



**REPORT ON ACTIVITIES OF ADMINISTRATION OF  
S.P.E.E.H. HIDROELECTRICA S.A.  
1<sup>st</sup> SEMESTER 2020**

## CONTENT

<b>1. Corporate Governance.....</b>	<b>2</b>
<b>1.1. General information .....</b>	<b>2</b>
<b>1.2. Key figures for the period under analysis.....</b>	<b>3</b>
<b>1.3. The activity of the Supervisory Board .....</b>	<b>4</b>
<b>1.4. Level of achievement of the key performance indicators for the Directorate and the Supervisory Board of Hidroelectrica on 30.06.2020 .....</b>	<b>5</b>
<b>2. Production and supply of electricity .....</b>	<b>7</b>
<b>3. Financial data .....</b>	<b>13</b>
<b>3.1. Profit and loss account.....</b>	<b>13</b>
<b>3.2. Financial position.....</b>	<b>14</b>
<b>3.3. Dividend program .....</b>	<b>14</b>
<b>3.4. Cash flow statement .....</b>	<b>15</b>
<b>4. Investments.....</b>	<b>15</b>
<b>4.1. Refurbishment activity.....</b>	<b>16</b>
<b>5. Maintenance .....</b>	<b>16</b>
<b>6. Human resources .....</b>	<b>24</b>
<b>7. Other important events between January and June 2020.....</b>	<b>33</b>
<b>8. Other aspects .....</b>	<b>38</b>

## 1. Corporate Governance

### 1.1. General information

According to art. 55 of GEO no. 109/2011 on Corporate Governance:

*(1) The Supervisory Board of the public enterprise presents every semester, within the general meeting of shareholders, a report on the management activity, which also includes information regarding the execution of the managers' mandate contracts, respectively of the Directorate's members, details regarding the operational activities, financial performance of the company and to the half-yearly accounting reports of the company.*

On 05.02.2019, the shareholders appointed the members of the Supervisory Board with a term of office of 4 years. Thus, between 01.01.2020 -30.06.2020 the members of the Supervisory Board were:

No.	Member of the SB
1.	Ioana-Andreea LAMBRU (Chairman)
2.	Daniel NAFTALI
3.	Mihai MIHALACHE
4.	Karoly BORBELY
5.	Cătălin POPESCU
6.	Carmen RADU
7.	Cristian-Nicolae STOINA

Ms. Ioana Andreea Lambru held the position of Chairman of the Hidroelectrica Supervisory Board throughout this period.

The following advisory committees of the Supervisory Board were set up between 01.01.2020 and 30.06.2020.:

1. **Nomination and Remuneration Committee**
2. **Audit Committee**
3. **Strategy and IPO Committee**

**The members of the Directorate during the analyzed period were:**

No.	Member of the Directorate
1.	Bogdan BADEA (Chairman)
2.	Marian BRATU
3.	Razvan PATALIU
4.	Radu POP
5.	Cristian VLADOIANU

## 1.2. Key figures for the period under analysis

FINANCIAL	H1- 2020	H1-2019	2020/ 2019
Revenues (ths. RON)	1,873	2,428	77%
EBITDA (ths. RON)	1,251	1,691	74%
Profit net (ths. RON)	806	901	89%

Name of indicator	Calculation method	u.m.	Value
			30.06.2020
1. Current liquidity indicator	$\frac{\text{Current assets}}{\text{Current debts}}$	X	1.49
2. Debt indicator			
2.1. Debt indicator (1)	Borrowed capital / Capital *100	%	0.53%
2.2. Debt indicator (2)	Borrowed capital / Committed capital *100	%	0.52%
3. Rotation speed of debts - clients	Average balance of customer / Turnover * 360	days	36.97
4. The rotation speed of assets	Turnover / Fixed Assets	X	0.12

OPERATIONAL (MWh)	H1-2020	H1-2019	2020/ 2019
Energy produced	7,136,107	9,249,062	77%
Energy supplied	7,011,600	9,079,169	77%
Energy sold	7,870,822	9,314,522	85%

INVESTMENT	H1- 2020	H1- 2019	2020/ 2019
TOTAL (thousand RON)	53,517	40,607	132%
Development	11,075	10,643	104%
Refurbishing	20,297	11,243	181%
Maintenance with capitalization	15,641	14,646	107%
Amenities	6,504	4,074	160%

### **1.3. The activity of the Supervisory Board**

During the reference period, the Supervisory Board held a number of 16 meetings, of which 8 were held online for taking emergency decisions, 4 at Hidroelectrica's headquarters and 4 by videoconference, given the establishment of the state of emergency at national level, due to the COVID 19 pandemic, thus, a number of 38 decisions were taken. These decisions were taken in connection with the company's current activity, among which we can mention the approval of the individual annual financial statements prepared in accordance with the provisions of OMF no. 2844/2010 with subsequent amendments and completions, for the financial year 2019, at the same time being approved Hidroelectrica's organizational structure.

Considering the state of emergency at national level as a result of the COVID 19 pandemic and the deficiencies in the health system, by Decision no. 19 / 29.03.2020 the Supervisory Board approved and submitted for approval to the general meeting of shareholders, the sponsorship of some health units, as follows:

1. Caransebeș Municipal Emergency Hospital with the amount of RON 1,500,000;
2. Vâlcea County Emergency Hospital with the amount of RON 1,500,000;
3. Mureș County Clinical Hospital with the amount of RON 1,033,000;
4. Deva County Emergency Hospital with the amount of RON 1,500,000;
5. Giurgiu County Emergency Hospital with the amount of RON 1,500,000;
6. Drobeta Turnu Severin County Emergency Hospital with the amount of RON 1,500,000;
7. "Sfântul Ioan cel Nou" Suceava County Emergency Hospital with the amount of RON 1,500,000;

The Nomination and Remuneration Committee of the Supervisory Board held 4 meetings by videoconference, making recommendations to the Supervisory Board regarding the evaluation of the activity of the Directorate's members and the level of fulfillment of the key performance indicators, finding that the members of Hidroelectrica Directorate observed the obligations assumed by the contracts, and the key performance indicators were achieved.

The Audit Committee held 2 meetings by videoconference, during which were analyzed the annual financial statements as on 31.12.2019, the report of the External Auditor KPMG Audit SRL, making recommendations to the Supervisory Board for approving the financial statements of the company and their submission to the general meeting of shareholders for approval. Also, during the meetings of the Audit committee, were analyzed the audit missions carried out by the Public Internal Audit Department within Hidroelectrica, starting with 01.01.2020 and were approved the performance objectives of the manager of the public internal audit department.

**1.4. Level of achievement of the key performance indicators for the Directorate and the Supervisory Board of Hidroelectrica on 30.06.2020**

No.	Key performance indicators HE Directorate	Targeted value 2020	Value achieved on 30.06.2020
Financial KPI			
1	Turnover ( <i>mil. RON</i> )	3409	1802
2	EBITDA margin (%) EBITDA* / Turnover	53.1%	69%
3	Gross profit ( <i>mil. RON</i> )	1280	1009
4	Current liquidity	1	1.5
5	Net debt ratio	3	-1.1
6	Outstanding payments to the state budget ( <i>thousand RON</i> )	0	0
Operational KPI			
1	Investment program in refurbishments / modernizations ( <i>thousand RON</i> )	39684	20297
2	Physical maintenance program for planned works (number of works)	2806	1961
3	Availability of hydro units (%)	75%	92.1%
KPI oriented towards public services			
1	Carrying out ancillary services necessary to ensure the operational stability of the NES (secondary control reserve and	3008518	3342798

No.	Key performance indicators HE Supervisory Board	Targeted	Value achieved
		value 2020	on 30.06.2020
Financial KPI			
1	Turnover ( <i>mil. RON</i> )	3409	1802
2	EBITDA margin (%) EBITDA*/ Turnover	53.1%	69%
3	Gross profit ( <i>mil. RON</i> )	1280	1009
4	Net debt ratio	3	-1,1
Operational KPI			
1	Investment program in refurbishments / modernizations (thousand RON) *	39684	20297
2	Physical maintenance program for planned works (number of works)	2806	1961
3	Availability of hydro units (%)	75%	92,1
KPI oriented towards public services			
1	Carrying out ancillary services necessary to ensure the operational stability of the NES (secondary control reserve and fast tertiary control reserve), at the request of NED (hMW)	3008518	3342798

	fast tertiary control reserve), at the request of NED (hMW)		
2	Fulfilling the obligations to supply electricity from sales contracts (MWh)	7060730	7845256
KPI on corporate governance			
1	Preparing in time the revenue and expenditure budget (%)	100%	100%
2	Establishing risk management policies and monitoring risk (%)	80%	45%
3	Implementation of the internal managerial control system	4	0
4	Development of reporting and control capabilities according to REB principles	100%	100%
5	Preparation and completion of the listing process	100%	50%

2	Fulfilling the obligations to supply electricity from sales contracts (MWh)	7060730	7845256
KPI on corporate governance			
1	Establishing risk management policies and monitoring risk (%)	80%	45%
2	Revision of the code of ethics	100%	100%
3	Development of reporting and control capabilities according to REB principles	100	100
4	Preparation and completion of the listing process <b>Note 1</b>	100%	50%

Establishing the total degree of fulfillment of the KPI was made based on unaudited preliminary reports and therefore it may be subject to changes. (\*) From the **budgeted value** will be deducted the savings made from not granting the advance allocated to Vidraru refurbishment, differences between the estimated value and the contracted value, other savings (111,153 thousand RON - 39,000 thousand RON = 72,153 thousand RON) - results the target value calculated as 72,153 thousand RON x 0.55 = 39,684 thousand RON.

