2020 – the shareholders approved the dissolution of the two distribution companies (SDTS and SDMN) and the dissolution of one energy services company (SEM); these companies are to be absorbed following the merger of the three distribution companies (DO merger) and the merger of the two companies of energy services (ES merger).**

**Important decisions of the BoD:**

- 26 February 2020 – approval of the consolidated value of the Investment Plan (CAPEX) of the Group for 2020, in total amount of RON 678.2 mn. Out of this value, RON 597 mn represents the investment plan (CAPEX) of the distribution subsidiaries
- 13 May 2020 – revision of the composition of BoD's committees – the composition valid until 31 December 2020 is detailed on slide 44; initially, the BoD established the composition and elected the committees' chairs on 28 January 2020
- 3 July 2020 - approval of the vote in favor of the merger of the three distribution companies within Electrica Group, respectively approval of the vote in favor of the merger of the two energy services companies within Electrica Group, after the following:
  - on 27 March 2020 the BoD approved in principal the merger through absorption between EL SERV and SEM and the participation of the companies to the merger, with EL SERV as absorbing company
  - on 27 May 2020 the BoD approved in principal the merger through absorption of the three distribution companies within Electrica Group, SDTN being the absorbing company
- 17 July 2020 - ELSA's BoD took note about the decision of Mr. Valentin Radu to resign from his position as Chairman of the BoD and elected Mr. Iulian Cristian Bosoanca as Chairman of the BoD starting with 18 July 2020 and until 31 December 2020
- 13 August 2020 – ELSA's BoD approved the supplementation of the consolidated investment plan (CAPEX) of Electrica Group for 2020 with RON 20.1 mn (up to RON 698.3 mn), representing the increase of the 2020 annual financial plan regarding investments of SDTS

# Main events in H1 2020 and up to date 2/2



| | |
|---|---|
| **Relevant developments in Corporate Governance in H1 2020 and up to date** | **Other events:**<br>• 17 April 2020 – the rating agency Fitch Ratings affirms Electrica's corporate rating at 'BBB', but revises its outlook from Stable to Negative following the revision of Romania's rating outlook, in the national context, generated by the COVID – 19 pandemic<br>• 3 June 2020 – ELSA informs the fact that it is currently exploring the possibility to participate, through a potential consortium to be formed with SAPE and Hidroelectrica, in a competitive procedure organized by CEZ a.s. for the sale of its Romanian subsidiaries<br>• 23 June 2020 – EFSA signs the share purchase agreement in relation to Stanesti Photovoltaic Farm, Giurgiu County; installed capacity of 7.5 MW (operational power limited at 6.8 MW); The final purchase price will be determined at the closing of the transaction, pursuant to the terms of the share purchase agreement<br>• 24 July 2020 – announcement regarding the publication of the Corporate Governance Code and of the Policy on Transactions with Related Parties, revised; publication of the Policy on Risk Management<br>**Intragroup agreements:**<br>• Agreement for rendering services in the AMR system with SDTN and addendum to an agreement concluded with SDTS, with the same object; SDTN and SDTS - beneficiaries<br>• Addendum concluded with EFSA for installation of automatically adjustable compensation batteries – ELSA is the beneficiary<br>• Cash-Pooling Treasury conventions concluded with all the Group's subsidiaries (SDTN, SDTS, SDMN, EFSA, SERV and SEM) necessary for improving the efficiency of the treasury operations within the Group<br>• ELSA-SEM relation: Two prolongations of the maturity of the first tranche for the reimbursement of the credit facility granted by ELSA to SEM: the first one, up to 30 April 2020 (previously 31 January 2020), the second one up to 29 May 2020; on 2 June 2020 a contract of sale and give in payment was concluded between ELSA and SEM, in order to pay off in full the obligation to repay the loan in amount of RON 5,5 mn; ELSA is Buyer and Creditor<br>**Major shareholdings:** starting with 26 March 2020, the entities indirectly held by Allianz SE have reached a holding of 5.09% of the voting rights of ELSA calculated on the basis of all the shares to which voting rights are attached, even if for the treasury shares (6,890,593 treasury shares) the exercise thereof is suspended. |
| **Other key events - Distribution** | Change of the provisions referring to the distribution segment, one change being related to the approval of ANRE Order no. 75/6 May 2020: **RRR was set at 6.39%** until the end of PR4 (compared to 6.9% according to GEO 19/2019), with a 1% incentive granted for investments in NES put into operation in RP4, mentioned in the initial regulatory methodology for RP4; this incentive will be granted ex-post (at the end of the regulatory period).<br>Other changes are available in slides 29-30. |
| **Other key events - Supply** | Change of the provisions referring to the supply segment, the main primary and secondary legislation's changes are available in slides 35-39. |

# Implementing the Electrica Group’s strategy on the distribution segment (2019-2020)

## Distribution operators integration project (DSO)

***Absorbing company:*** *SDTN*
***Current status:*** operational implementation of the merger in progress
***Merger target date:*** 31 December 2020

**The objectives of the Merger**

- Electrica DSOs’ preparation for the evolution towards a new energy system, digitally distributed and operated
- Improving the financial performance and ensuring the long-term sustainability of the distribution segment
- Improving the operational performance and services quality in a customer-oriented approach
- Optimization of the invested capital allocation and development of the capabilities for the smart technologies’ implementation

**The main legal steps were completed:**

- Merger plan (DSO MP) prepared based on the financial statements as of 31 December 2019, signed on 26 June 2020 and published in the Official Gazette
- ELSA’s BoD decision for granting the mandate to approve the merger and for endorsement and submission for approval by ELSA EGMS of the voting mandate in the EGMS of SDTS and SDMN for their dissolution as an effect of the merger: 3 July 2020
- ELSA’s EGMS approved the dissolution of the absorbed companies: 21 August 2020
- The merger by absorption approved by the merging companies’ GSMs on 26 August 2020

## Integration project of the two energy services companies (ES)

***Absorbing company :*** *EL SERV*
***Current status :*** operational implementation of the merger in progress
***Merger target date :*** 30 November 2020

**The objectives of the Merger**

- Adapting the business model to the market evolution and to the increasing level of customer expectations
- Optimized presence in a market with growth potential, both in the B2B or B2M area as well as in the B2C area
- Optimized allocation of resources between the two energy services subsidiaries, allowing, at the same time, the coverage of a wider range of services
- Unique organizational structure, allowing the improvement of the cost base and of the services’ competitiveness

**The main legal steps were completed:**

- Merger plan (ES MP) prepared based on the financial statements as of 31 December 2019, signed on 12 June 2020 and published in the Official Gazette
- ELSA’s BoD decision for granting the mandate to approve the merger and for endorsement and submission for approval by ELSA EGMS of the voting mandate in SEM EGMS for its dissolution as an effect of the merger: 3 July 2020
- ELSA’s EGMS approved the dissolution of the absorbed companies: 21 August 2020
- The merger by absorption approved by the merging companies’ GSMs on 25 August 2020

# Implementing the Electrica Group's strategy on the supply segment (2019-2020)

## Supply area transformation project

Complex transformation project targeting the entire organization, with focus on the optimization of the sales and customer care activities, in parallel with the development of the relevant internal skills

***Current status*:** implementation in progress, on 3 main areas:

- ***Target structure:*** the new organizational chart's implementation, by reorganizing and resettling human resources with identification and retention of key personnel is in progress
- ***Processes*:** EFSA's *core* processes have been redesigned and optimized, in a client – centered approach and taking into account the new organizational structure
- ***Target technology***: on each process (*core* and *non-core*) critical projects were addressed with priority (depending on urgency and impact), also taking into account the need to accelerate digitalization and the COVID-19 sanitary crisis

**Project's objectives:**

- Creating an organization prepared to respond to existing and future market challenges
- Improvement of the satisfaction and loyalty degree of the clients, in line with the company's historical performance
- Improvement of the overall competitiveness and financial performance

## Vertical integration project – generation from renewable resources

Project aiming at potential acquisitions of producers of energy from renewable sources

***Current status*:**

- Share purchase agreement for the acquisition of Stanesti Photovoltaic Farm, Giurgiu County (installed capacity of 7.5 MW) - signed;
- Closing of the transaction: 31 August 2020:
  - purchase price: EUR 1,617,940, which may be adjusted in view of the financial results at the time of closing of the trial balance as at 31 August 2020
  - various elements of the transaction, including the take over by Electrica Furnizare S.A. of the loans granted by the former shareholders to Long Bridge Milenium: total outstanding amount of EUR 3,817,749.48.
- Openness in analyzing other existing opportunities in the market

**Project's objectives:**

- Vertical integration, in line with the Group's strategy for 2019-2023
- Expanding Group's value chain, resulting in increased Group's value for investors
- Sustainable development of Group's activities, especially taking into account Green Deal's challenges
- Development of green energy delivery capacity

# Appendices

# Group structure

## Electrica Group is the only Romanian group listed on the BSE & LSE and operates within distribution, supply & energy service segments

**ELECTRICA S.A.**
HQ: Bucharest

**Electrica Furnizare S.A.** — 99.99 %[3)]
Electricity and natural gas supply company
HQ: Bucharest

**FISE[2)] Electrica Serv S.A.** — 100 %
Energy services company
HQ: Bucharest

**Servicii Energetice Muntenia S.A.** — 100 %
Energy service company
HQ: Bucharest

**SDEE[1)] Transilvania Nord** — 99.99 %[3)]
Distribution Operator
HQ: Cluj-Napoca

**SDEE[1)] Transilvania Sud** — 99.99 %[3)]
Distribution Operator
HQ: Brasov

**SDEE[1)] Muntenia Nord** — 99.99 %[3)]
Distribution Operator
HQ: Ploiesti

% Ownership Electrica S.A.

1) Societatea de Distributie a Energiei Electrice 2) Filiala de Întretinere si Servicii Energetice
3) The existence of additional shareholders was imposed by the provisions of Art. 10, paragraph (3) of the Law no. 31/1990 regarding the companies. As a result: SDTS holds 10 shares in SDMN, SDMN holds 10 shares in SDTN, SDTN holds 10 shares in SDTS and Electrica Serv holds 10 shares in EF

# Background and basis of preparation for the financials

| | |
|---|---|
| **Background** | • Historical consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS-EU).<br>• The presentation and functional currency is Romanian Leu (RON).<br>• The condensed consolidated interim financial statements as at 30 June 2020 were reviewed by an independent auditor. |
| **Group structure and segment reporting** | • Since November 2018, Electrica Group includes 7 companies, following the deconsolidation of SE Oltenia after its bankruptcy.<br>• The Group comprises two main segments for the purpose of segment reporting: distribution (represented by three DSO’s and one energy services company) and supply.<br>• The management reassessed the accounting treatment used for its distribution subsidiaries concession agreements following the IPO and as a result adopted IFRIC 12 at the end of 2014. The Group has applied retrospectively the change in accounting policy and restated the comparative periods.<br>• The accounting policies applied in these interim consolidated 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.<br>✓ **IFRS 16 ‘Leases’** requires companies to bring most leases contracts to a single model, eliminating the distinction between operating and finance leases, for which a right to use the asset and a leasing right are recognized. The Group has lease contracts mainly for rental of vehicles, land, buildings, optical fibers etc. Being permitted by the standard, the Group adopted IFRS 16 starting with 1 January 2019 using the modified retrospective approach - the cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. As of 30 June 2020, the Group has recognized rights-of-use assets amounting to RON 18.4 mn and lease liabilities amounting to RON 19.5 mn from previous operating leases contracts, out of which short-term liabilities in amount of RON 13.3 mn and long-term liabilities in amount of RON 6.2 mn. |

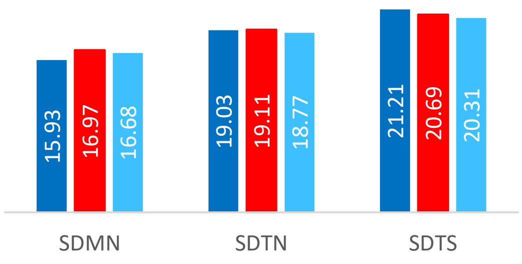
Source: Company data – consolidated interim financial statements as of 31 March 2020

# Important Regulatory Changes – Distribution Activity (1/2)

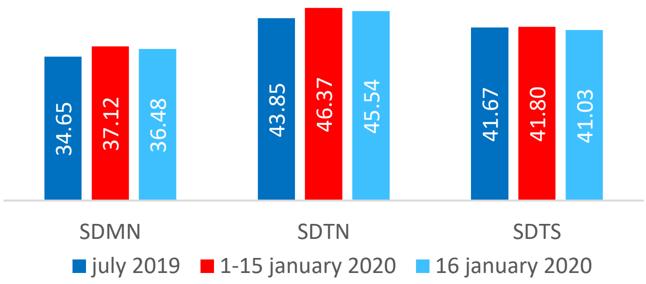
**Distribution activity**

- **RP4 Regulations on Distribution tariffs**
  - ANRE approved Order no. 75 of 6 May 2020, which established a regulated rate of return (RRR) for electricity and gas, distribution and transmission, of 6.39% for the existing BAR, until the end of the fourth regulatory period (RP4). By this Order, the Order no. 168/2018, by which an RRR of 5.66% for the existing RAB was established, was repealed. The 1% RRR incentive granted for electrical distribution network investments put into operation in RP4 is maintained
  - The Methodology for setting distribution tariffs for RP4 was approved by ANRE Order no.169/2018, amended by ANRE Orders no. 193/2018, no. 60/2019 and no. 203/2019
- **Distribution tariffs approved for 2019 -** in December 2019 (applicable starting with 1 January 2020, computed based on RRR of 6.9% and 2% of turnover contribution); amended on 16 January 2020 (for taking into account the ANRE monetary contribution of 0.2% of turnover)