**Note 1**

Currently, for preparing and making the listing process, were executed service contracts with legal consultant (Dentons Europe SPARL), as well as the 'equity adviser' consultant (STJ Advisors Group Ltd.).

Further, the Supervisory Board of Hidroelectrica, with the form presented above, presents, at the general meeting of shareholders, a report, detailed, on the activities carried out within the company during January-June 2020:

## 2. Production and supply of electricity

### Production of electricity

Year 2020	Energy produced [MWh]	Energy supplied [MWh]	Energy budgeted REB
Jan.	1,074,992	1,058,734	1,077,000
Feb.	1,034,604	1,020,393	1,034,000
Mar.	1,228,901	1,210,925	1,316,000
Apr.	1,094,864	1,072,752	1,545,000
May	1,027,924	1,004,268	1,752,000
Jun.	1,674,822	1,644,528	1,480,000
<b>Total</b>	<b>7,136,108</b>	<b>7,011,603</b>	<b>8,204,000</b>

Year 2019	Energy produced [MWh]	Energy supplied [MWh]	Energy budgeted REB
Jan.	963,782	951,192	940,000
Feb.	1,106,049	1,092,834	1,073,000
Mar.	1,281,904	1,265,143	1,308,000
Apr.	1,353,377	1,324,597	1,521,000
May	2,235,546	2,183,535	1,752,000
Jun.	2,308,404	2,261,868	1,478,000
<b>Total</b>	<b>9,249,062</b>	<b>9,079,169</b>	<b>8,072,000</b>

2020 vs.2019 (%)	Energy produced [MWh]	Energy supplied [MWh]	Energy budgeted REB
Jan.	112%	111%	115%
Feb.	94%	93%	96%
Mar.	96%	96%	101%
Apr.	81%	81%	102%
May	46%	46%	100%
Jun.	73%	73%	100%
<b>Total</b>	<b>77%</b>	<b>77%</b>	<b>102%</b>

The differences in energy produced are mainly due to the existing hydrological conditions for respective period.

### Situation of waterfall head arrangements

Year 2020	Degree of filling the useful volume (%)	Useful volume Total (mil. cubic meters)	Energy reserve (GWh)
Jan.	57.43	1,468	1,894
Feb.	54.85	1,402	1,810
Mar.	59.75	1,528	1,940
Apr.	60.08	1,536	1,914
May	69.80	1,785	2,228
Jun.	89.88	2,298	2,794



## Electricity production structure (Jan-June 2020)

Arrangement	Dispatchable units			Non-Dispatchable units		
	(MWh)	(MW)	(%)	(MWh)	(MW)	(%)
Arrangement of the Danube	3,094,785.00	708.51	44.16			
Arrangements with accumulations	2,424,511.84	555.06	34.60	40,038.96	9.17	57.79
Arrangements on the water's edge	1,488,794.0	340.84	21.24	29,239.17	6.69	42.21
<b>Total</b>	<b>7,077,369.77</b>	<b>1,620.28</b>		<b>69,278.13</b>	<b>15.86</b>	

## Available and insured power (For the reporting month according to. PO-HE-DE-06)

(MW)

Year 2020	Installed power	Permanent discounts	Available power	Provided power
<b>Jan.</b>	6,313.98	255.92	6,058.06	5,564.24
<b>Feb.</b>	6,313.98	255.92	6,058.06	5,384.83
<b>Mar.</b>	6,313.98	255.92	6,058.06	5,597.29
<b>Apr.</b>	6,318.98	254.42	6,063.69	5,707.95
<b>May</b>	6,271.96	229.42	6,042.54	5,409.84
<b>Jun.</b>	6,271.96	229.42	6,042.54	5,424.78

The reporting is for HEP> 4 MW under commercial exploitation license.

## Situation of RS and RTR auctions

Hidroelectrica participated each month in tenders for ancillary services, being awarded the following quantities of ancillary services:

RS January – June 2020						
No.	Month	Necessary bided	Won and assigned HE	% HE	Average price HE	Total
		[hMW]	[hMW]	[%]	[RON /hMW]	[RON]
	1.	2.	3.	4.	5.	6=5*3
1.	Jan.	350,300	246.800	70,45%	79,81	19,696,000
2.	Feb.	329,900	208.786	63,29%	77,70	16,223,120
3.	Mar.	312,700	179.096	57,27%	71,54	12,812,760
4.	Apr.	303,000	229.460	75,73%	77,89	17,872,450
5.	May	313,100	206.790	66,05%	74,37	15,379,210
6.	Jun.	303,000	163.020	53,80%	72,40	11,802,140
<b>Total</b>		<b>1,912,000</b>	<b>1,233,952</b>	<b>64,54%</b>	<b>76,00</b>	<b>93,785,680.00</b>

RS January – June 2019						
No.	Month	Necessary bided	Won and assigned HE	% HE	Average price HE	Total
		[hMW]	[hMW]	[%]	[RON /hMW]	[RON]
	1.	2.	3.	4.	5.	6=5*3
1.	Jan.	350,300	254.508	72,65%	80,00	20,360,640
2.	Feb.	316,400	238.160	75,27%	80,00	19,052,800
3.	Mar.	349,850	245.882	70,28%	80,00	19,670,560

4.	Apr.	339,000	219.050	64,62%	80,00	17,524,000
5.	May	350,300	235.690	67,28%	80,54	18,981,400
6.	Jun.	339,000	225.810	66,61%	80,00	18,064,800
<b>Total</b>		<b>2,044,850</b>	<b>1,419,100</b>	<b>69,40%</b>	<b>80,09</b>	<b>113,654,200</b>

#### RS January – June 2020 vs. 2019 (%)

Month	Necessary bided	Won and assigned HE	% HE	Average price HE	Total
				HE	
Jan.	100%	97%	97%	100%	97%
Feb.	104%	88%	84%	97%	85%
Mar.	89%	73%	81%	89%	65%
Apr.	89%	105%	117%	97%	102%
May	89%	88%	98%	92%	81%
Jun.	89%	72%	81%	91%	65%
<b>Total</b>	<b>94%</b>	<b>87%</b>	<b>93%</b>	<b>95%</b>	<b>83%</b>

#### RTR January – June 2020

No.	Month	Necessary bided	Won and assigned HE	% HE	Average price HE	Total
		[hMW]	[hMW]	[%]	[RON /hMW]	[RON]
	<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>	<b>5.</b>	<b>6=5*3</b>
1.	Jan.	514,600	431,310	83,81%	48,52	20,925,350
2.	Feb.	514,600	386,511	75,11%	48,52	18,751,891
3.	Mar.	493,800	366,096	74,14%	46,74	17,112,060
4.	Apr.	411,000	316,261	76,95%	47,49	15,017,830
5.	May	412,800	321,223	77,82%	47,51	15,259,790
6.	Jun.	390,000	287,445	73,70%	45,53	13,086,350
<b>Total</b>		<b>2,736,800</b>	<b>2,108,846</b>	<b>77,06%</b>	<b>47,69</b>	<b>100,576,700</b>

#### RTR January – June 2019

No.	Month	Necessary bided	Won and assigned HE	% HE	Average price HE	Total
		[hMW]	[hMW]	[%]	[RON /hMW]	[RON]
	<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>	<b>5.</b>	<b>6=5*3</b>
1.	Jan.	514,600	362,805	70,50%	60,25	21,858,216
2.	Feb.	464,800	374,298	80,53%	46,06	17,239,875
3.	Mar.	514,100	427,437	83,14%	48,58	20,763,580
4.	Apr.	498,000	422,256	84,79%	48,57	20,510,600
5.	May	514,600	433,359	84,21%	43,68	18,931,250
6.	Jun.	498,000	426,336	85,61%	48,59	20,716,200
<b>Total</b>		<b>3,004,100</b>	<b>2,446,491</b>	<b>81,44%</b>	<b>49,06</b>	<b>120,019,721</b>

RTR January – June 2020 vs. 2019 (%)					
Month	Necessary bided	Won and assigned HE	% HE	Average price HE	Total
Jan.	100%	119%	119%	81%	96%
Feb.	111%	103%	93%	105%	109%
Mar.	96%	86%	89%	96%	82%
Apr.	83%	75%	91%	98%	73%
May	80%	74%	92%	109%	81%
Jun.	78%	67%	86%	94%	63%
Total	<b>91%</b>	<b>86%</b>	<b>95%</b>	<b>97%</b>	<b>84%</b>

The differences are due to different results obtained in tenders for Ancillary Services.