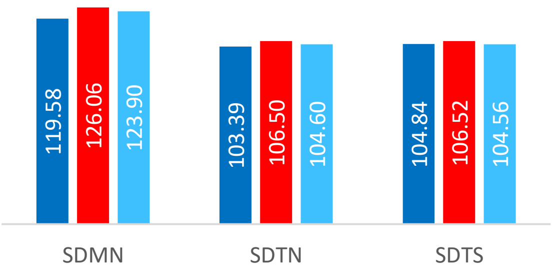
**High voltage tariffs (RON/MWh)**




**Medium voltage tariffs (RON/MWh)**




**Low voltage tariffs (RON/MWh)**




- **GEO no. 1/2020 entered into force on 10 January 2020, amended Energy Law with impact on DSOs:**
  - The RRR value of 6.9% (approved by GEO 19/2019) is abrogated starting with 30 April 2020 and ANRE is obliged to establish the RRR value based on the information obtained from the authorized authorizations, including at the request of any injured party
- **Law no. 26/2020 - amends GEO no. 33/2007 regarding the organization and functioning of ANRE:**
  - ANRE's activity will not be restricted by any other authority
  - The express specification of the date of approval of the distribution tariffs is eliminated, respectively 15 December
- **ANRE amended and completed the regulations for the alignment with the EU Regulations on:**
  - Program for implementing the measures for ensuring the settlement conditions at an interval of 15 minutes - ANRE Order no. 63/2020
  - Possibility of trading electricity on unregulated markets and Implementation of the aggregation mechanism - ANRE Order no. 65/2020
  - Regulation for concluding bilateral contracts through extended tender and the use of flexible products - ANRE Order no. 64/2020

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Note: The electricity tariff charged for invoicing is calculated by adding the specific tariffs for the electricity distribution service depending on the voltage in the point for delimitation of electric installations belonging to the concessionaire distribution operator from those belonging to the end consumer

# Important Regulatory Changes – Distribution Activity (2/2)

**Distribution activity**

- **Law no. 155/24 July 2020 entered into force on 30 July 2020 and amended the Energy Law no. 123/2012:**
  - **Licenses** - the situations in which the distribution service can be done without a license are defined; the concessionaire DO has the right to refuse the agreement for granting the license, only conditioned by the connection in technical-economic conditions advantageous for the applicant. The distribution of electricity is made by DO, legal person, licensee or exempted from licensing
  - **Network takeover** - DO has the obligation to acquire in 120 days the capacity of a third party at the value established by an independent expert, the refusal of DO to take over is sanctioned with a fine of 5-10% of the turnover
  - **Non-domestic connections with lengths <2500 m** - DO has the obligation to ensure the financing and realization, in 90 days, of the connections of non-domestic clients, with a length of less than 2500 m; exceeding the term of 90 days is sanctioned with a fine of 1- 5% of turnover
  - **Exceptions from the Procurement Law** - making acquisitions according to the regulations approved by ANRE
  - **Thefts** - in case of theft, the DO can interrupt the supply only if there is no supply contract, or with a court decision
  - **Contraventions** - several fines computed as a percentage applied to the turnover, for non-compliance with the provisions regarding the license and connection

- **Methodology for setting distribution tariffs - under discussion:**
  - Zonal distribution tariffs after the merger; maintaining and reporting cost and income records on network areas
  - Recognition of expenses related to internalizations / outsourcing that do not exceed the equivalent of the previous year's achievements
  - The inflation rate (IR) will be corrected only within a regulatory period, and not at the transition from one period to another (the IR correction mechanism is changed by establishing income differences)
  - Investments with fiber optics will not be excluded from RAB if will be partially leased to third parties
  - The NL reference price recognized will take into account the average of the average prices of the 9 network operators (including services)

- **Order no. 204/2019 - Investment procedure - under discussion:**
  - The recovery period of unrealized investments 2019 and 2020 is extended by 4 months, respectively 2 months
  - In justified cases it is allowed to exceed the limit of 10% of the number of works replaced on 1 October
  - The obligation of DO to allocate the investment plan by counties

- **Regulations regarding the connection activity - under discussion:**
  - The connection agreement is concluded directly by the user with a chosen constructor, and the payment of the connection tariff is made directly to the constructor
  - The connection installation remains in the user's patrimony, who hands it over to the DO for operation; DO is obliged to operate them, to maintain them and to use them later for the connection of other users, without being provided the concrete way of taking over

# Changes in Distribution Regulation - RP4

## Regulated Revenue and tariff calculation

(1) Contr. OPEX[1] + (2) Non-controllable OPEX + (3) NL Cost + (4) Depreciation + (5) RRR[2] − (6) Reactive en. & 95% profit other activ. = (7) Regulated Revenue

(8) Tariff = (7) Regulated Revenue / (9) Forecasted Volume

| | |
|---|---|
| 1 Controllable OPEX | • The starting point is approved by ANRE based on a comparative analysis between DSOs<br>• Operating and maintenance costs (excluding personnel costs and OHS costs) are subject to an efficiency factor of 2%; 40% of the operating efficiency gain will be kept by DSOs; the efficiency gain taken into consideration is maximum 5%<br>• Annual correction between forecasted and realized values |
| 2 Non-controllable OPEX | • Taxes, royalties, fees, special weather conditions<br>• Annual correction due to deviations between forecasted and actual values |
| 3 NL Cost | • NL reduction program is approved by ANRE, correlated with the investments program<br>• NL targets at the beginning of RP are approved by ANRE on each voltage level as minimum achieved in the previous RP; NL efficiency: 25% (HV and MV) and 50% (LV) kept by DSOs at the end of the period if yearly efficiency is achieved<br>• NL recognized price is limited to a reference price established based on the actual DSOs & TSO prices. |
| 4 Depreciation | • Based on historical depreciation & new investments<br>• Linear depreciation (25 years) for initial RAB and useful life of new RAB assets of at least 18 years<br>• Ex-post recognition of the depreciation for the commissioning year. |

| | |
|---|---|
| 5 RRR | • January 2019, ANRE established RRR 5.66% for existing RAB and 1% incentive for RP4 network investments<br>• 29 March 2019 – 30 April 2020, RRR 6.9% for total RAB, according to GEO 19/2019 and GEO 1/2020<br>• May 2020, ANRE established RRR 6.39% for existing RAB and 1% incentive for RP4 network investments |
| 6 Reactive en. & profit other activ. | • The deviations between realized and forecasted values of reactive energy revenues and profit for other activities that exceed 5% are corrected annually |
| 7 Regulated Revenue | • Regulated revenue ensures that the DSOs have (i) the ability to finance investments and (ii) the interest to increase efficiency |
| 8 Tariffs | • DSO tariffs are approved by ANRE<br>• Each DSO has unique tariffs<br>• Differentiation for each voltage level (HV, MV, LV)<br>• Specific distribution tariffs are limited to annual increases <10%, and the weighted average tariff < 7% |
| 9 Forecasted volumes | • The volumes to be distributed each year on each voltage level are forecasted by DSOs at the beginning of each regulatory period<br>• If the actual volumes are higher with more than 3% as compared with forecasted volumes, ANRE will correct the tariff projection |

1. OPEX – Operating Expenses
2. RRR – Regulated Rate of Return

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# Changes in Distribution Regulation

## Methodology for determining distribution tariffs - Summary RP4 vs RP3

| | RP3 | RP4 |
|---|---|---|
| 1 Return RRRxRAB | **RRR** (7.7%) applied to RAB<br>**RAB** includes the regulated net amount of the initial RAB and of the new investments to which the forecasted investments are added | **RRR** January 2019: 5.66% existing RAB & 1% incentive RP4 network invest.(acc. ANRE)<br>29 March 2019–30 April 2020: 6.9% total BAR (acc. GEO 19/2019 & GEO 1/2020)<br>May 2020: 6.39% existing RAB & 1% incentive for RP4 network invest.(acc. ANRE)<br>**RAB** diminished by tangible assets leaving the initial RAB during 2005-2018 |
| + 2 Depreciation | **Regulated Depreciation**<br>Linear depreciation: initial RAB - 25 years, new PIF - 18 years | **Regulated depreciation**<br>Ex-post recognition for the depreciation of PIF year |
| + 3 OPEX | **Opex**<br>Controllable **OPEX** – is subject to efficiency of 1.75%; 50% of the efficiency gain is allocated to customers at the end of the period.<br>Non-controllable **OPEX** - pass-through | Controllable **OPEX** - only a part is subject to 2% efficiency; 60% of the operating efficiency gain is allocated annually to customers<br>Non-controllable **OPEX** - pass-through, but does not include the monopoly tax |
| + 4 NL | **NL -** Targets set by ANRE on voltage levels, efficiency gain is granted at the end of the period. NL price recognized within the limit of a reference price (80% BM &20% DAM) | **NL -** The 2019 target established as minimum achieved RP3, decrease of 15%-25% in NL for LV for the period 2019-2023. NL price recognized within the limit of a reference price established based on the comparison between DSO price and the average price of DSOs & TSO |
| + 5 WCR | **WCR** calculated using the formula: WCR = 1/12∗Opex∗RRR | **WCR** (working capital requirement) was removed from the regulated revenue |
| − 6 Revenue from reactive energy | **Reactive energy revenue and profit from other activities** - Reduces the approved regulated income; 50% of the profit from other activities is allocated to customers | **Reactive energy revenue and profit from other activities** - Reduces the approved regulated income; the allowed profit margin is of 5%, whatever exceeds this profit margin shall be allocated to customers |
| + 7 Corrections | **Annual correction** - due to the deviation between forecasts and approved (quantities of energy, NL price and quantity, uncontrollable costs), investment if Achieved <80% Plan | **Annual correction** - generated by the deviation between forecasts and approved (quantities of energy, NL price and quantity, uncontrollable, controllable costs, investments) |
| = 8 | **Regulated revenue** | |

# Changes in Distribution Regulation

## Methodology for determining distribution tariffs – Comparative elements RP4 vs RP3

| RAB & Investment | RP3 methodology | RP4 methodology |
|---|---|---|
| **RAB** | **1. RRR includes**: Assets used for the distribution service<br>**2. RAB does not include**: land, current assets (excepting licenses and patents), dormant assets or inventories<br>**3. Initial RAB –** is not reduced by tangible assets decommissioned after the year 2005<br>**4. RAB updated with inflation rate (IR)** - starting with RP4, the RAB value is not to be updated with inflation | **1. RAB includes:** assets used for the distribution service, which are recorded into the DSOs accounts as tangible assets and are physically identifiable individually<br>**2. RAB doesn't include:**<br>a. lands, current assets (with the exception of licenses and patents), dormant assets or inventories<br>b. tangible assets leased/loaned free from third parties or transferred to third parties by renting/gratuitous loan (with the exception of pillars)<br>**3. Initial RAB –** is reduced by tangible assets decommissioned during 2005-2018<br>**4. RAB** is automatically inflated until the value of the RAB is not exceeding the NBV of the assets included in RAB |
| **Profitability (RRR x RAB)** | 1. RRR = 7.7% applied to RAB<br>2. RRR = 4.7% applied for the capitalized maintenance (~10% investment plan) | 1. RRR Jan. 2019 = 5,66% existing RAB; 1% incentive network inv.<br>2. RRR 29 March 2019-30 April 2020 = 6,9% total RAB<br>3. May 2020 = 6,39% existing RAB; 1% incentive network inv. |
| **Depreciation** | 1. Average **regulated useful life** - 18 years | 1. Average regulated useful life – was removed<br>2. Depreciation forecasted year PIF = 0 |
| **Investments** | 1. **Annual correction** - if the value of realized investments <80% of the plan | 1. **Annual correction** - if the value of realized investments < Plan<br>2. Annual **investment plan** ≥ regulated annual depreciation |

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# Changes in Distribution Regulation

## Methodology for determining distribution tariffs – Comparative elements RP4 vs RP3

| Opex & NL | RP3 methodology | RP4 methodology |
|---|---|---|
| **Controlable OPEX (OpexC)** | **1. OpexC 2019** is established based on formulae (approved - ½ of the RP3 average efficiency achieved)<br>2. Controllable costs are subject to an annual efficiency factor of 1.75% (Xeff)<br>3. 50% of the efficiency gain is allocated to customers at the end of RP3. | **1. OpexC 2019** is not established based on formulae, but by comparative analysis, and it can be adjusted at the documented request of the DSO.<br>2. Controllable costs are classified as:<br>► maintenance and operation – efficiency factor of max. 2% applicable<br>► personnel and safety – efficiency factor not applicable.<br>3. Operating efficiency gains: between 2% and 5%: 60% allocated to customers annually; whatever exceeds 5% is fully allocated to customers<br>4. Annual corrections when the achievements differ from the forecasts<br>5. Caution criteria for the recognition of the incurred costs. |
| **Uncontrollable** | The tax on monopoly is recognized in costs. | The tax on monopoly is not recognized in costs. |
| **NL** | **1.The Annual Target** established based on voltage levels on the basis of documented requests of DSO.<br>**2. The efficiency gain** is granted to the DSO at the end of the period: 25% for HV and MV and 50% for LV, if the DSO has been efficient during each year.<br>**3. Recognised NL price**, determined on the basis of a reference price: 80% BM and 20% DAM and adjustment of the reference price by 2%, or 4% in exceptional cases. | **1. NL Target:** NL reference RP4 (NL ref) = minimum between LV target set for 2018 and NL percentage for LV during RP3.<br>**NL LV for 2019 ÷ 2023 -** linear reduction; the reduction percentage depends on the NL reference percentage, as follows: for a NL reference % higher than 15%, the reduction percentage is of 25%, and this decreases to 15%, for a NL reference % between 14% and 13%<br>**2. The efficiency gain** is granted at the end of the period: 25% for HV and MV and 50% for LV, if the DSO was efficient during each year.<br>**3. NL Price**<br>► **forecasted for RP4** = average between DSO and TSO (H2 2018 and H1 2019)<br>► **actual recognized** = minimum between the price achieved by DSO and the reference price, which is the average of prices achieved by DSO and TSO, limited to 5% BM quantity |
| **WCR** | Working Capital Requirement (WCR) =1/12∗Opex∗RRR | Removed |
| **Profit from other activities** | DSO retains 50% of the profit | Profit from other activities that exceeds 5% is corrected annually |

# Supply Regulation Area – Primary Legislation – 1/2

**Primary legislation with major impact on supply activity**

**GEO no. 1/2020 on some fiscal-budgetary measures and for amending and supplementing some normative acts (including GEO no. 114/2018):**

- until 31 December 2020, for household customers the supply of electricity is carried out under conditions regulated by ANRE
- the differences in acquisition costs in 2018 and 2019 of last resort suppliers, not recovered through the prices charged, will be recovered in stages and in full until 31 December 2020, according to ANRE regulations
- starting with January 2020, the level of tariffs and contributions is established annually by Order of ANRE's President → the contribution decreases from 2% to 0.1% of turnover
- until 31 December 2020, Romanian Government regulates, at the initiative of relevant ministry, the status and legal regime of vulnerable consumer, as well as the way of financing it

**Decree no. 195/2020 regarding establishment of state of emergency on Romanian territory and Decree no. 240/2020 regarding state of emergency extension on Romanian territory:**

- duration: 30 days from 16 March 2020 and extended by another 30 days starting with 15 April 2020
- measures are taken to ensure continuity in supply, respectively extraction, production, processing, transmission, distribution, supply, maintenance, maintenance and repair of resources and raw and / or semi-processed materials necessary for proper functioning of national energy system, and ensuring continuity of operation and all public utility services
- possibility to cap the prices for public utility services (electricity and heat, gas, water supply, sanitation, fuels, etc.) during the state of emergency, within the average price of the last 3 months before the declaration of state of emergency

**GEO no. 29/2020 on some economic and fiscal-budgetary measures:**

- small and medium enterprises, which have ceased their activity totally or partially based on decisions issued by competent public authorities, according to the law, during the state of emergency decreed, and holding the emergency certificate issued by the Ministry Economy, Energy and Business Environment, benefits from deferral of payment for utility services - electricity, natural gas, water, telephone and internet services, as well as deferral of rent payment for building intended for headquarters and secondary offices

**Military Ordinance no. 4/2020 on measures to prevent spread of COVID-19:**

- during state of emergency, prices for electricity and heat, natural gas, water supply, sanitation and fuels may not be increased above the level applied at the date of issuance of this military ordinance (29 March 2020), they may only be reduced depending on demand and supply

**Government Decision no. 394/2020 on approval of the establishment of the state of alert at national level and of the measures for prevention and control of the COVID-19 pandemic:**

- period for state of alert: 30 days, starting 18 May 2020, prolonged for 30 days, starting 17 June 2020, through Government Decision no. 476/2020, additionally prolonged for 30 days, starting 17 July 2020, through Government Decision no. 553/2020

**GEO no. 70/2020 on regulation of certain measures, starting with 15 May 2020, in context of epidemiological situation determined by SARS-CoV-2 coronavirus spread, for certain terms extension, for amendment and completion of Law no. 227/2015 on Fiscal Code, of National Education Law no. 1/2011, as well as other normative acts:**

- during alert state, transmission and distribution operators of electricity and natural gas ensure continuity of service provision, and in case there is an incident of disconnection, they postpone this operation until the alert state ends

# Supply Regulation Area – Primary Legislation – 2/2

| Primary legislation with major impact on supply activity | **GEO no. 74/2020 for amending and supplementing the law on electricity and natural gas no. 123/2012:**<br>- producers operating dispatchable production units, only for units not benefiting from support schemes, in the ascending order of prices set by ANRE, are obliged to sell through SoLR regulated contracts so as to ensure the full amount of electricity needed by household consumers for which regulated tariffs are applied, so that they are not increased above the level applied on 19 May 2020, which can be adjusted according to market developments, without exceeding the aforementioned level<br>- producers may conclude bilateral contracts outside the centralized market, at negotiated prices, in compliance with competition rules, for electricity from new energy production capacities, put into operation after 1 June 2020<br><br>**GEO no. 106/2020 for amending and supplementing the law on electricity and natural gas no. 123/2012 and other legislation:**<br>- natural gas suppliers have the obligation to purchase the natural gas they supply to domestic customers, under the conditions of minimizing the cost of allocated resources, based on its own internal procedure developed in correlation with the new provisions in term of bidding on the centralized markets, in order to ensure the transparency of the natural gas acquisition process and, at the same time, the equal and non-discriminatory treatment of participants in the natural gas acquisition procedure, as bidders<br>- natural gas suppliers will set up single points of contact, physical or virtual, to provide final customers with adequate means of information on their rights, on the legislation in force, on the ways of solving disputes in case of requests, complaints, notifications, claims or appeals, including information on the average purchase prices of natural gas supplied, for all categories of consumers. These single points of contact can be part of the general consumer information points and provide final customers with free of charge information → the obligation for natural gas suppliers to set up points of single contact (consisting of a central point coordinating the regional / local information points) located at a maximum distance of 50 km from the place of consumption in the case of household customers, is eliminated. Instead, the notion of virtual contact points is introduced<br><br>**Law no. 155/2020 for amending and supplementing the law on electricity and natural gas no. 123/2012 and other legislation:**<br>- prosumers who own units for the production of electricity from renewable sources with an installed capacity of no more than 100 kW per place of consumption (compared to 27 kW, before) can sell the electricity produced and delivered in the network to electricity suppliers with which they have concluded contracts for electricity supply<br>- prosumers, individuals, legal entities and local public administration authorities, that own power plants that produce energy from renewable sources, as well as individuals or legal entities that have units for electricity production from renewable sources are exempted from the annual & quarterly purchase obligation of green certificates, for the electricity produced and used for their own final consumption, other than the technological own consumption of the power plant<br>- electricity producers and public authorities that own power plants from renewable energy sources with installed capacities of no more than 3 MW per producer may conclude directly negotiated contracts (bilateral contracts) only for energy from these plants, only with suppliers of final consumers for the sale of electricity and / or green certificates<br>- by 30 June 2021, the selling price of natural gas to domestic customers, thermal energy producers, only for the amount of natural gas used to produce thermal energy in cogeneration plants and thermal power plants designed for population consumption, the price is formed under free market conditions from the unit cost of natural gas, from which the quantities of natural gas from import and storage are excluded. If the suppliers will apply to the unit cost of gas a cost higher than the real acquisition cost, the amount resulting from the difference between the real acquisition price and the regulated price of the producers in the amount of 68 lei/MWh, is divided in the following proportions: 10% remains with the supplier and 90% is collected from the state budget in a special account and is used exclusively for the protection of vulnerable customers. The calculations are made monthly, for the previous month |
|---|---|

# Supply Regulation Area – Secondary Legislation – 1/3

**Supply activity – secondary legislation**

**ANRE Order no. 1/2020 on approval of tariffs and monetary contributions levied by National Energy Regulatory Authority in 2020:**

- following GEO no. 1/2020, the responsibility for establishing the values of contributions due to ANRE reverted to ANRE

**ANRE Order no. 12/2020 on amending and supplementing the Competitive Selection Regulation in order to designate SoLR, approved by ANRE Order No. 26/2018:**

- price offer sent by optional SoLR includes the price for non-household customers receiving universal service (US) and validity period, compared to previous option that required a discount compared to a reference price - the price applied by bound SoLR
- a commitment is needed to establish single points of contact - for each network area, within 30 days of taking over US customers

**ANRE Order no. 18/2020 regarding the establishment of the mandatory quota of green certificates for 2019:**

- value set at 0.433548 green certificates/MWh, without significant changes compared to estimated quota

**ANRE Order no. 27/2020 for establishing measures regarding natural gas supply to domestic customers in the perspective of eliminating regulated prices:**

- regulated prices for final gas customers are eliminated starting with 1 July 2020

**ANRE Order no. 64/2020 on approval of the Regulation regarding the manner of concluding bilateral electricity contracts by extended tender and the use of products to ensure trading flexibility:**

- delivery period → minimum 1 month
- trading the quantity offered can be completely with a single participant or partial and / or with several participants; for hourly powers greater than 10 MW only the option of partial trading / with several participants is allowed
- the offer contains a minimum requested price, in case of a sale offer, respectively the maximum offered price, in case of a purchase offer; the bidder must include in the price the TG component, corresponding to introducing electricity in the network
- the option of varying the hourly power by up to +/- 25% compared to the quantity provided for in the offer, which applies at the explained request of a party, if there is an expressed agreement in this regard at the contract signing
- a formula for adjusting the award price of the contract / contracts (closing price of the auction) can be used depending on the evolution of a public stock market index in the field of electricity, including the related formula. It contains as variable only the chosen stock index. The price adjustment formula is applied monthly, starting with the first day of delivery, if there is the agreement of the parties expressed at contract signing

# Supply Regulation Area – Secondary Legislation – 2/3

**Supply activity – secondary legislation**

**ANRE Order no. 61/2020 for approval of Regulation on the programming of dispatchable production units, dispatchable consumers and dispatchable storage facilities, of Regulation on operation and settlement of BM and of Regulation on calculation and settlement of imbalances of the parties responsible for balancing**

- the offers' technical price limits are represented by a minimum price, which is the equivalent in RON at the NBR exchange rate from the day before the delivery of the value of – 99,999 Euro / MWh and a maximum price, which is the equivalent in RON at the NBR exchange rate in the day before the delivery of the value of +99,999 Euro / MWh, between which the price of any price-quantity pair included in an offer must be established → the price difference between DAM and BM of 450 RON / MWh is eliminated starting with 1 September 2020

**ANRE Order no. 65/2020 on amending and supplementing several ANRE Orders:**

- long-term supply contract → contract with a delivery period of more than 1 year
- aggregators, storage facilities and final customers are included in the list of energy market participants
- the aggregation of the market participants is done separately for production activity, respectively for consumption

**ANRE Order no. 70/2020 on amending ANRE Order no. 12/2017 annex for approval of Regulation for SoLR taking over of final customers places of consumption who do not have ensured electricity supply from any other source and for amending regulations in electricity sector:**

- the order establishes the conditions, deadlines and stages in the situation in which SoLR is obliged to take over final customers who have not ensured the supply of electricity from any other source, as a last resort

**ANRE Order no. 73/2020 amending ANRE Order no. 189/2018 annex regarding the obligation to inform final customers through the online application "Offers comparator - electricity supply type“:**

- ANRE web application "Offers comparison - electricity supply type“ was updated in order to offer final customers the possibility to access, directly and in a centralized manner, information regarding necessary documents for concluding supply contracts, to download documents necessary for supply contracts conclusion and to be informed on how to submit to suppliers necessary documents for supply contracts conclusion

**ANRE Order no. 88/2020 for the approval of the Methodology for establishing regulated tariffs and prices applied by SoLR to final customers for the period 1 July – 31 December 2020 and for amending and supplementing the Framework Contract for the sale and purchase of electricity concluded between producers of electricity and SoLR, approved by Order of the President of the National Energy Regulatory Authority no. 34/2019:**

- electricity producers have the obligation to sell through regulated contracts concluded with SoLR so as to ensure the full amount of electricity needed for household consumers for whom regulated tariffs apply, so that they are not increased above the level practiced on 19 May 2020
- the price for non-households, beneficiaries of US and inactive clients is established by each SoLR, for each network area, based on competitive criteria

**ANRE Order no. 138/2020 approving regulated electricity tariffs applied to household customers by the supplier of SoLR EFSA:**

- the regulated tariffs for household final customers, applicable by EFSA in the second semester of 2020, are approved
- tariffs decrease on average by 1.7% in case of EFSA; at the national level, the decrease is 1.89%

# Supply Regulation Area – Secondary Legislation – 3/3

| Supply activity – secondary legislation | |
|---|---|

**Supply activity – secondary legislation**

**ANRE Decisions no. 1074/2020, no. 1075/2020, no. 1076/2020 and no. 1077/2020 regarding establishment of regulated price for delivered electricity and of quantities of electricity sold on the basis of regulated contracts between 1 July and 31 December 2020 by Complexul Energetic Oltenia SA, SPEEH Hidroelectrica S.A., OMV Petrom S.A. and S.N. Nuclearelectrica S.A.:**

- regulated quantities of electricity are allocated to cover the portfolio household customers consumption needs in H2 2020, so that regulated tariffs decrease does not cause losses to SoLR
- at EFSA level, the degree of coverage with regulated contracts is 99%

**ANRE Order no. 141/2020 for generic electricity tariffs approval starting with 1 July 2020:**

- applicable by designated (optional) SoLR when billing active electricity consumption at customers' places of consumption households with which it concludes contracts for electricity supply under a regulated regime, in case, on 12 June 2020, they did not have, in this capacity, household customers in portfolio in the respective network area
- the evolution of generic tariffs depending on application area is as follows: Oltenia +0.35%, Moldova -3.78%, Dobrogea -1.41%, Banat +0.14%, South Muntenia +0.62%, North Muntenia +2.38%, Northern Transilvania +2.86% and Southern Transilvania +4.13%

**ANRE Order no. 142/2020 amending ANRE Order no. 218/2019 on approval of transmission service average tariff, transmission tariff components for electricity introduction into network (TG) and electricity extraction from network (TL), system service tariffs and regulated price for reactive electricity, practiced by National Power Grid "Transelectrica“ SA:**

- transmission tariffs (components for introducing and extracting electricity into / from the network) remain at the same level
- system service tariff decreases by 0.44 lei/MWh

**ANRE Order no. 143/2020 on the obligation to offer natural gas on the centralized markets for producers of natural gas whose annual production in the previous year exceeds 3,000,000 MWH:**

- during 1 July 2020 – 31 December 2022, the natural gas producers whose annual production in the previous year exceeds 3,000,000 MWh have the obligation to offer for sale certain quantities of natural gas, with delivery between 1 July 2020 – 31 December 2022
- the mandatory annual offer quota is 40% and is broken down in standardized products, established on periods

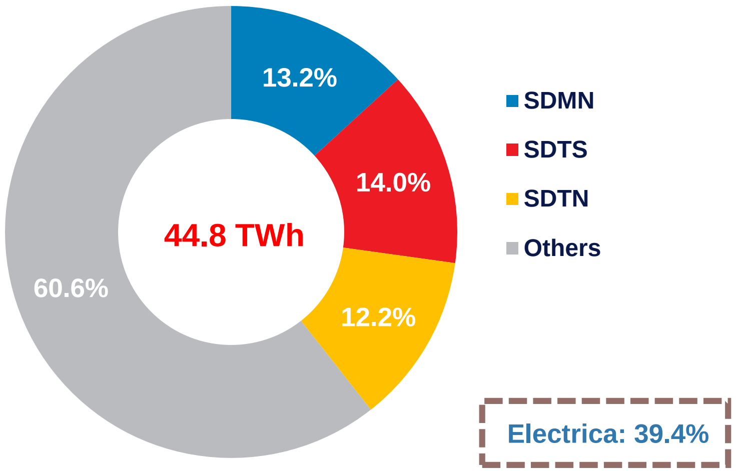
**ANRE Order no. 144/2020 on the obligation of participants in the natural gas market to offer on the centralized markets:**