**RON**

Achieved and budgeted AS	Jan.	Feb.	Mar.	Apr.	May	Jun.
<b>RS+RTR REB</b>	26,000,000	26,000,000	26,000,000	26,000,000	26,000,000	26,000,000
<b>RS+RTR achieved</b>	40,621,350	35,398,440	29,924,820	32,890,280	30,639,000	24,888,490

### Situation of Green Certificates

The monthly documentation regarding the obtaining of green certificates by the accredited patrimony power plants was prepared and sent to Transelectrica:

Year 2020	Estimated certificates	Traded certificates	Postponed certificates
<b>Jan.</b>	3,180	3,180	0
<b>Feb.</b>	9,965	9,966	0
<b>Mar.</b>	8,866	8,865	0
<b>Apr.</b>	6,818	6,821	0
<b>May</b>	6,250	6,251	0
<b>Jun.</b>	12,558	12,558	0
<b>Total</b>	<b>47,640</b>	<b>47,641</b>	<b>0</b>

In addition, 1,644 green certificates for monthly trading were approved (4,932 green certificates for 2020), representing the green certificates postponed starting July 2013.

The capitalization of the Green Certificates is made by the Supply Trading Department through the Supply Service.

### Hydrological characterization

Danube river		Jan. 2020	Feb. 2020	Mar. 2020	Apr. 2020	May 2020	Jun. 2020
<b>Q medium affluent</b>	mc/s	3,670	4701.72	5749.03	3435.33	3481.61	5270.33
<b>Q medium monthly multiannual tributary</b>	mc/s	5,010	4960	6800	7930	7500	6370
<b>Hydraulicity</b>	%	73.25	94.79	84.54	43.32	46.42	82.74
<b>Hydraulicity characterization</b>		<b>Critical</b>	<b>Normal</b>	<b>Subnormal</b>	<b>Critical</b>	<b>Critical</b>	<b>Subnormal</b>

### Management of energy reserves from large accumulations

The management of the energy reserve was done in predominantly **deficient** hydraulic conditions. The main objectives regarding the management of the reserves were the inclusion of the programs agreed monthly with ANAR and the possibility of including the winter program approved by GD593 / 12.08.2019.

### Electricity sales (quantities, prices and values) between January 1 and June 30, 2020

Sales by type	Quantities (MWh)	% of total sales	Average price with TG (RON/ MWh)	Revenues with TG included (RON)
<b>Sales on regulated market</b>	1,839,325.067	23.36	103.84	190,995,514.957
<b>Sales on forward contracts (PCCB-LE, PCCB- NC, PCSU, PC- OTC)</b>	4,516,256.300	57.38	228.84	1,033,512,128.94
<b>Sales on PZU</b>	946,479.500	12.02	194.66	184,239,543.61
<b>Sales on INTRADAY</b>	260,000	0.01	239.48	62,266.07
<b>Sales Balancing + Imbalances</b>	232,689.676	2.96	353.33	82,217,361.74
<b>Supply</b>	335,811.706	4.27	267.30	89,762,469
TOTAL sales 01.01.2020-30.06.2020	<b>7,870,822.250</b>	-	<b>200.84</b>	<b>1,580,789,284.32</b>
TOTAL sales AS (hMW) 01.01.2020-30.06.2020	<b>3,348,766.000</b>	-	-	<b>195,206,732.64</b>

### Total energy sold

Indicator	Quantities (GWh)
Net production (GWh)	<b>6,936,080.000</b>
Energy Purchases (GWh) - PZU, Balancing Market, Competitive Markets	934,742.249
Total Energy sold	<b>7,870,822.249</b>

### Electricity sales (quantities, prices and values) in the second quarter of 2020

Sales by type	Quantities (MWh)	% of total sales	Average price with TG (RON/ MWh)	Revenues with TG included (RON)
<b>Sales on regulated market</b>	729,447.370	17.02	103.84	75,745,814.901
<b>Sales on forward contracts (PCCB-LE, PCCB- NC, PCSU, PC- OTC)</b>	2,925,173.600	68.28	219.17	641,099,358.59
<b>Sales on PZU</b>	334,055.000	7.80	149.40	49,906,574.69
<b>Sales on INTRADAY</b>	260.000	0.01	239.48	62,266.07
<b>Sales Balancing + Imbalances</b>	125,619.473	2.93	273.72	34,385,002.80
<b>Supply</b>	169,706.00	3.96	259.68	44,069,319.00
TOTAL sales 01.04.2020-30.06.2020	<b>4,284,261.440</b>	-	<b>197.29</b>	<b>845,268,336.05</b>
TOTAL sales AS (hMW) 01.04.2020-30.06.2020	<b>1,527,868.000</b>	-	-	<b>88,936,86.,12</b>

The trading of electricity on the platforms managed by OPCOM takes into account several factors related to the trading strategy, the evolution of market prices, the moment of bidding, the degree of useful filling of lakes, the flow of the Danube and inland rivers, the analysis of the contracting strategy of the main competitors and so on.

During the analyzed period, were sent offers containing structured products (band and peak) with delivery in the years 2020, 2021 and 2022, thus having exposure on OPCOM platforms for the sale of electricity, in a transparent and non-discriminatory manner:

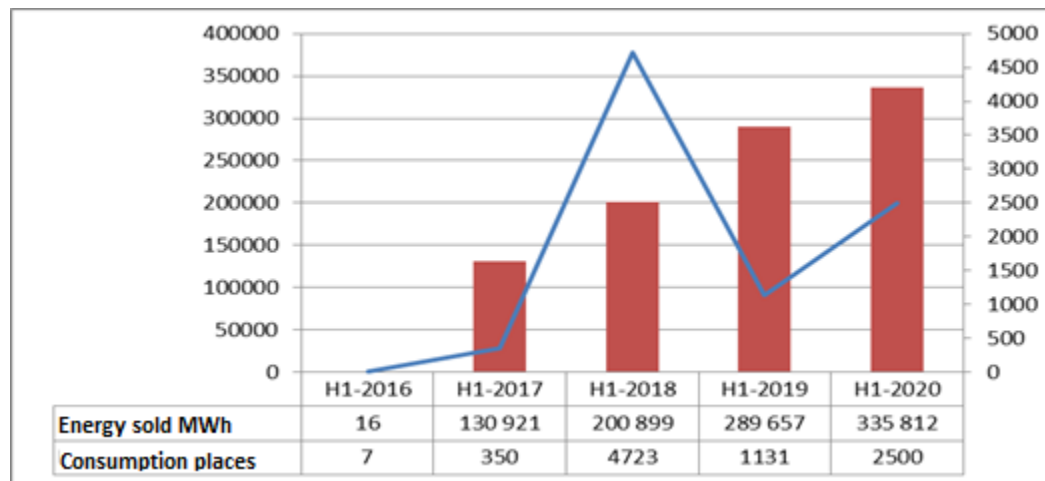
- ⇒ Centralized market of bilateral electricity contracts - the way of trading by extended auction and by continuous negotiation (PCCB-LE and PCCB-NC);

⇒ Centralized market with continuous double negotiation of bilateral electricity contracts (OTC).

The quantities traded during 01.01.2020-30.06.2020 on PCCB-LE and PCCB-NC amounted to 5,296,115 MWh representing deliveries in the years 2020, 2021 and 2022 necessary for Hidroelectrica S.A. to achieve the established level of contracting, related to the sale of own production. The total value of transactions was RON 1,379.37 million.

On the centralized market with continuous double negotiation of bilateral electricity contracts (OTC), Hidroelectrica S.A. had a constant presence. The total quantity sold by the company during January-June 2020 on OTC was 2,062,789 MWh, representing deliveries in 2020, and the total value of transactions was RON 380.31 million.

In addition to trading energy on platforms managed by OPCOM, within the Trading Supply Department, energy is delivered to end customers, who can be domestic and non-domestic.



Between 01.01.2020 - 31.06.2020, the following activities took place within the Supplying Service:

- ✓ Preparing and sending personalized offers to customers whose consumption is forecasted for more than 1 GWh / year, according to received applications;
- ✓ Concluding supply contracts in accordance with the standard offers published on the website;
- ✓ Concluding distribution contracts and related additional documents, for Hidroelectrica's new customers, currently being concluded distribution contracts with all grantees distribution operators;
- ✓ Carrying out distribution and transport contracts concluded for customers and for Hidroelectrica's own production;
- ✓ Carrying out energy supply contracts, by tracking consumption, communicating with the distributor, invoicing the consumer, tracking collection, resolving complaints submitted by consumers;
- ✓ Transmission of all reports related to the energy supply activity to ANRE, INS.

Between 01.01.2020 - 31.06.2020, the Supply Service carried out energy supply contracts, related to a number of 2400 consumption places, resulting in a quantity of energy sold of approximately 335,811.706 MWh.

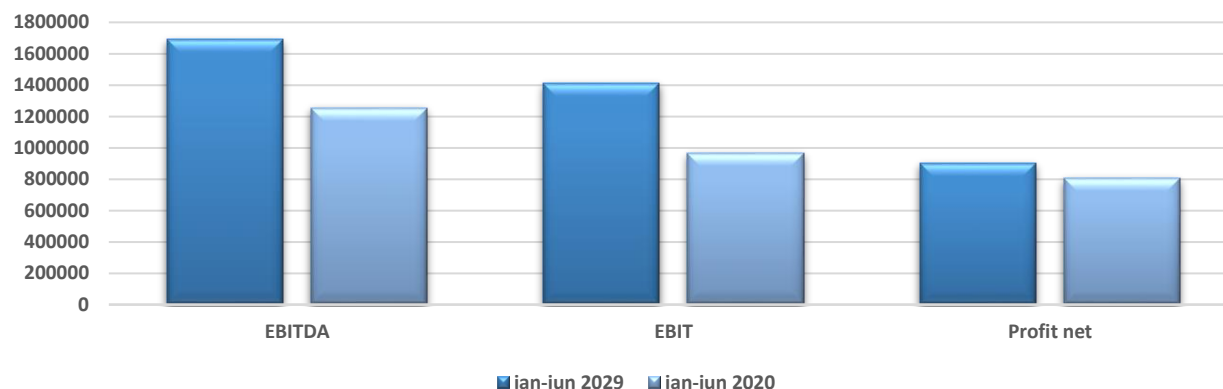
Also, the Supplying Service capitalized in the analysed period green certificates to cover the obligation to the final customer in the amount of RON 3,758,788,293.

### 3. Financial data

The financial results as of June 30, 2020 (unaudited) are presented in the tables below.

#### 3.1. Profit and loss account

Indicator (RON)	Jan- Jun 2020	Jan- Jun 2019	Variation (%)
<b>Operating income, of which:</b>	1,823,858	2,366,009	(23%)
<i>Revenue from the sale of electricity</i>	1,798,344	2,346,564	(23%)
<i>Operating expenses, less depreciation and amortization</i>	572,682	675,408	(15%)
EBITDA	1,251,176	1,690,602	(26%)
<b>Depreciation and amortization</b>	286,205	278,866	3%
EBIT	964,971	1,411,736	(32%)
<b>Net financial result</b>	46,602	53,554	(13%)
<b>Extraordinary expenses - COVID-19</b>	2,625	0	100%
<b>Income tax expense (net)</b>	203,414	563,794	(64%)
<b>Net Profit</b>	<b>805,535</b>	<b>901,496</b>	<b>(11%)</b>



Operating revenues decreased in the first half of the year compared to the same period of 2019, due to low hydraulicity and lowering average selling price due to the effects of COVID-19, as well as the fact that Hidroelectrica was forced to sell more electricity on the regulated market than in the first semester of 2019 and at an even lower price. This has also led to a decrease in operating costs.

### 3.2. Financial position

Indicator (RON)	Jan.- Jun. 2020	Jan.- Jun. 2019	Variation (%)
<b>Fixed assets</b>	14,674,911	14,915,724	(2%)
<b>Current assets</b>	3,367,013	2,376,705	42%
<b>Total assets</b>	<b>18,041,924</b>	<b>17,292,429</b>	4%
<b>Long-term debt</b>	1,620,035	1,617,364	0%
<b>Current liabilities</b>	2,524,267	579,697	335%
<b>Total liabilities</b>	<b>4,144,302</b>	<b>2,197,061</b>	89%
<b>Equity</b>	<b>13,897,622</b>	<b>15,095,368</b>	(8%)
<b>Total equity and liabilities</b>	<b>18,041,924</b>	<b>17,292,429</b>	4%



The registration of a higher level of current assets in June 2020 compared to December 2019 represents the consequence of establishing and not paying dividends for 2019 until the reporting date, which led to an increase in cash and cash equivalents.

The increase in current debts is due to establishing of dividends to be paid to shareholders, dividends for 2019, as well as special dividends. This increase is correlated with the decrease in equity.

### 3.3. Dividend program

#### ❖ Dividends due and paid in the last 2 years

Indicator [RON]	2019	2018	2019/2018
Net Profit	1,386,536,518	1,939,277,740	71%
Allocation to the legal reserve	-104,061,305	-114,463,053	91%
Other reserves representing fiscal facilities provided by law	-13,253,133	-11,738,297	113%
Distributable net profit	1,269,222,080	1,813,076,390	70%

Employees' participation in profit	-17,371,000	-14,396,580	121%
Net profit base for dividend distribution	1,251,851,080	1,798,679,810	70%
Dividends allocated related to the profit of the previous year	1,798,679,810	1,134,411,087	159%
Dividends allocated in addition to the current year	1,000,000,000	687,018,231	146%
Dividends paid up to 31.12	2,798,679,810	1,684,411,087	166%

### 3.4. Cash flow statement

Indicator (ths RON)	Jan-Jun 2020	Jan-Jun 2019
Net profit	805,535,342	901,496,434
Net cash related to the operating activity	921,083,341	1,544,030,537
Net cash related to investment activity	-27,565,671	-59,922,649
Net cash related to the financing activity	-31,626,125	-358,872,835
Cash flow generated by deposits	335,000,000	-1,041,000,000
Net decrease / increase in cash and cash equivalents	1,196,891,545	84,235,053
Cash and cash equivalents at the beginning of the period	222,976,476	75,763,691
Cash and cash equivalents at the end of the period	1,419,868,021	159,998,744

Decrease in net cash related to operating activity in Q1-2020 vs. Q1-2019, is mainly caused by the decrease in the average selling price of electricity in 2020 vs. 2019 as a result of the effects of COVID- 19.

## 4. Investments

### Development activity

Branch	Approved 2020	Achieved Q1 2020	Saving Q1 2020	% Q1	Ths RON					
					Achieved Q2 2020	Saving Q2 2020	% Q2	Achieved S1 2020	Saving S1 2020	% S1
SH Bistrița	22,867	40	-	0.17%	0	-	0.00%	40	0	0.17%
SH Cluj	17,408	1,051	-	6.04%	371	-	2.13%	1,422	0	8.17%
SH Curtea de Argeș	26,257	3,383	42	12.90%	3,898	364	15.05%	7,281	406	28.17%
SH Hațeg	28,027	119	-	0.42%	326	-	1.16%	445	0	1.59%
SH Porțile de Fier	17,343	324	-	1.87%	388	-	2.24%	712	0	4.11%
SH Rm.Vâlcea	150	0	-	0.00%	0	-	0.00%	0	0	0.00%
SH Sebeș	10,856	336	-	3.10%	838	-	7.72%	1,174	0	10.81%
HE executive	44,730	0	-	0.00%	0	-	0.00%	0	0	0.00%
Total	167,638	5,253	42	3.13%	5,821	364	3.48%	11,074	406	6.62%