- the obligation to offer, as a seller, by applying a percentage of 40% to the quantity of natural gas for which the participant in the natural gas market, as a seller, concludes sale and purchase contract on the wholesale market, starting with 1 July 2020, except for the transactions performed on the centralized markets and delivered in the respective year
- the obligation to offer, as a buyer, by applying a percentage of 40% to the quantity of natural gas for which the participant in the natural gas market, as a buyer, concludes sale-purchase contract on the wholesale market, starting with 1 July 2020, except for the transactions performed on the centralized markets and delivered in the respective year

# Leading Player in Distribution and Supply according to ANRE's most recent annual report

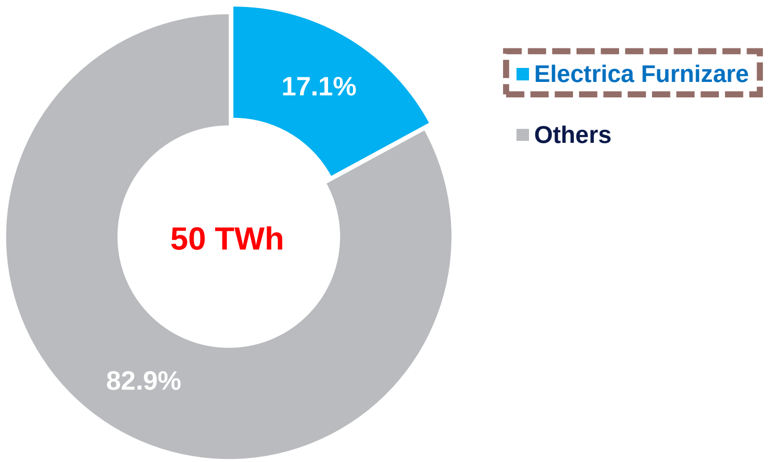
## Distribution

### Volumes Distributed in 2018

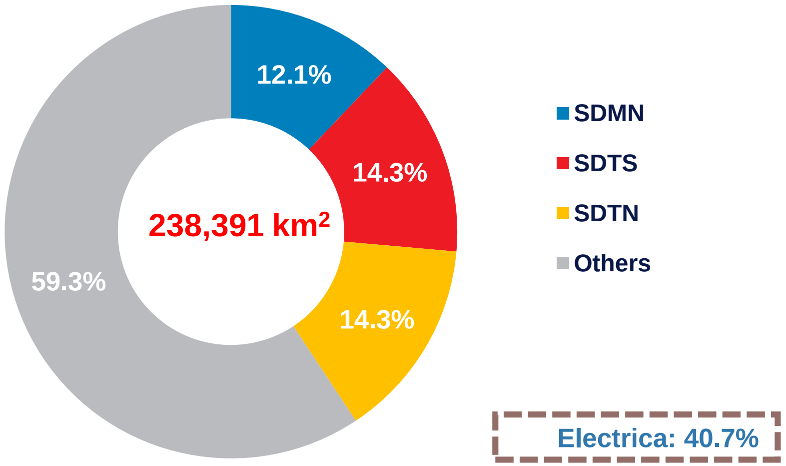



## Supply

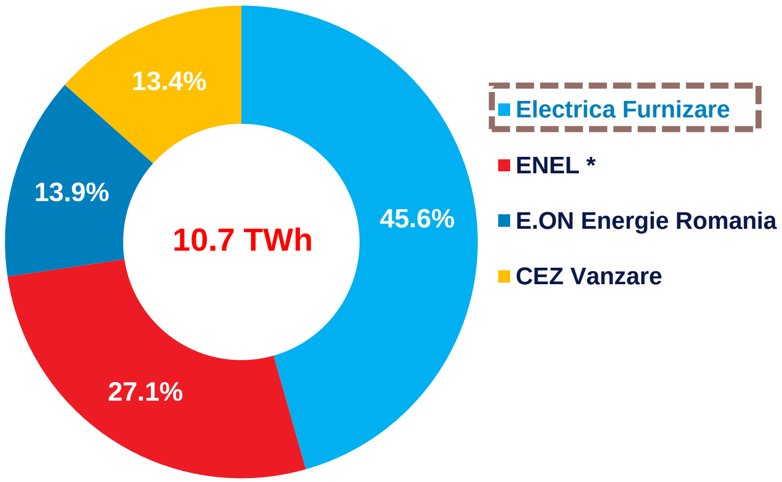
### Volumes Supplied in 2018




### Area Covered by Distribution Network




### Regulated Market Sales in 2018




Source: ANRE – 2018 Annual Report

*ENEL refers to ENEL Energie Muntenia and Enel Energie

# SDTN

## Key figures 6M 2020

**~1.30 mn**
users

**70,018 km**
voltage lines

**34,162 km$^2$**
coverage area

**RAB: RON 1.9 bn (est.)**

**2.66 TWh** *(-5.0%)*
distributed energy

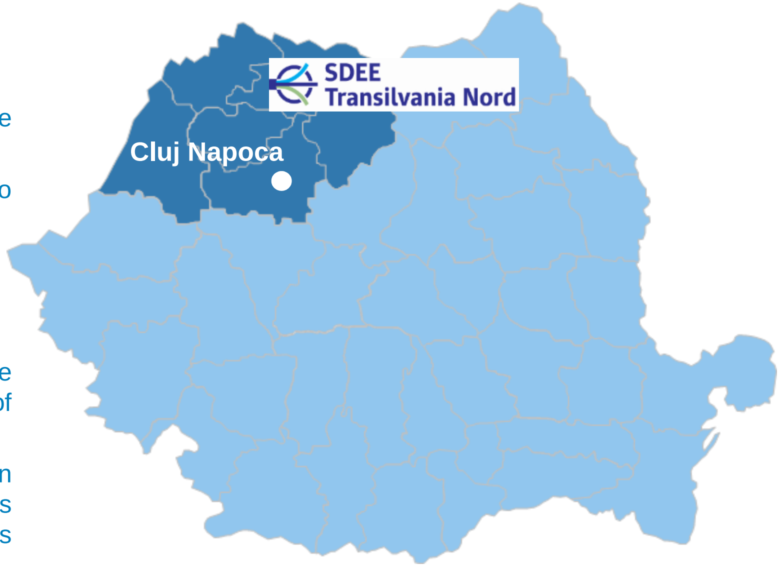
## Financial results

**EBITDA** is lower by **RON 4.5 mn** (-4.1%), mainly due to the evolution of:

- ▲ **distributed electricity revenues**: +**RON 8 mn** (+2.7%), from the positive evolution of the distribution tariffs, effect partially canceled by the lower total quantity of distributed electricity (-5%)
- ▲ **NL cost**: **+RON 6.6 mn,** as a result of the 4.3% increase in the quantity of electricity needed to cover NL and of the 1.9% purchase price increase compared to H1 2019
- ▲ higher costs with employee benefits **RON +14 mn**
- ▼ other operating expenses decrease **RON -16 mn**
- ▼ unfavorable effect of **RON 4.6 mn** from the net change in provisions

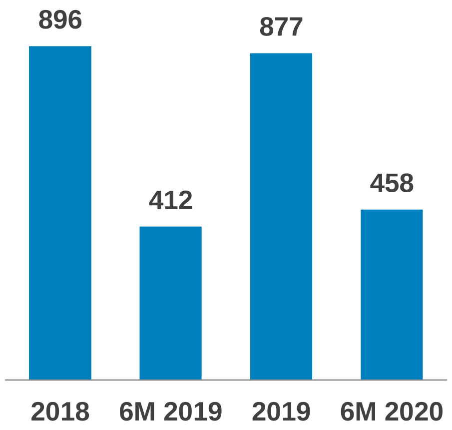
**Net profit** is **lower** by **RON 6 mn,** the negative evolution of EBITDA and the impact of the negative finance result increase by **RON 3 mn** being slightly canceled by the positive income tax variation of **RON 1 mn.**

The net debt increase of **RON 11 mn** compared to YE 2019 was generated mainly by the increase in network development financing (**RON 51 mn**) and by the decrease of cash and cash equivalents (**RON 13 mn**), effect partially offset by the decrease of bank overdrafts (**RON 48 mn**) and leases **(RON 4 mn).**

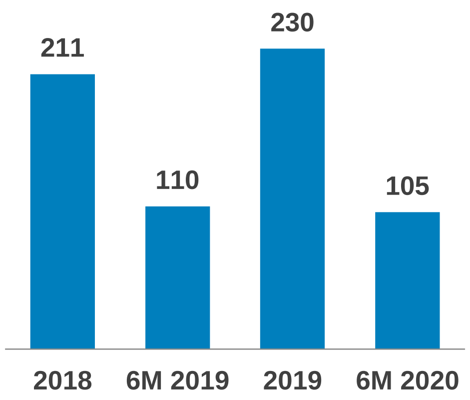



## Key financial metrics

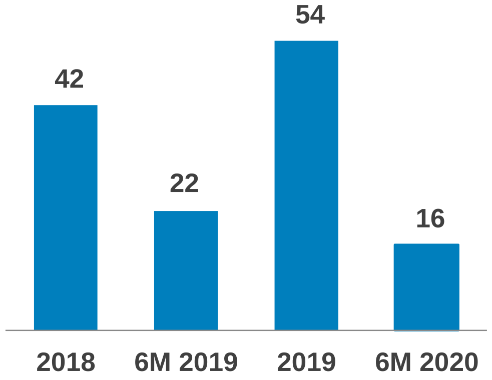
### Revenues
(RON mn)



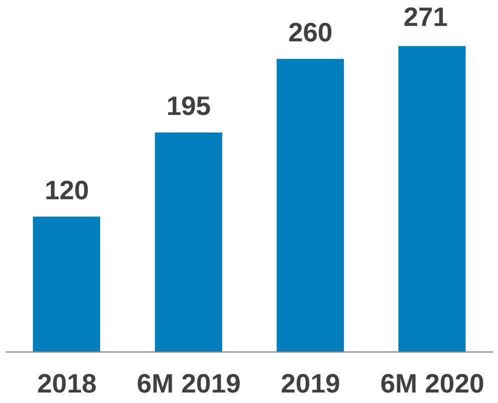

### EBITDA
(RON mn)




### Net result
(RON mn)




### Net debt/(Net cash) [1]
(RON mn)

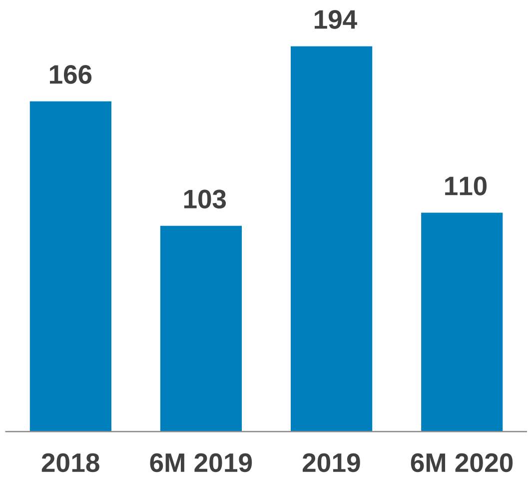



Source: Company data – Consolidated interim financial statements - segment reporting

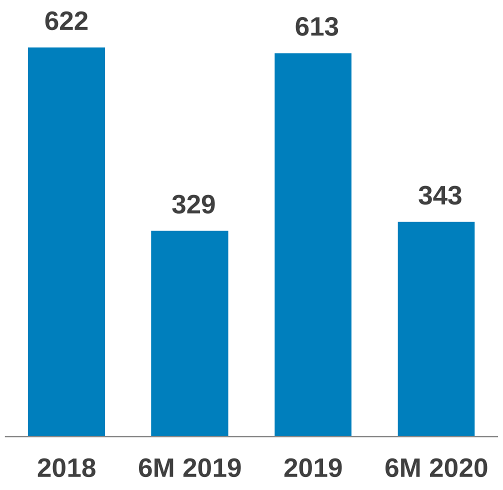
1. Net debt/(Net cash) is calculated as bank borrowings + bank overdrafts + financial leases + Financing of PP&E - Cash and cash equivalents - restricted cash - bank deposits - T-bills and government bonds

# SDTN (Cont'd)

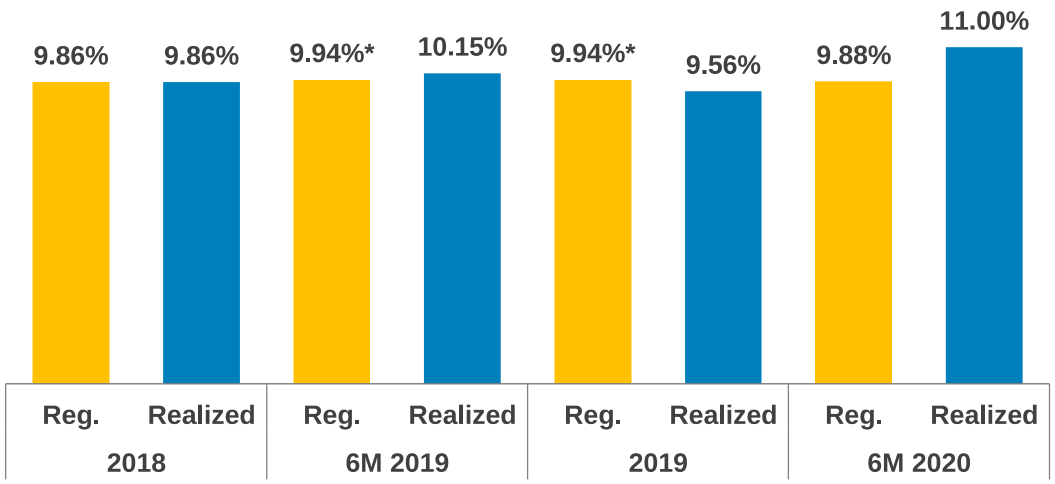
## Network losses cost
(RON mn)