#### 4.1. Refurbishment activity

Branch	Approved 2020	Achieved Q1 2020	Savings Q1 2020	% Q1	Achieved Q2 2020	Savings Q2 2020	% Q2	Achieved S1 2020	Savings S1 2020	% S1
SH Bistrița	28,750	4,657		16.20%	3,397		11.82%	8,054	0	28.01%
SH Cluj	243	0		0.00%	11		4.53%	11	0	4.53%
SH Curtea de Argeș	44,746	0	39,000	0.00%	1		0.00%	1	39,000	0.02%
SH Hațeg	136	0		0.00%	0		0.00%	0	0	0.00%
SH Porțile de Fier	5,207	1,591		30.56%	716		13.75%	2,307	0	44.31%
SH Rm. Vâlcea	29,137	2,328		7.99%	7,429		25.50%	9,757	0	33.49%
SH Sebeș	2,934	0		0.00%	167		5.69%	167	0	5.69%
<b>Total</b>	<b>111,153</b>	<b>8,576</b>	<b>39,000</b>	<b>11.89%</b>	<b>11,721</b>	<b>0</b>	<b>10.54%</b>	<b>20,297</b>	<b>39,000</b>	<b>28.13%</b>

The refurbishment / modernization projects completed and put into operation in Q1 2020 are the following:

SH	Name of project	Minute PIO/Final	Value Asset RON
<b>SH Bistrița</b>	Refurbishment Stejaru Hydroagregate 6	PVR PIF 26796/05.03.2020	45,570,902.50
<b>SH Curtea de Argeș</b>	Refurbishment of the 20kV CHE Vâlcele station	PVR PIF 8370/22.01.2020	967,212.49
<b>Total:</b>			<b>46,538,114.99</b>

## 5. Maintenance

### Equipment maintenance activity

For 2020, the equipment maintenance program was prepared, amounting to RON 240.54 million, of which the estimated value of the equipment maintenance works to be performed with SSH Hidroserv is RON 191.14 million.

The distribution of these values by performers is as follows:

- RON 191.14 million with SSH Hidroserv of which RON 12.13 million works contracted and not executed, or partially executed in the previous years, that will continue in 2020;
- RON 42.01 million third party executors;
- RON 7.39 million own funds;

For the year 2020, through the annual equipment maintenance program, a number of 4,883 maintenance works are scheduled to be executed, being distributed on executors as follows:

- 4,379 works with SSH Hidroserv;
- 504 works with third party executors / own forces;

On 30.06.2020, works in value of RON 183.97 million were contracted, out of which:

- RON 160.22 million with SSH Hidroserv S.A., representing 83.2 of the 2020 schedule;
- RON 23.74 million with third party executors.

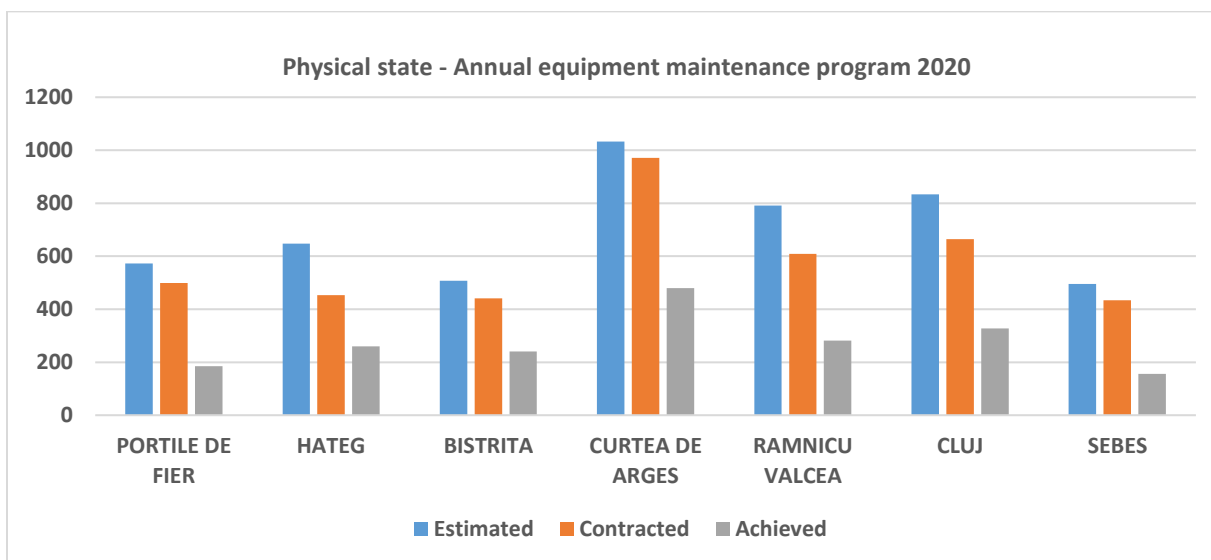
❖ **The situation of the accomplishment of the equipment maintenance works as on 30.06.2020**

In 2020, equipment maintenance works in value of RON 240.54 million were scheduled to be performed, being performed on 30.06.2020 equipment maintenance works in value of RON 72.52 million, of which RON 66.43 million with SSH Hidroserv. The corrective maintenance works carried out in 2020 were in value of RON 15.13 million (of which RON 4.80 million additional works).

For 2020, a number of 4,379 types of works were scheduled to be executed with SSH Hidroserv SA, being performed a number of 1852 types of works, representing 42.29% of the scheduled works.

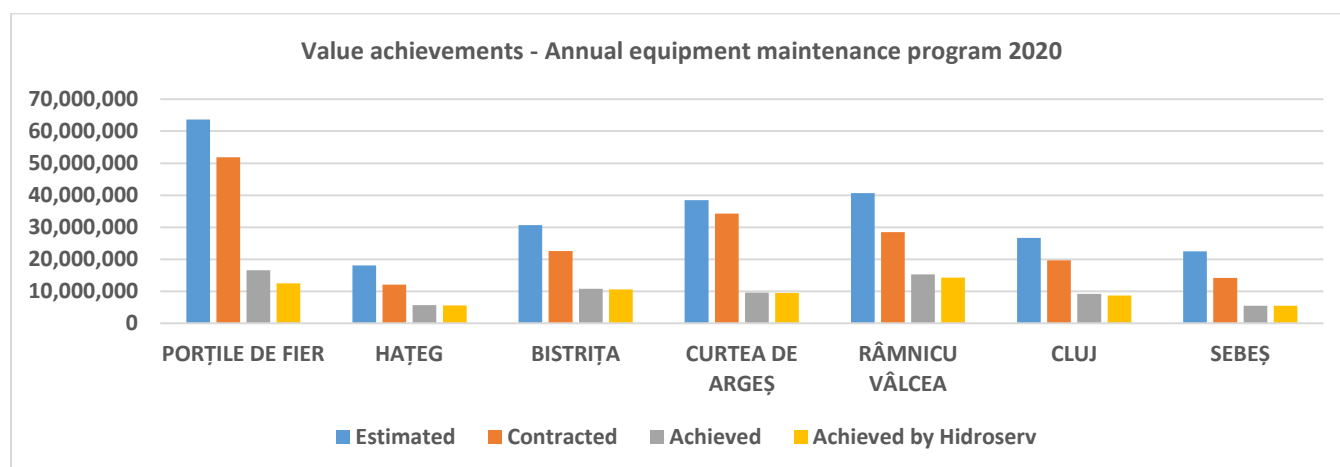
❖ **Equipment maintenance achievements - physical stage - graphic**

No.	BRANCH	NO. OF ESTIMATED WORKS ACCORDING TO PAM 2020	NO. OF CONTRACTED WORKS	NO. OF PERFORMED WORKS 30.06.2020	PERFORMED
1	PORȚILE DE FIER	573	499	185	32.29%
2	HATĚG	648	453	260	40.12%
3	BISTRIȚA	507	441	240	47.34%
4	CURTEA DE ARGEȘ	1,033	971	480	46.47%
5	RÂMNICU VÂLCEA	791	609	281	35.52%
6	CLUJ	834	665	327	39.21%
7	SEBES	495	434	156	31.52%
8	EXECUTIVE	2	2	1	50%
	<b>TOTAL</b>	<b>4,883</b>	<b>4074</b>	<b>1930</b>	<b>39.52%</b>



❖ Achievement of value equipment maintenance

NO.	BRANCH	VALUE OF ESTIMATED WORKS ACCORDING PAM 2020		VALUE OF CONTRACTED WORKS		VALUE PF PERFORMED WORKS AS ON 30.06.2020	
		TOTAL	HIDROSERV	TOTAL	HIDROSERV	TOTAL	HIDROSERV
1.	PORȚILE DE FIER	63,610,074	37,986,656	51,833,640	37,828,279	16,517,135	12.426.195
2.	HATEG	18,069,689	16,557,387	12,060,697	12,015,317	5,665,967	5.573.037
3.	BISTRITA	30,628,684	24,613,996	22,586,640	20,613,140	10,816,701	10.543.319
4.	CURTEA DE ARGEȘ	38,463,180	33,927,814	<b>34,282,146</b>	28,629,539	9,600,243	9.463.800
5.	RÂMNICU VÂLCEA	40,666,135	35,582,056	28,444,640	27,938,164	15,258,910	14.288.388
6.	CLUJ	26,614,050	23,812,857	19,642,983	19,125,933	9,148,642	8.646.792
7.	SEBEȘ	22,483,912	18,655,818	14,121,317	14,069,120	5,505,670	5.491.938
8.	EXECUTIVE	9,000	0	4,290	0	2,985	0
	<b>TOTAL</b>	<b>240.544.723</b>	<b>240,544,723</b>	<b>191,136,583</b>	<b>182,980,306</b>	<b>160,223,445</b>	<b>72,516,254</b>

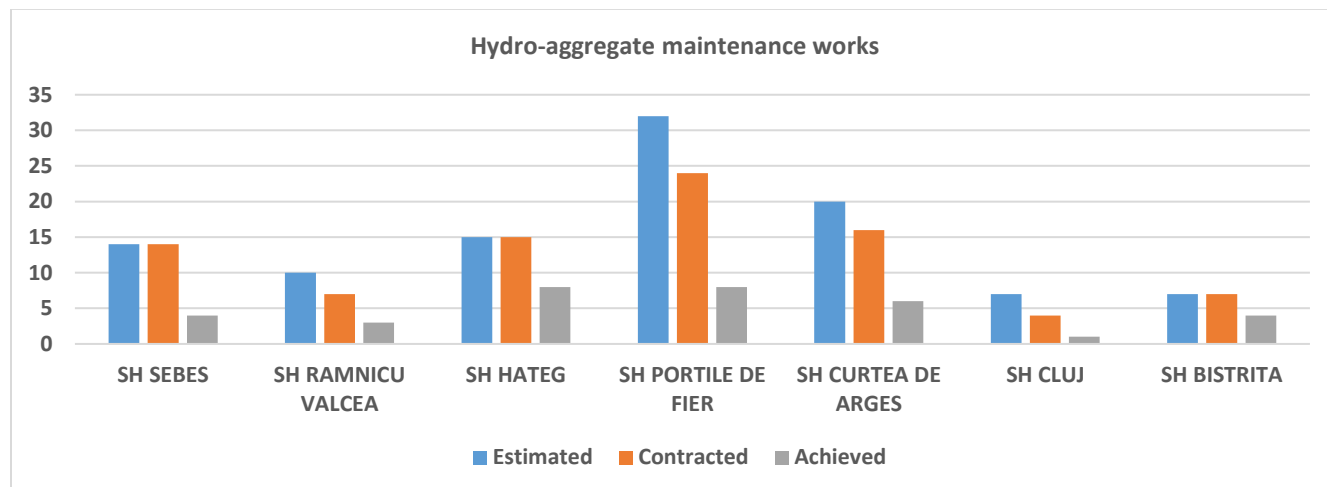


From the point of view of the works with capitalization (CAPEX), until 30.06.2020 were carried out works amounting to RON 14.99 million.

In 2020, revisions were scheduled for a number of 105 hydro aggregates, 87 of which were contracted. On 30.06.2020, 34 maintenance works on hydro aggregates were completed, 2 being in the process of completion.

NO.	BRANCH	Hydro-aggregate maintenance works					
		ESTIMATED		CONTRACTED		PERFORMED	
		Number	Value	Number	Value	Number	Value
1.	PORȚILE DE FIER	14	11,516,966	14	13,699,467	4	2,592,355
2.	HATEG	10	4,760,935	7	2,883,432	3	1,256,950
3.	BISTRITA	15	7,653,267	15	7,176,879	8	3,468,555
4.	CURTEA DE ARGEȘ	32	19,372,281	24	15,029,428	8	2,959,370
5.	RÂMNICU VÂLCEA	20	8,421,057	16	6,109,649	6	3,206,136
6.	CLUJ	7	4,145,585	4	2,051,402	1	430,140

<b>7. SEBEȘ</b>	7	4,330,251	7	3,829,499	4	2,085,538
<b>TOTAL</b>	<b>105</b>	<b>105</b>	<b>60,200,342</b>	<b>87</b>	<b>50,779,756</b>	<b>34</b>



It should be mentioned that until 30.06.2020, were performed all the maintenance works necessary for the safe operation of the hydropower installations.

#### Equipment maintenance achievements - physical stage - evolution of the Q2 compared to the Q1 2020

NO.	BRANCH	NO OF ESTIMATED WORKS	Q I - 2020			Q II - 2020		
			NO OF CONTRACTED WORKS	NO OF PERFORMED WORKS	PERFORMED	NO OF CONTRACTED WORKS	NO OF PERFORMED WORKS	PERFORMED
1	PORTILE DE FIER	573	285	147	25.65%	499	185	32,29%
2	HATEG	648	222	115	17.75%	453	260	40,12%
3	BISTRITA	507	196	122	24.06%	441	240	47,34%
4	CURTEA DE ARGES	1.033	836	217	21.01%	971	480	46,47%
5	RAMNICU VALCEA	791	255	198	25.03%	609	281	35,52%
6	CLUJ	834	266	194	23.26%	665	327	39,21%
7	SEBEȘ	495	137	98	19.80%	434	156	31,52%
8	EXECUTIVE	2	2	1	50.00%	2	1	50%
TOTAL		<b>4,883</b>	<b>2,197</b>	<b>1092</b>	<b>22.36%</b>	<b>4074</b>	<b>1930</b>	<b>39.52%</b>

#### Equipment maintenance value achievements - evolution in the Q2 compared to the Q1 2020

- million RON -											
NO..	BRANCH	ESTIMATED VALUE OF WORKS PAM 2020		Q I - 2020				Q II - 2020			
				VALUE OF CONTRACTED WORKS		VALUE OF WORKS PERFORMED		VALUE OF CONTRACTED WORKS		VALUE OF WORKS PERFORMED	
		TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV
1	PORTILE DE FIER	63.61	37.99	31.82	17.67	5.70	4.94	51.83	37.83	16.52	12,43

2	HAȚEG	18.07	16.56	6.40	6.36	4.62	4.54	12.06	12.02	5.67	5,57
3	BISTRIȚA	30.63	24.61	11.38	10.12	4.68	4.59	22.59	20.61	10.82	10,54
4	CURTEA DE ARGEȘ	38.46	33.93	17.67	17.46	3.73	3.72	34.28	28.63	9.60	9,46
5	RÂMNICU VÂLCEA	40.67	35.58	15.29	14.97	3.70	3.63	28.44	27.94	15.26	14,29
6	CLUJ	26.61	23.81	8.89	8.33	2.96	2.95	19.64	19.13	9.15	8,65
7	SEBEȘ	22.48	18.66	6.04	6.00	7.29	6.63	14.12	14.07	5.51	5,49
8	EXECUTIVE	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0,00
TOTAL		240,54	191.14	97.49	80.90	32.67	30.99	182.98	160.22	72.52	66.43

#### Physical / value accomplishments of hydro-aggregate maintenance works - evolution of the Q2 compared to the Q1 2020

- million RON -											
NO.	BRANCH	Maintenance works HA - ESTIMATED PAM 2020		Maintenance works hydro-aggregate – Q I - 2020				Maintenance works hydro-aggregate – Q II- 2020			
				CONTRACTED		PERFORMED		CONTRACTED		PERFORMED	
		Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
1	PORȚILE DE FIER	14	11.52	2	1.31	1	0.31	14	13.70	4	2.59
2	HAȚEG	10	4.76	3	1.23	3	1.26	7	2.88	3	1.26
3	BISTRIȚA	15	7.65	7	4.30	4	1.65	15	7.18	8	3.47
4	CURTEA DE ARGEȘ	32	18.69	12	5.42	4	1.11	24	15.03	8	2.96
5	RÂMNICU VÂLCEA	20	8.42	4	1.97	2	1.32	16	6.11	6	3.21
6	CLUJ	7	4.15	0	0.00	0	0.00	4	2.05	1	0.43
7	SEBEȘ	7	4.33	3	1.49	2	1.04	7	3.83	4	2.09
TOTAL		105	59.52	31	15.71	16	6.69	87	50.78	34	16.00