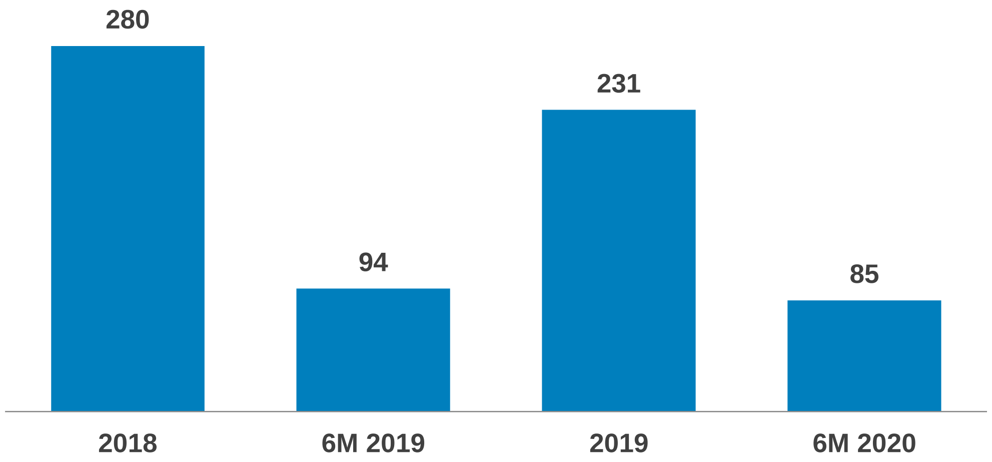

## Network losses
(GWh)



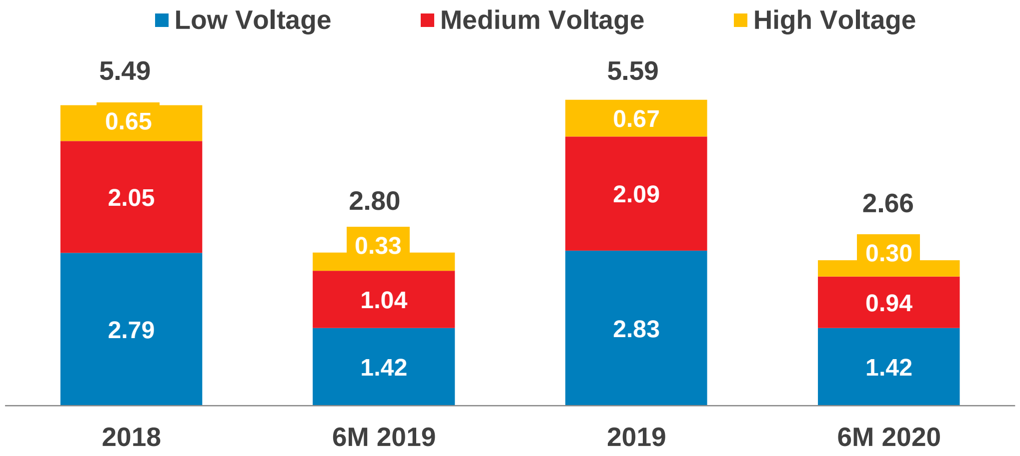

## Network losses
(%)




## Capex
(RON mn)




## Distributed volumes
(TWh)




Source: Company data, Consolidated interim financial statements - Segment reporting

*NL percentage reprojected, according to ANRE

# SDTS



## Key figures 6M 2020

**~1.19 million**
users

**58,044 km**
voltage lines

**34,072 km²**
coverage area

**RAB: RON 1.7 bn (est.)**

**3.01 TWh** *(-4.2%)*
distributed energy

## Financial results

**EBITDA** is higher by **RON 9 mn (+11%)**, mainly due to the following elements:

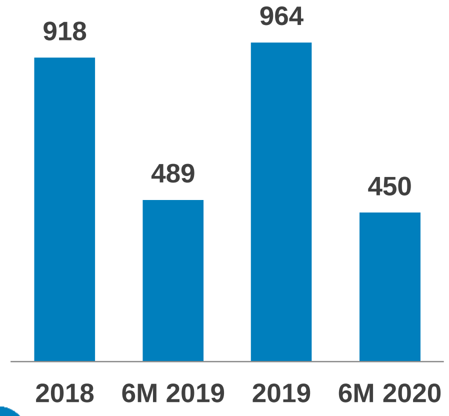
- ▼ **distributed electricity revenues**: -**RON 2 mn** (-0.6%), from the decrease in the quantity of electricity distributed on all voltage levels, the negative impact being partially offset by the positive evolution of distribution tariffs on LV and MV levels
- ▼ **NL costs**: **RON -3.2 mn,** being the effect of the 3.4% decrease in the quantity of electricity needed to cover NL, effect partially canceled by the increase of the electricity purchase price by 0.7%
- ▲ higher costs with employee benefits **RON +10 mn**
- ▼ other operating expenses' reduction **RON -12 mn**
- ▼ positive impact of **RON 5.2 mn** from the trade receivables' impairment adjustment variation

**The net profit** is down by **RON 1 mn,** the positive effect of the EBITDA evolution being offset by the increase of the negative financial result by **RON 4 mn**, increase of depreciation charge and impairment adjustment by **RON 4 mn** and the unfavorable effect of the income tax variation of **RON 2 mn**.

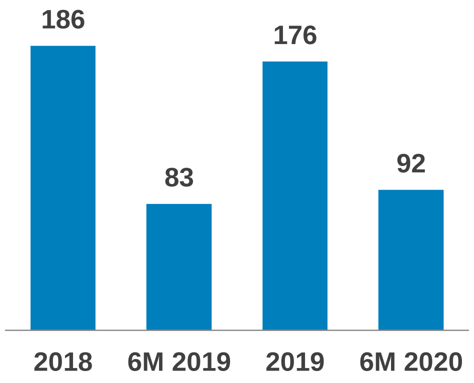
**The net debt decrease** compared to 2019 is the result of bank overdrafts value decrease (**RON 75 mn**), of cash and cash equivalents increase (**RON 14 mn**), effect partially offset by the increase in network development financing (**RON 28 mn)**.


## Key financial metrics

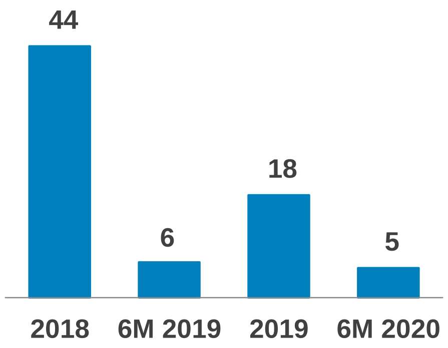
### Revenues
(RON mn)



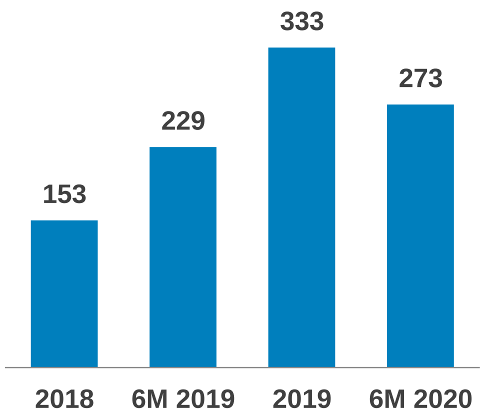

### EBITDA
(RON mn)




### Net result
(RON mn)




### Net debt/(Net cash) [1]
(RON mn)

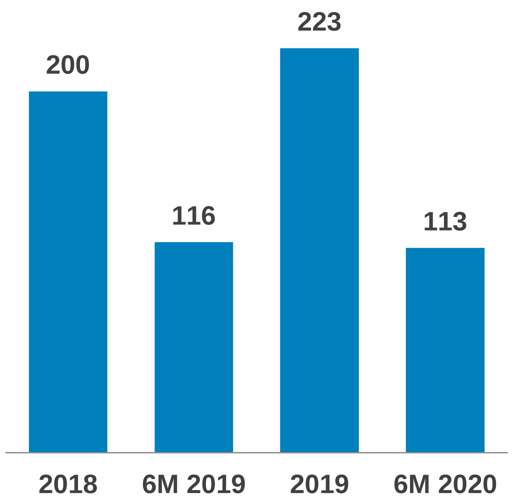



Source: Company data – Consolidated interim financial statements - segment reporting

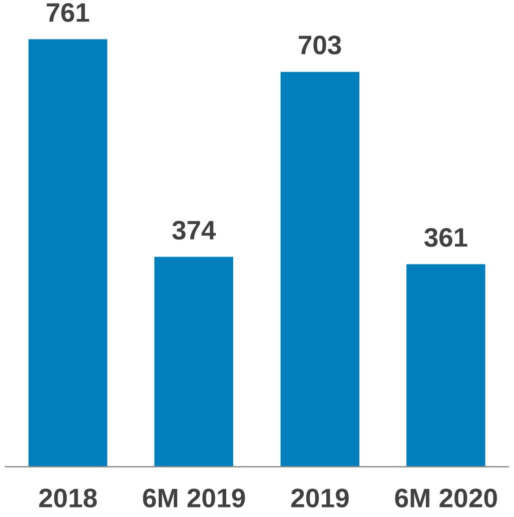
1. Net debt/(Net cash) is calculated as bank borrowings + bank overdrafts + financial leases + Financing of PP&E - Cash and cash equivalents – restricted cash - bank deposits - T-bills and government bonds

# SDTS (Cont'd)

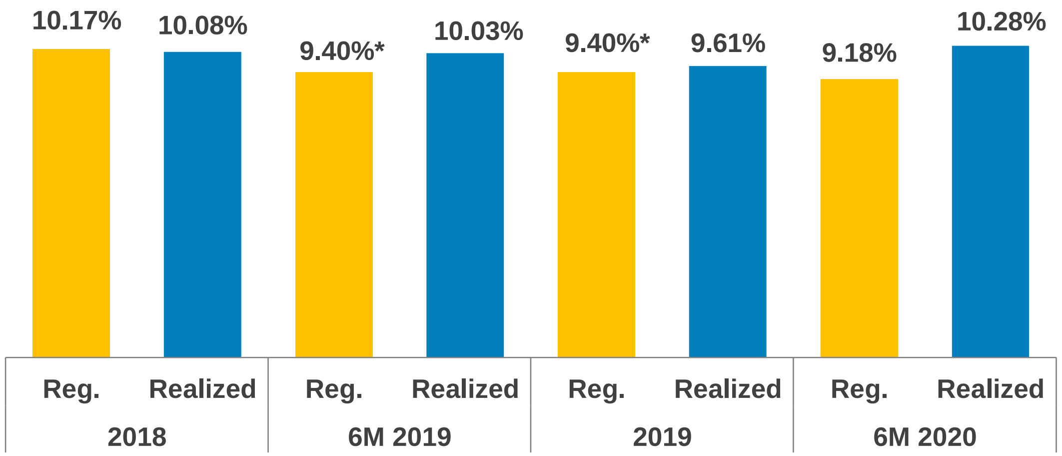
## Network losses cost
(RON mn)



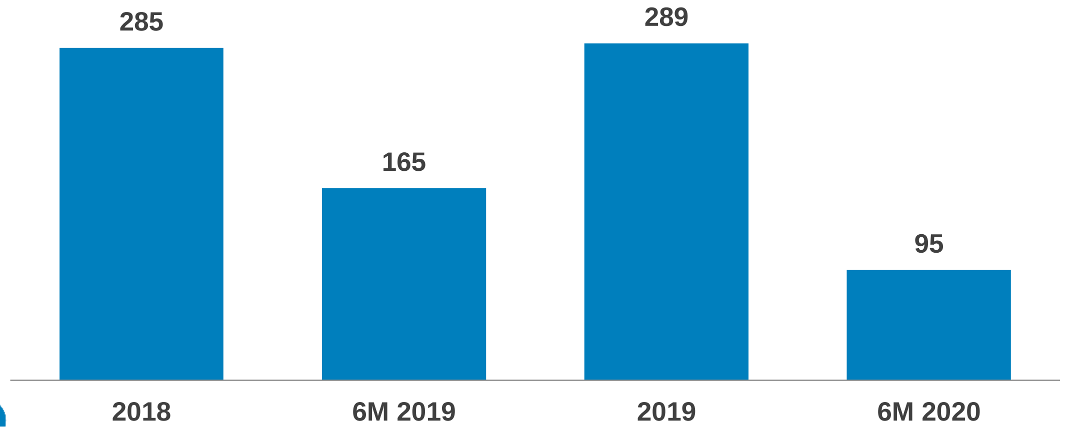

## Network losses
(GWh)



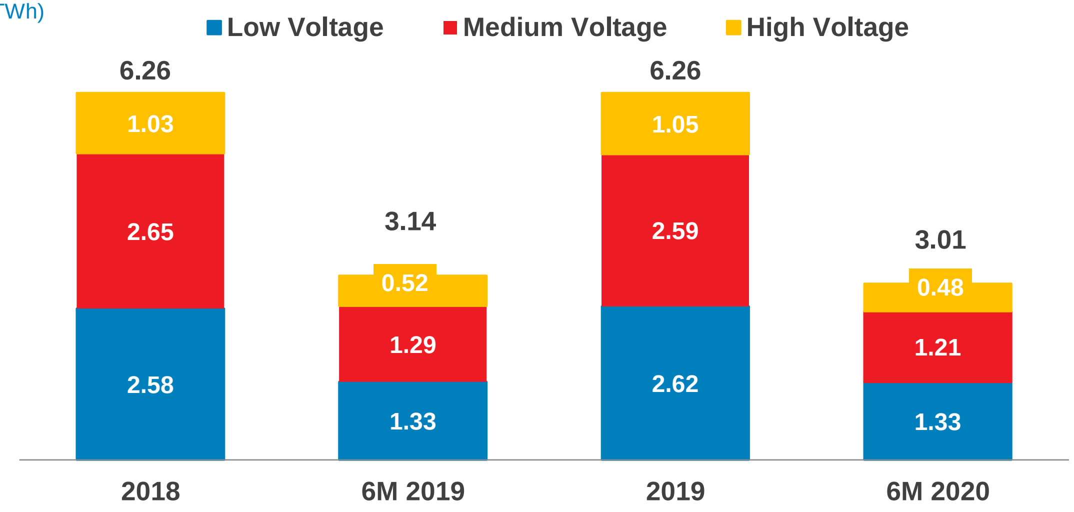

## Network losses
(%)




## Capex
(RON mn)




## Distributed volumes
(TWh)




Source: Company data, Consolidated interim financial statements - Segment reporting

*NL percentage reprojected, according to ANRE

# SDMN

## Key figures 6M 2020

~1.32 million
users

71,328 km
voltage lines

28,962 km²
coverage area

RAB: RON 2.0 bn (est.)