#### Equipment maintenance achievements - physical stage – evolution of the Q2 compared to the Q1 2020

NO.	BRANCH	Q I - 2019				Q I - 2020			
		NO OF ESTIMATED WORKS	NUMBER OF CONTRACTED WORKS	NO OF PERFORMED WORKS	PERFORMED	NO OF ESTIMATED WORKS	NUMBER OF CONTRACTED WORKS	NO OF PERFORMED WORKS	PERFORMED
1	PORȚILE DE FIER	464	452	339	73%	573	499	185	32.29%
2	HAȚEG	771	614	367	48%	648	453	260	40.12%
3	BISTRIȚA	535	448	282	53%	507	441	240	47.34%
4	CURTEA DE ARGEȘ	586	488	188	32%	1.033	971	480	46.47%
5	RÂMNICU VÂLCEA	962	923	543	56%	791	609	281	35.52%
6	CLUJ	786	683	418	53%	834	665	327	39.21%
7	SEBEȘ	400	326	178	45%	495	434	156	31.52%
8	EXECUTIVE	2	2	2	100%	2	2	1	50%
TOTAL		4506	3934	2317	51%	4883	4074	1930	39.52%

### Equipment maintenance value achievements - Q I 2019 vs. Q I 2020

NO.	BRANCH	Q I - 2019								Q I - 2020			
		VALUE OF ESTIMATED WORKS PAM 2019		VALUE OF CONTRACTED WORKS		VALUE OF PERFORMED WORKS		VALOARE LUCRĂRI ESTIMATE PAM 2020		VALUE OF CONTRACTED WORKS		VALUE OF PERFORMED WORKS	
		TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV	TOTAL	DIN CARE HIDROSERV
1	PORTILE DE FIER	14.75	14.42	12.54	12.50	4.15	4.12	63.61	37.99	51.83	37.83	16.52	12,43
2	HAȚEG	31.09	26.00	27.27	25.73	12.01	10.15	18.07	16.56	12.06	12.02	5.67	5,57
3	BISTRIȚA	16.51	15.70	15.33	15.30	5.24	4.90	30.63	24.61	22.59	20.61	10.82	10,54
4	CURTEA DE ARGEȘ	46.23	30.39	43.94	31.43	13.88	11.13	38.46	33.93	34.28	28.63	9.60	9,46
5	RÂMNICU VÂLCEA	27.55	25.98	25.41	24.92	7.27	6.71	40.67	35.58	28.44	27.94	15.26	14,29
6	CLUJ	18.64	17.32	17.62	17.54	5.99	5.85	26.61	23.81	19.64	19.13	9.15	8,65
7	SEBEȘ	25.22	19.92	20.13	18.75	8.21	7.20	22.48	18.66	14.12	14.07	5.51	5,49
8	EXECUTIVE	0.01	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0,00
TOTAL		180,00	149.73	162.24	146.16	56.75	50.07	240.54	191.14	182.98	160.22	72.52	66.43

### Physical / value achievements of hydro aggregates maintenance works - Q I 2019 vs. Q 2020

- MILLION ron -													
NO.	BRANCH	Hydroaggregate maintenance works – Q I - 2019						Hydroaggregate maintenance works – Q I - 2020					
		ESTIMATED - PAM 2019		CONTRACTED		PERFORMED		ESTIMATED - PAM 2020		CONTRACTED		PERFORMED	
		Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
1	PORTILE DE FIER	9	4.64	9	3.82	3	1.16	14	11.52	14	13.70	4	2,59
2	HAȚEG	25	6.72	23	5.94	7	1.68	10	4.76	7	2.88	3	1,26
3	BISTRIȚA	9	5.89	9	5.89	4	1.60	15	7.65	15	7.18	8	3,47
4	CURTEA DE ARGEȘ	15	8.10	15	8.52	4	2.25	32	18.69	24	15.03	8	2,96
5	RÂMNICU VÂLCEA	28	11.99	28	11.92	9	2.55	20	8.42	16	6.11	6	3,21
6	CLUJ	7	3.63	7	2.66	0	0.00	7	4.15	4	2.05	1	0,43
7	SEBEȘ	17	9.49	17	9.44	8	3.19	7	4.33	7	3.83	4	2,09
TOTAL		110	50.47	108	48.18	35	12.44	105	59.52	87	50.78	34	16.00

### Maintenance-construction activity

#### Construction maintenance activity

**For the year 2020**, the construction maintenance's program was prepared, in the amount of RON 27.04 million, of which the estimated value of the construction maintenance works to be executed with SSH Hidroserv is RON 0.07 million.

The distribution of these values by performers is as follows:

- RON 0.07 million to SSH Hidroserv, of which RON 0.07 million works contracted and partially executed in the previous year which continues in 2020;
- RON 26.96 million for third party executors;

- RON 0.00 million own funds;

For the year 2020, through the annual construction maintenance program, a number of 216 maintenance works are scheduled to be executed, being distributed on executors as follows.:

- 1 work to SSH Hidroserv;
- 215 works to third party executors / own forces;

On 30.06.2020, works in amount of RON 4.03 million were contracted, of which:

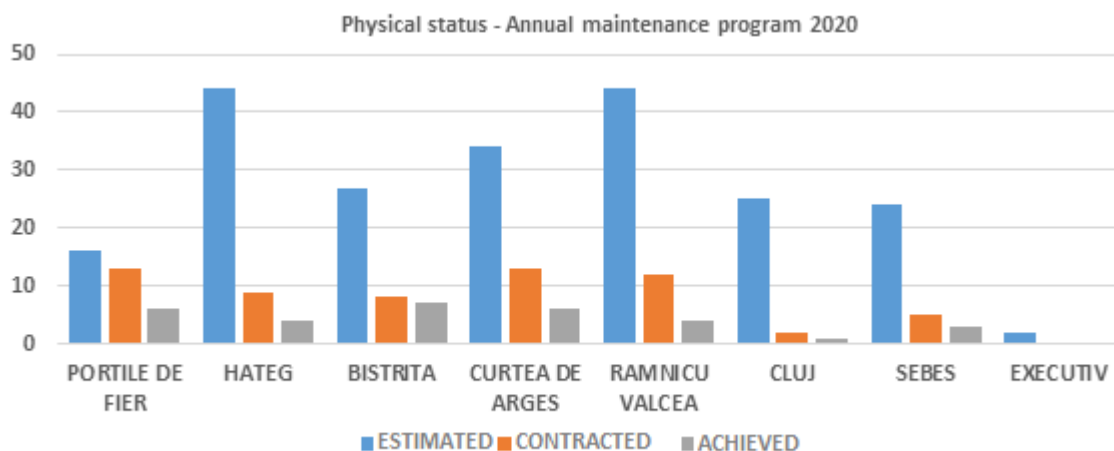
- RON 0.07 million with SSH Hidroserv SA;
- RON 3.99 million with third party executors.

#### The situation of the physical accomplishment of the construction maintenance works as on 30.06.2020

In 2020, construction maintenance works amounting to RON 27.04 million were scheduled to be performed, being performed on 30.06.2020 construction maintenance works in value of RON 2.30 million, of which RON 0.07 million with SSH Hidroserv. The corrective maintenance works carried out in 2020 were in value of RON 0.01 million.