2.77 TWh *(-5.3%)*
distributed energy

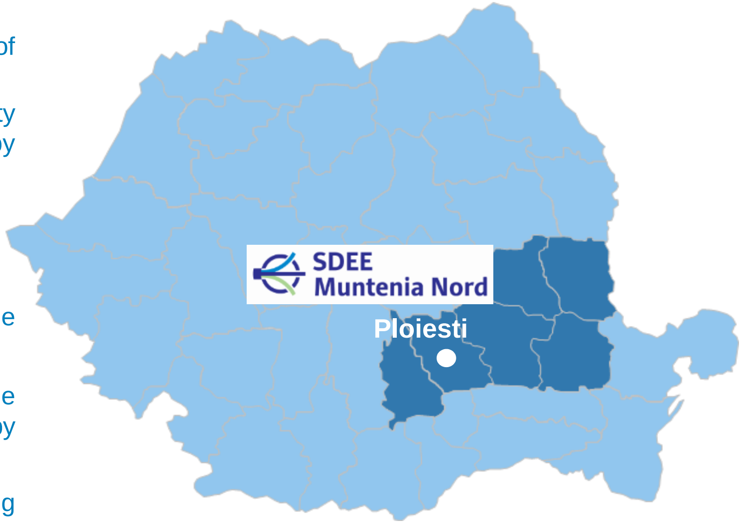
## Financial results

**EBITDA increase** of **RON 11.9 mn**, or **18.2%** compared to 6M 2019, mainly due to:

- ▲ **distributed electricity revenues**: **+RON 16.7 mn** (+5.6%), mainly due to the positive evolution of distribution tariffs, effect partially offset by the 5.3% electricity distributed quantity decrease
- ▲ **network losses cost** higher by **RON 6.4 mn**, mainly as a result of the 6% increase in the electricity purchase price, impact partially offset by the decrease in the quantity of electricity needed to cover NL by 0.9%
- ▲ higher costs with employee benefits **RON +10.3 mn**
- ▲ increase in the repairs and maintenance expenses **RON +5.3 mn**
- ▼ other operating expenses' reduction RON **-23 mn**
- ▲ negative impact of **RON 6 mn** from the trade receivables' impairment adjustment variation and from the net change in provisions

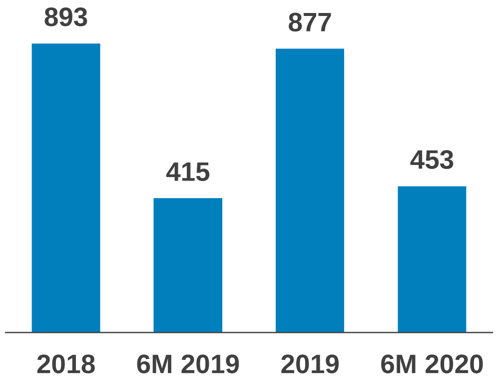
**The net loss** recorded an increase of **RON 1.4 mn**, the significant growth in EBITDA being impacted by the net finance cost increase of **RON 2.9 mn**, the increase of depreciation charge and value adjustments by **RON 8.7 mn** and the negative impact of the income tax variation of **RON 1.7 mn**.

**The net debt** increase as of 30 June 2020 is mainly generated by the network development financing increase (**RON 102 mn**), cash and cash equivalents balance decrease by **RON 15 mn**, partially offset by the **RON 49 mn** bank overdrafts value decrease.

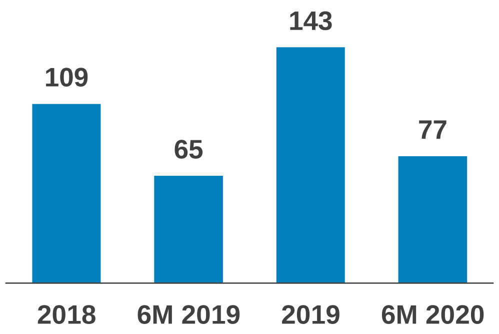



## Key financial metrics

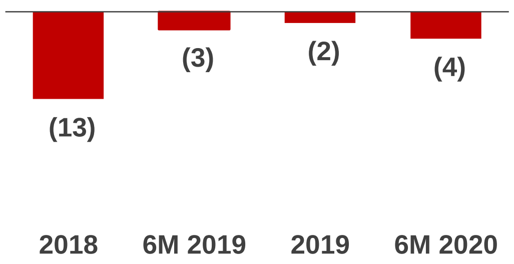
**Revenues**
(RON mn)



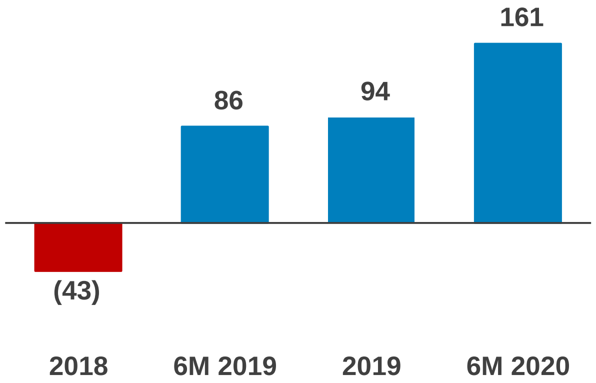

**EBITDA**
(RON mn)




**Net result**
(RON mn)



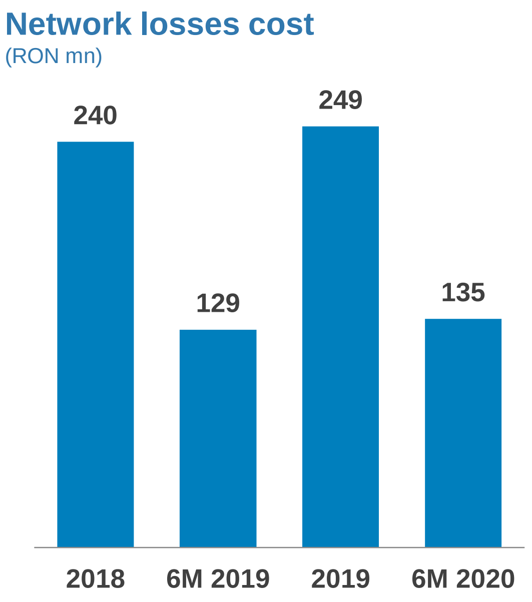

**Net debt/(Net cash)**[1]
(RON mn)

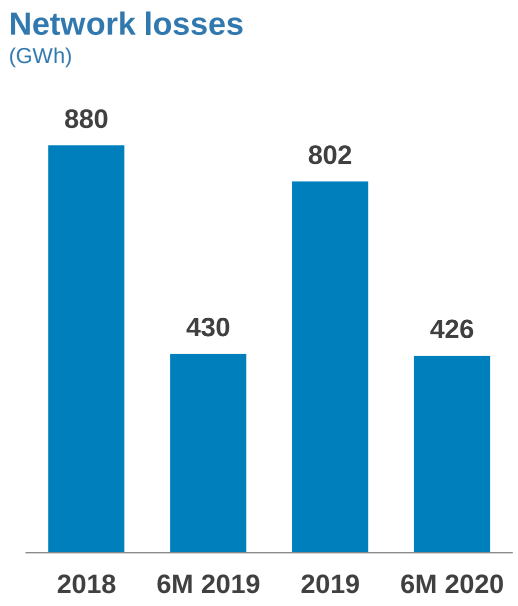


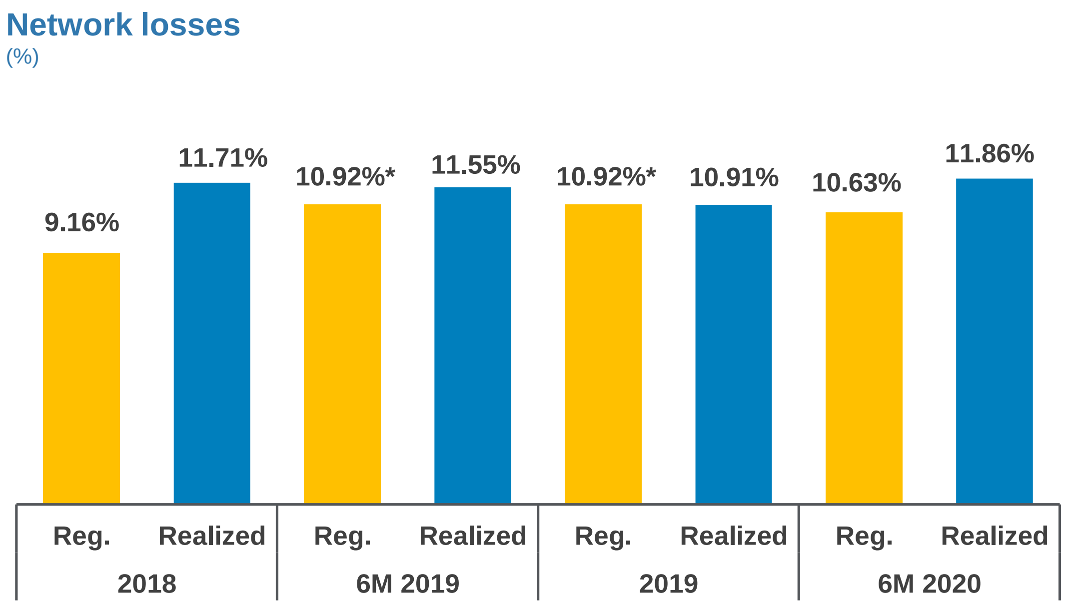

Source: Company data, Consolidated interim financial statements - segment reporting
1. Net debt/(net cash) is calculated as bank borrowings + bank overdrafts + financial leases + Financing of PP&E - Cash and cash equivalents – restricted cash - bank deposits - T-bills and government bonds

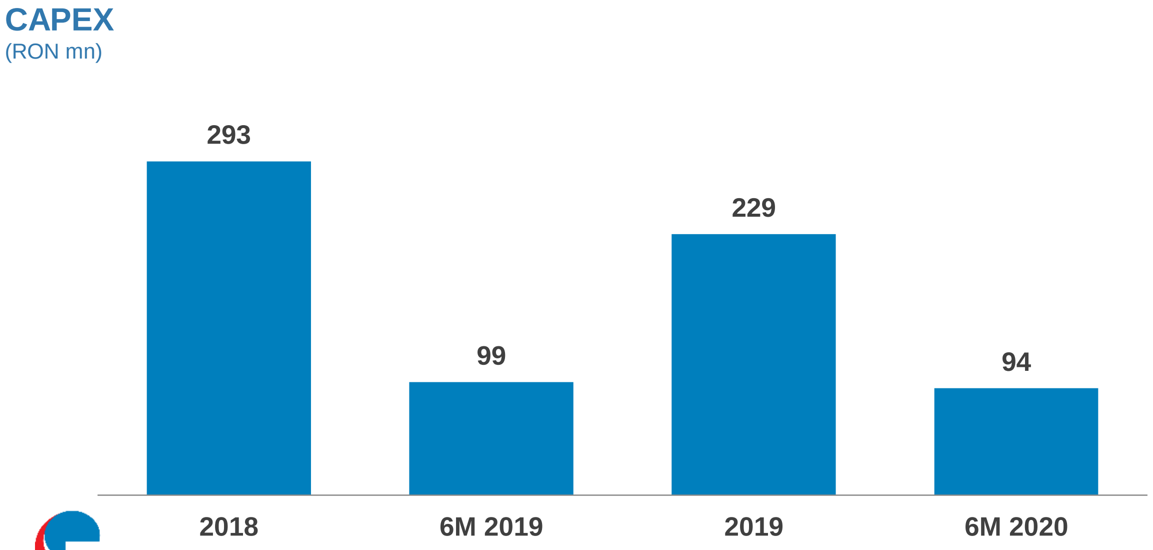
# SDMN (Cont'd)

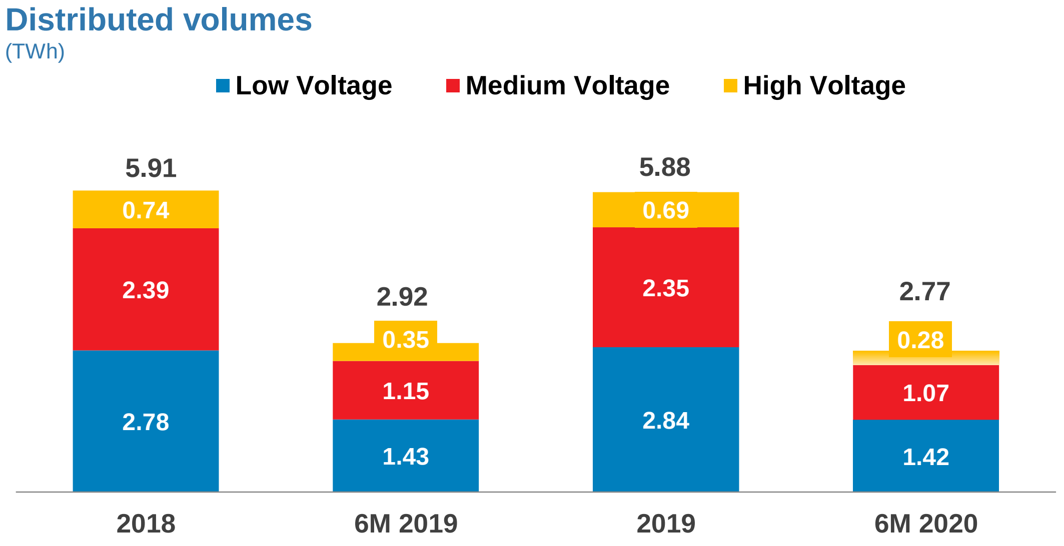





Source: Company data, Consolidated interim financial statements - Segment reporting
*NL percentage reprojected, according to ANRE

# Legislative measures in COVID-19 context

16 March | 21 March | 23 March | 29 March | 27 April | 14 May

## Legislative measures

**State of emergency and several measures imposed, also with impact on the supply segment**

**Capping the prices of electricity and natural gas** at the level practiced on 29 March 2020, with the possibility of reducing these prices depending on demand and supply

**GEO no. 29/2020** on some economic and fiscal-budgetary measures: granting to SMEs affected by the decisions issued by the authorities deferred payment facilities for utility services, based on an emergency certificate; staggering period: 3 months; providers of utility services that bear the deferral of payment are granted with the possibility of deferring the payment of taxes to the state budget, within the limits of uncollected amounts

The Parliament adopted the Law for granting facilities for economic operators taxpayers in Romania, extending this benefit to individuals affected by the measures imposed by the authorities; rescheduling period of 12 months. **The RCC found that the law, as a whole, is unconstitutional → not promulgated and will not produce effects**

## Implications at Group level

**Electrica group companies implemented organizational measures plans specific to COVID-19 context, having as result:**

**Additional unforeseen expenses** (protective equipment, materials, sanitation services, inventory items and other special equipment) vs. 2020 budget:

- distribution subsidiaries: by the end of Q1 2020: additional costs amounting to approx. RON 0.6 mn
- supply subsidiary: by the end of Q1 2020: additional costs amounting to approx. RON 0.2 mn

**DSOs: approached ANRE** for recognition of these unforeseen expenses in the category of non-controllable expenses, in addition to the values previously approved by ANRE for 2020

**DSOs: re-approached ANRE** for recognition of these unforeseen expenses in the category of non-controllable expenses, in addition to the values previously approved by ANRE for 2020

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Triggers | Measures and implications | Actions not finalized

# Measures adopted by Electrica Group in COVID-19 context

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| **Business continuity and our customers' welfare are very important for us** | **Our employees' safety remains our priorities** | **We permanently analyze Electrica Group's financial perspective and liquidity** | **We recommend our clients to use electronic means of payment & shareholders to vote by correspondence in GMS** | **We support the remarkable effort of the medical personnel in frontline in the fight against COVID-19** |
| ✓ all the necessary measures adopted to respond to the exceptional situation at the national level | ✓ no termination or renunciation to any employment agreement | ✓ ensure the availability of the necessary funds for carrying out the activity | ✓ clients: use of methods of indirect interaction (Internet or by telephone) and online payment methods | ✓ EUR 150,000 donated to hospitals in Bucharest, Ploiesti, Brasov and Cluj |
| ✓ essential activities and critical roles identified, staff back-up insured, three action scenarios defined | ✓ preventive measures (protective equipment) for frontline personnel, cancelation of nonessential trips | ✓ secure the collection of receivables, use of the "cash-pooling" facility & financing facilities available | ✓ shareholders: use electronic means of information on GMS's agenda and Q&A | ✓ EFSA donated also RON 433,000 to "Crucea Rosie" for the purchase of sanitary masks |
| ✓ activities involving interaction with clients were limited; reprioritization of scheduled works | ✓"work-from-home" concept implemented if feasible and temporarily limited/suspended the access in certain locations | | ✓ shareholders: cast their votes by correspondence during the GMS if possible | |

# Measures to resume the activity at Group level in COVID-19 context, in accordance with legal provisions

### At Group level

- ✓ introducing and imposing specific hygiene measures
- ✓ ensuring physical distance (minimum 1.5-2 meters) by defining rules of conduct and interaction at work
- ✓ ensuring employees' protection during interaction with colleagues and third parties
- ✓ monitoring the health status of the staff and their situation (isolation/quarantine/illness)
- ✓ ensuring staff's constant and accurate information regarding the prevention of infection
- ✓ limitation of business travel only to those essential and only within the country

### At distribution operators level

- ✓ maintaining the measures of the Resilience Plan regarding the potential preventive isolation at the workplace or in areas specially dedicated for the HV, MV-LV operative command staff, as well as the other measures applicable for intervention activities
- ✓ resuming the investment and maintenance works, including those requiring interruption, by complying with the Performance Standard for the Distribution Service
- ✓ keeping the interdiction on replacing meters if it is necessary to enter the households' houses
- ✓ keeping the activities related to the network connection process in online at least until the end of May with subsequent evaluation
- ✓ providing protective equipment: masks, disinfectant, gloves, chemise

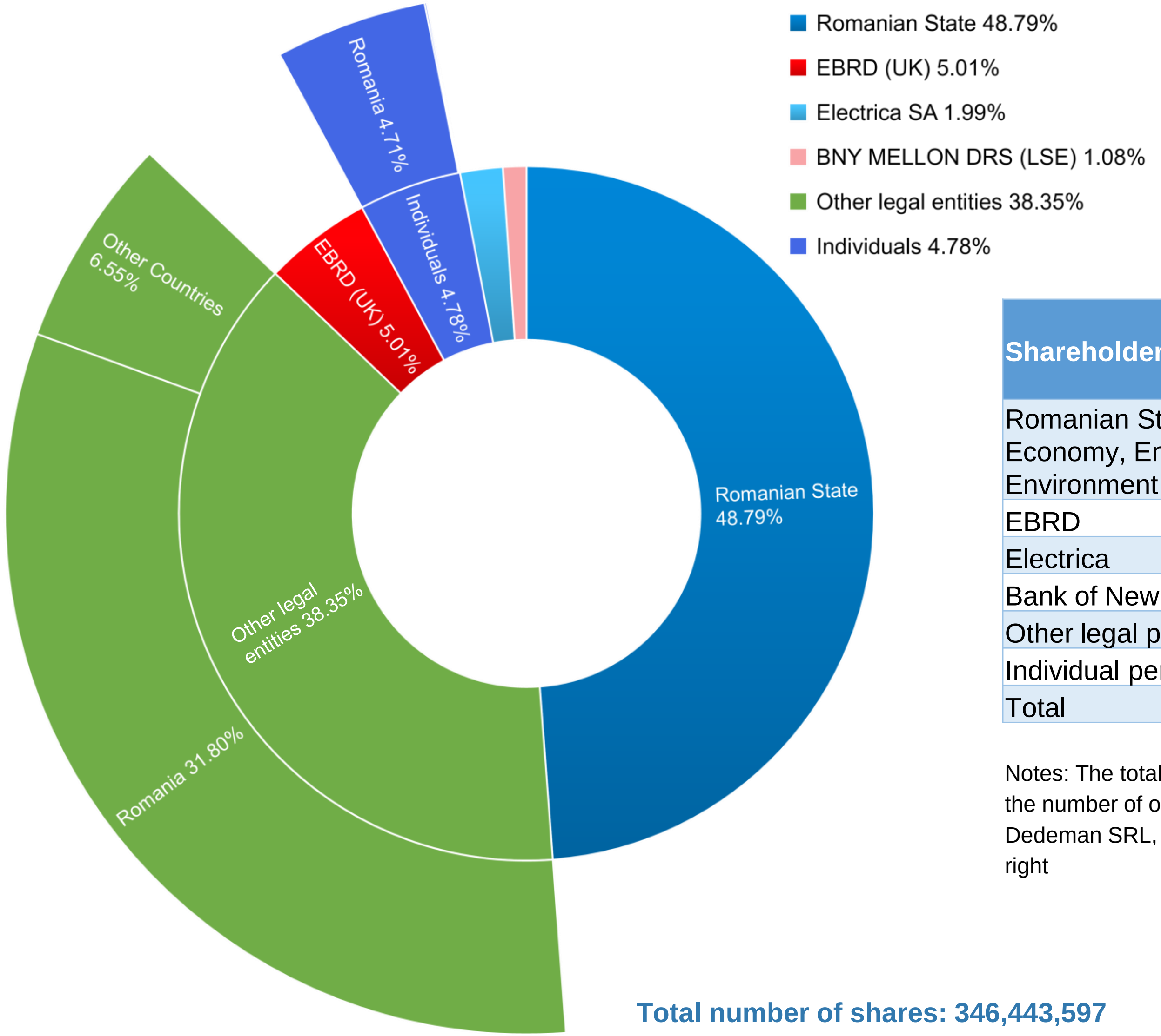
### At supply activity level

- ✓ resuming the cash collection activities through its own cashiers, the activities of the customer relations centers and the activities for B2B customers starting with 18 May 2020 (providing all the services offered, but with limited number of employees in the front office for a period of three months, with monthly reanalysis)
- ✓ ensuring social distancing and protective measures during the entire interaction with customers
- ✓ complying with the legal provisions imposed regarding the access of persons over 65 years old
- ✓ providing the employees with individual protective equipment

# Corporate Governance Bodies

| | |
|---|---|
| **Board of Directors Current Composition** | • **Mr. Iulian Cristian Bosoanca – Chair**<br>• Ms. Ramona Ungur<br>• Mr. Dragos Andrei<br>• Mr. Radu Florescu<br>• Mr. Bogdan George Iliescu<br>• Mr. Gicu Iorga<br>• Mr. Valentin Radu |
| **Board of Directors Structure** | • All board members are non-executive, elected in accordance with the Articles of Association, and three of them are independent directors<br>• On 29 April 2020, Mr. Iulian Cristian Bosoanca was elected as new member of Electrica's BoD for filling in the vacant position, following the resignation of Mr. Niculae Havrilet, non-independent member, on 10 December 2019<br>• On 17 July 2020, ELSA's BoD took note about the decision of Mr. Valentin Radu to resign from his position as Chairman of the Board of Directors. During the meeting held on the same day, the BoD elected Mr. Iulian Cristian Bosoanca as Chairman of the Board of Directors starting with 18 July 2020 and until 31 December 2020. |
| **Board of Directors Committees Current Composition** | • **Audit and Risk Committee (ARC):** Ms. Ramona Ungur – Chair; Mr. Bogdan George Iliescu – Member; Mr. Cristian Bosoanca – Member<br>• **Nomination and Remuneration Committee (NRC):** Mr. Bogdan George Iliescu – Chair; Mr. Valentin Radu – Member; Mr. Gicu Iorga – Member<br>• **Strategy and Corporate Governance Committee (SCGC):** Mr. Dragos Andrei – Chair; Mr. Radu Florescu – Member; Mr. Valentin Radu – Member |
| **Executive Management (4-year mandate)** | • Ms. Corina Georgeta Popescu – CEO (interim CEO starting with 1 November 2018; appointment date as CEO: 23 January 2019)<br>• Mr. Mihai Darie – CFO (appointment date: 3 January 2018)<br>• Ms. Livioara Sujdea – Chief Distribution Officer (appointment date: 1 February 2017)<br>• Ms. Anamaria Acristini-Georgescu – Chief Corporate Development Officer (appointment date: 1 May 2017)<br>• Ms. Catalina Popa – Chief Sales Executive Officer (appointment date: 12 December 2017)<br>• Ms. Bibiana Constantin – Chief Human Resources Officer (appointment date: 23 January 2019)<br>• Mr. Mircea-Toma Modran – Chief IT&C Officer (starting with 1 June 2019) |

# Shareholder Structure at 30 June 2020

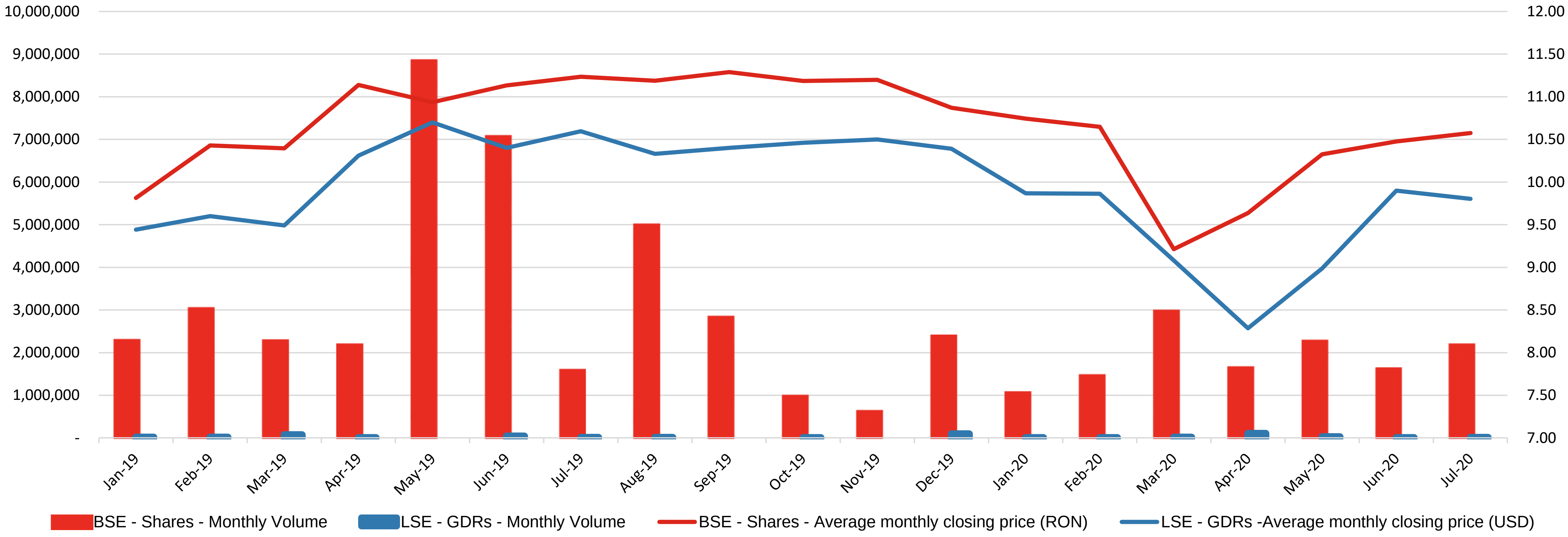



| Shareholder | Shares | Percent of share capital | Shares with voting right | Percent of shares with voting right |
|---|---|---|---|---|
| Romanian State through the Ministry for Economy, Energy and Business Environment | 169,046,299 | 48.7948% | 169,046,299 | 49.7850% |
| EBRD | 17,355,272 | 5.0096% | 17,355,272 | 5.1112% |
| Electrica | 6,890,593 | 1.9890% | 0 | 0.0000% |
| Bank of New York Mellon - GDRs | 3,740,832 | 1.0798% | 3,740,832 | 1.1017% |
| Other legal persons | 132,848,919 | 38.3465% | 132,848,919 | 39.1246% |
| Individual persons | 16,561,682 | 4.7805% | 16,561,682 | 4.8775% |
| Total | 346,443,597 | 100.0000% | 339,553,004 | 100.0000% |

Notes: The total shares with voting rights - 339,553,004, representing the total share capital (346,443,597) without the number of own shares held by Electrica (6,890,593 shares with suspended voting rights)
Dedeman SRL, NN Group NV and Allianz SE own between 5% and 10% of the total number of shares with voting right

**Total number of shares: 346,443,597**

# Monthly volume and average price of Electrica's shares and GDRs




- Market Capitalization: RON 3.585 bn (31 July 2020)
- Dividends from 2014 net profit – RON 0.7217/share; Total – RON 250 mn
- Dividends from 2015 net profit – RON 0.8600/share; Total – RON 292 mn
- Dividends from 2016 net profit – RON 0.7415/share; Total – RON 251 mn
- Dividends from 2017 net profit – RON 0.7237/share; Total – RON 245 mn
- Dividends from 2018 net profit – RON 0.7300/share; Total – RON 247 mn
- Dividends from 2019 net profit – RON 0.7248/share; Total – RON 246 mn
- Total liquidity since IPO on BSE – RON 3.92 bn
- Total liquidity since IPO on LSE – USD 166 mn
- Position in the top liquidity on BSE – 8th (last 12 months) (RON 257 mn)

- Total yield since IPO on BSE – 35% (-5.9% - share price, 40.9% - dividends)
- IPO price – RON 11; USD 13.66
- Closing price on first day on BSE – RON 11.25
- Closing price on first day on LSE – USD 13.80
- Highest closing price on BSE – RON 14.96 (12 May 2017)
- Highest closing price on LSE – USD 15.30 (19 Sep 2014)
- Lowest closing price on BSE – RON 8.06 (16 Mar 2020)
- Lowest closing price on LSE – USD 7.90 (6 Apr 2020)
- Last price on BSE – RON 10.35 (31 July 2020)
- Last price on LSE – USD 9.90 (31 July 2020)

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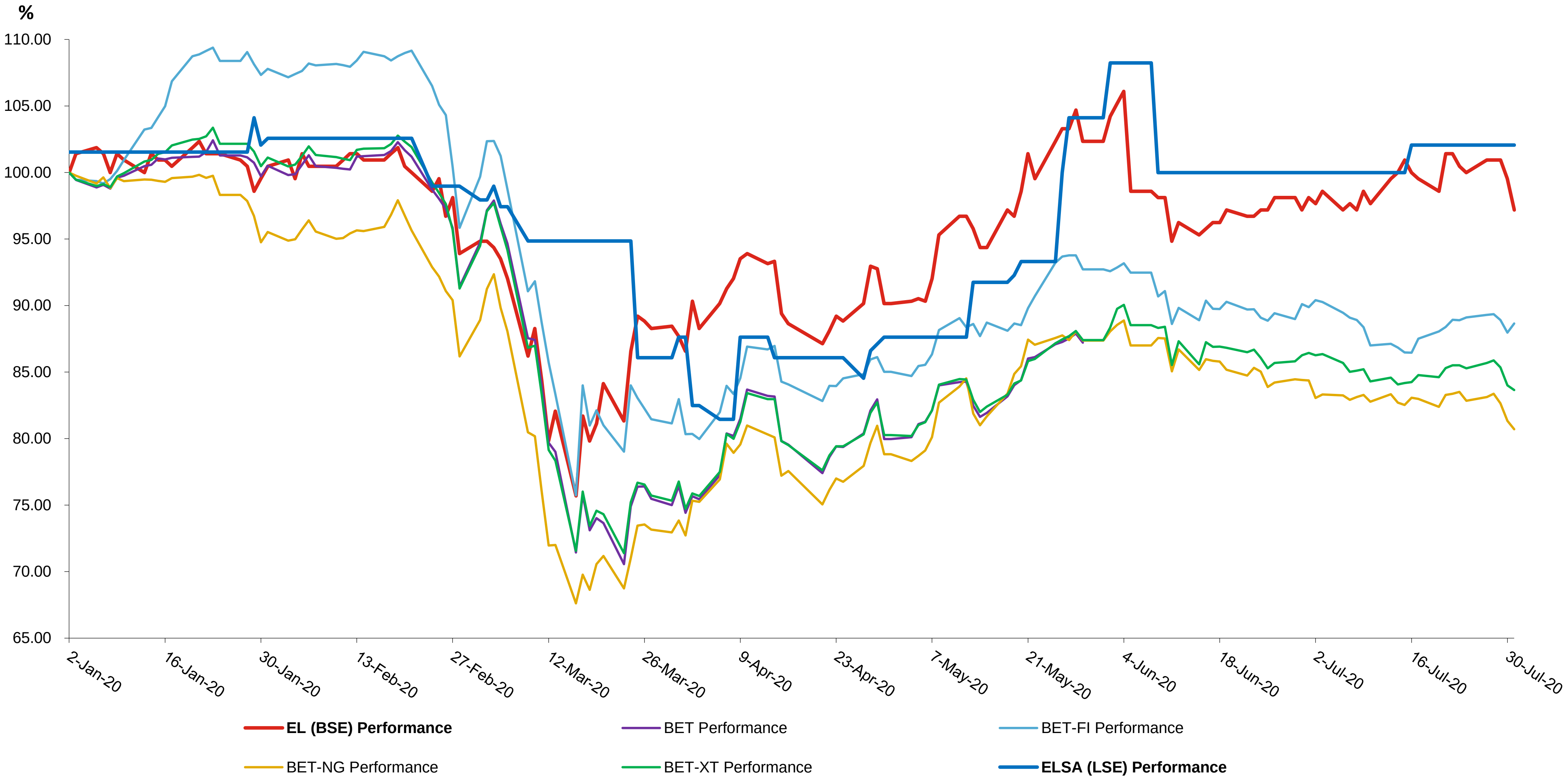
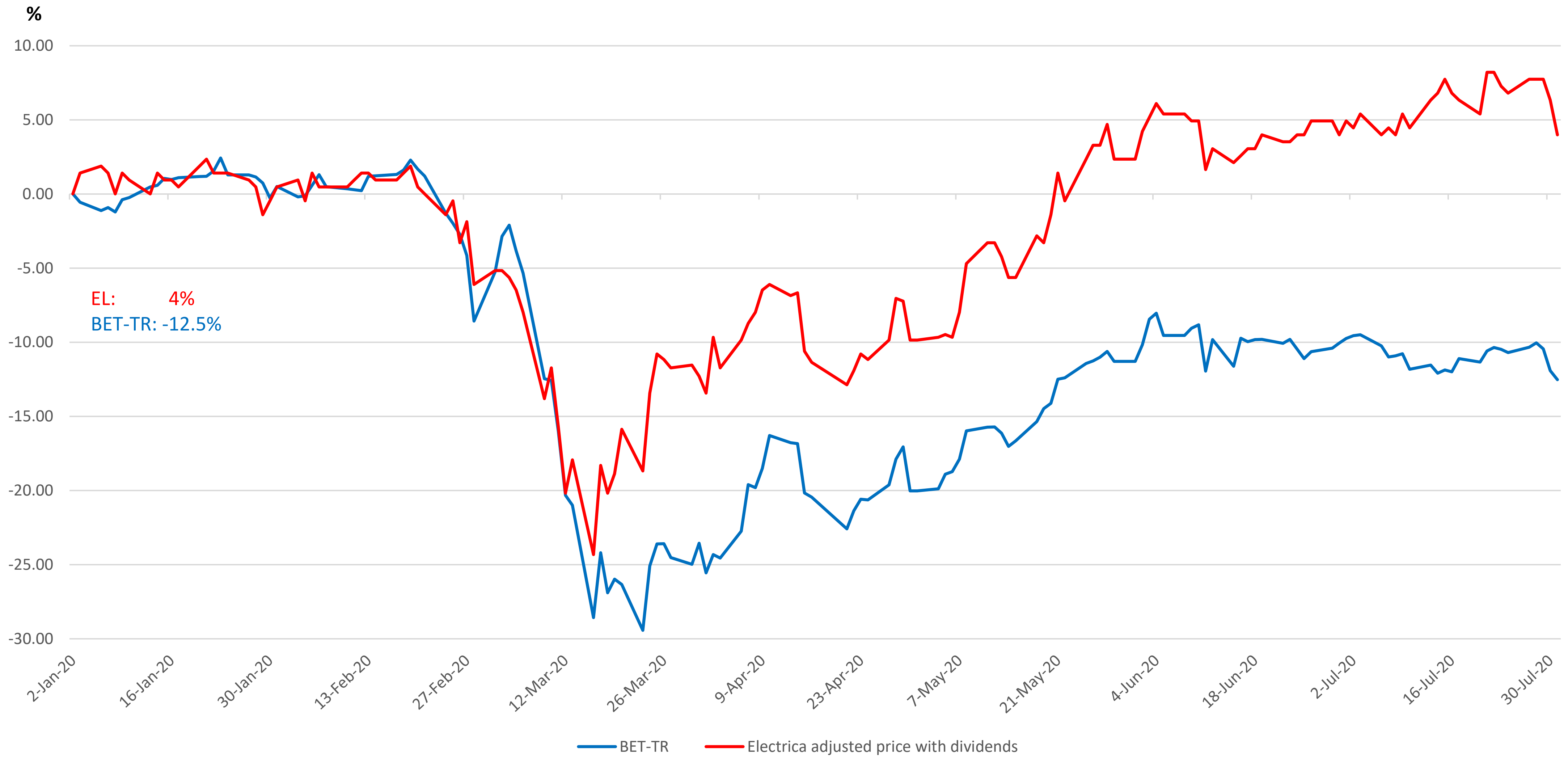
Source: Company's data, BSE, London Stock Exchange

# Comparative evolution with BSE indices (January 2020 – 31 July 2020)




Source: Company data, BSE

# Electrica's adjusted closing price vs BET-TR (January 2020 – 31 July 2020)




Source: Company data; BSE

# Glossary

| | |
|---|---|
| **AMR** | Automatic Meter Reading |
| **ANRE** | Romanian Energy Regulatory Authority |
| **B2B** | Business to Business |
| **B2C** | Business to Consumer |
| **BET-TR** | Bucharest Exchange Trading - Total Return Index |
| **BoD** | Board of Directors |
| **BSE** | Bucharest Stock Exchange |
| **CAPEX** | Capital Expenditure |
| **DAM** | Day Ahead Market |
| **DSO** | Distribution System Operator |
| **EBIT** | Earnings before interest and tax |
| **EBITDA** | Earnings before interest, tax, depreciation and amortization |
| **EFSA** | Electrica Furnizare S.A. |
| **EGMS** | Extraordinary General Meeting of Shareholders |
| **ELSA** | Electrica S.A. |
| **GEO** | Government Emergency Ordinance |
| **GMS** | General Meeting of Shareholders |
| **GWh** | GigaWatt hour |
| **HV** | High Voltage |
| **IFRIC** | International Financial Reporting Interpretations Committee |
| **IFRS** | International Financial Reporting Standard |
| **IMS** | Integrated Management System |
| **IPO** | Initial Public Offering |
| **LSE** | London Stock Exchange |
| **LV** | Low Voltage |
| **MP** | Merger Plan |
| **MV** | Medium Voltage |
| **MWh** | MegaWatt hour |
| **NBV** | Net Book Value |
| **NL** | Network Losses |
| **OGMS** | Ordinary General Meeting of Shareholders |
| **OPEX /OpexC** | Operating expenditure / Operating expenditure controllable |
| **PIF** | Put into Function |
| **RAB** | Regulated Asset Base |
| **RP** | Regulated period |
| **RRR** | Regulated Rate of Return |
| **SAPE** | Societatea de Administrare a Participatiilor in Energie SA |
| **SE Oltenia** | Servicii Energetice Oltenia S.A. |
| **SDMN** | Societatea de Distributie a Energiei Electrice Muntenia Nord |
| **SDTN** | Societatea de Distributie a Energiei Electrice Transilvania Nord |
| **SDTS** | Societatea de Distributie a Energiei Electrice Transilvania Sud |
| **SEM** | Servicii Energetice Muntenia SA |
| **SoLR** | Supplier of last resort |
| **LSH** | Labour safety and health |
| **TSO** | Transmission and system operator |
| **TWh** | TerraWatt hour |
| **US** | Universal Service |
| **WCR** | Working capital requirement |

# 2020 Financial Calendar

**2020 Financial Calendar**

- 28 February — Publication of the 2019 annual consolidated and individual preliminary results
- 10 March — Investor and analyst teleconference for 2019 consolidated financial results
- 29 April — General Meeting of Shareholders for the approval of the 2019 annual financial results
- 30 April — Release of 2019 Annual Report
- 14 May — Release of interim report – 1st quarter of 2020 (January-March)
- 15 May — Investor and analyst teleconference for 1st quarter of 2020 financial results
- 13 August — Release of interim report – 1st half of 2020 (January-June)
- 14 August — Investor and analyst teleconference for 1st half of 2020 financial results
- 12 November — Release of interim report – 3rd quarter of 2020 (January-September)
- 13 November — Investor and analyst teleconference for 3rd quarter of 2020 financial results

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# Investor Relations & Disclaimer

| | |
|---|---|
| **Investor Relations** | • **Email**: ir@electrica.ro<br>• **Web**: https://www.electrica.ro/en/investors/<br>• **Tel**: +40 (0)21.208.50.35<br>• **Address:** 9 Grigore Alexandrescu Str., 1st District, Bucharest, 010621 |
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# Q & A