#### Construction maintenance achievements - physical stage - graphic

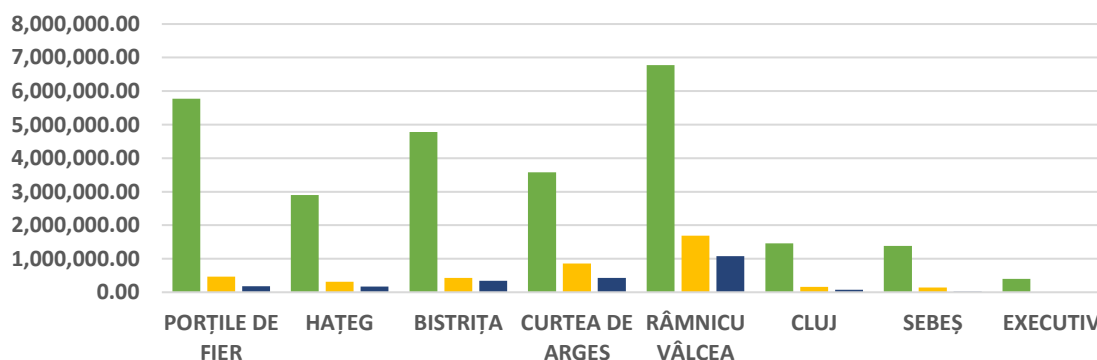
NO.	BRANCH	NUMBER OF ESTIMATED WORKS ACCORDING PAM 2020	NUMBER OF CONTRACTED WORKS	NUMBER OF PERFORMED WORKS 30.06.2020	ACHIEVED
1	PORTILE DE FIER	16	13	6	37.50%
2	HATEG	44	9	4	9.09%
3	BISTRITA	27	8	7	25.93%
4	CURTEA DE ARGEȘ	34	13	6	17.65%
5	RÂMNICU VÂLCEA	44	12	4	9.09%
6	CLUJ	25	2	1	4.00%
7	SEBEȘ	24	5	3	12.50%
8	EXECUTIVE	2	0	0	0.00%
<b>TOTAL</b>		<b>216</b>	<b>62</b>	<b>31</b>	<b>14.35%</b>



### Construction maintenance value achievements

NO.	BRANCH	VALUE OF ESTIMATED WORKS ACCORDING PAM 2020		VALE OF CONTRACTED WORKS		VALUE OF PERFORMED WORKS AS ON 30.06.2020		ACHIEVED
		TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV	TOTAL	OF WHICH HIDROSERV	
1	PORȚILE DE FIER	5,769,371.00		468,425.07		179,519.07		3.11%
2	HAȚEG	2,900,000.00		316,862.92		171,927.82		5.93%
3	BISTRIȚA	4,779,928.00		427,830.27		343,684.57		7.19%
4	CURTEA DE ARGEȘ	3,576,728.93		862,434.12		431,080.12		12.05%
5	RÂMNICU VÂLCEA	6,778,606.12		1,690,777.17		1,075,693.91		15.87%
6	CLUJ	1,455,038.46	74,538.46	157,085.78	74,538.46	74,538.46	74,538.46	5.12%
7	SEBEȘ	1,378,440.90		138,634.95		20,014.45		1.45%
8	EXECUTIVE	400,000.00						0.00%
TOTAL		27,038,113.41	74,538.46	4,062,050.28	74,538.46	2,296,458.40	74,538.46	8.49%

Value achievements - Annual maintenance program 2020



From the point of view of the works with capitalization (CAPEX) until 30.06.2020, were carried out works amounting to RON 0.646 million.

### Monitoring the Behavior of Hydro-technical Constructions

The constructions under the administration of Hidroelectrica S.A. recorded a **normal behavior** in terms of parameters measured at the measuring and control equipment and visual observations made by teams of specialists in Monitoring the Behavior of Constructions, which allowed operation under normal conditions.

The hydro mechanical equipment for the large water evacuators registered a **normal behavior**, which allowed the safe transit of the servitude flows and the large waters (where was the case).

During the flood period, small-scale damage was punctually recorded that did not affect the safety condition. Emergency intervention works were initiated to eliminate the deficiencies.



## 6. Human resources

The human resources activity is carried out in accordance with the company's Management Plan in force and has the following objectives:

**Maintaining and developing professional expertise by attracting and retaining a skilled workforce, through:**

- I. *Optimizing and streamlining the organizational structure of the Company;*
- II. *Increasing human capital and training / regular training of employees;*
- III. *Introduction of an integrated performance management system for employees;*
- IV. *Improving personnel development measures through courses and training sessions.*

### I. Optimizing and increasing the efficiency of the organizational structure of the Company

*The optimization of the organizational structure has continued in 2020, when the valid organizational structure was approved on 06.05.2020, certified by the Decision of the Supervisory Board no. 21 / 21.04.2020 and approved by the Directorate with decision no. 499 / 24.04.2020. The organizational structure of the S.P.E.E.H. Hidroelectrica S.A. valid on 06.05.2020 includes a number of 3,601 positions, of which 3,256 in branches and 345 in the executive.*

*This has led to the following changes:*

- reorganization of the Energy Management Dispatch Department by transferring the hydropower energy dispatchers with position in branches to the Executive - Dispatch Service within the branches to the Energy Management Service which was renamed the Dispatch Energy Management Service;
- establishment of the Personal Data Protection Department, consisting of 2 positions (a department manager and an expert);
- transferring the Treatment and Recovery Unit within the Wealth Administration Service - S.H. Hațeg to the Administration Service - S.H. Portile de Fier and supplementing by 4 the number of positions;
- supplementing the organizational structure of S.H. Hațeg with a number of 5 positions of chief electrician at the HPP Bretea;
- reorganization of the Technical Service and Production Support - S.H. Portile de Fier and the PFI Lock Operating Section, by transferring an engineer position and its occupant within the Technical Service and Production Support to the Lock Operating Section PFI;
- the cancellation of the Utilities Management Department and of the Procurement Department, respectively two department manager positions.

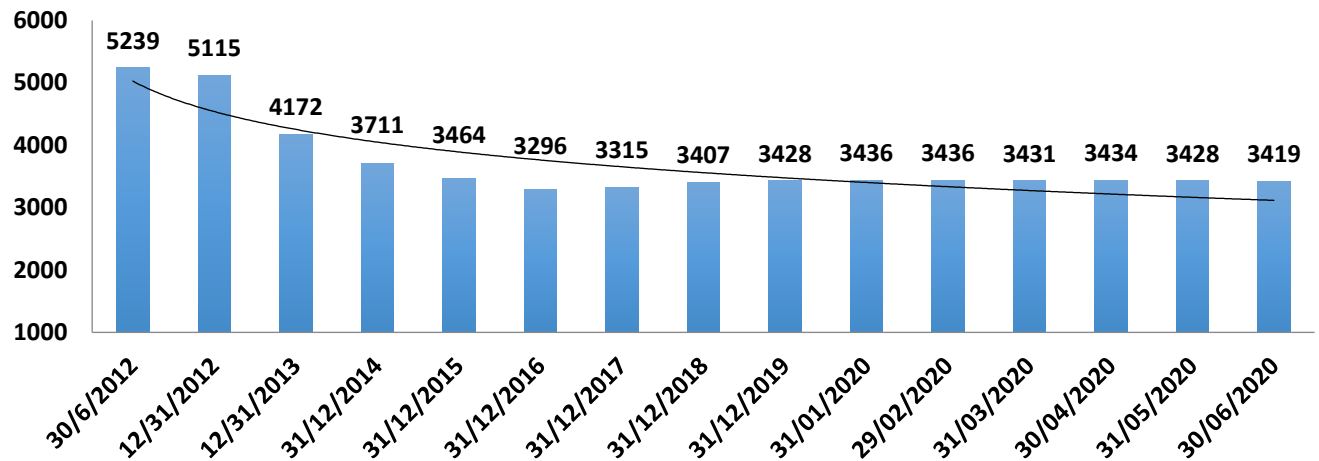
According to the organizational structure valid on 06.05.2020, the company's Functioning and Operating Rules is being approved according to the Process Map, July 2020 version.

### I.2. Evolution of the number of personnel and the salary fund in the first 6 months of 2020

In the approved REB of 2020, the average number of personnel is set at 3,500 and the number at the end of the year was 3,540 employees.

As of 30.06.2020, the actual number of employees was 3,394, to which are added 25 contracts suspended for various reasons (a total of 3,417 full-time and 2 part-time).

Evolution of the number of personnel between 2012 - 2020



Between January and June 2020, there were 78 jobs in the organization, of which 29 TESA and 49 workers.

Categories of personnel			
Month	TESA	Workers	Total
January	9	13	22
February	9	8	17
March	6	7	13
April	2	14	16
May	1	4	5
June	2	3	5
<b>Total</b>	<b>29</b>	<b>49</b>	<b>78</b>

There were 87 departures from the organization during January - June 2020, mainly due to the retirement of employees, but also for other reasons such as (termination of individual contract on determined period, termination of individual contract with the agreement of the parties, resignations, etc.).

No.	Reasons for leaving the organization	Jan.	Feb.	Mar.	Apr.	May	Jun.	TOTAL 2020
1.	Resignation	1						1
2.	Death	1		2		2		5
3.	Termination of long- term employment contract, or at the end of the probationary period	1	1	1				3
4.	Termination by right - withdrawal of authorization							
5.	Early retirement					2		2
6.	Partially early retirement	1	1	2		1	3	8
7.	Retirement age limit	7	8	10	8	3	8	44
8.	Disability retirement							
9.	Agreement of the parties	2	4	1			1	8
10.	Agreement of the parties (voluntary dismissal)							
11.	Business transfer							
12.	Termination of employment period	1	3	1	2	2	2	11

13.	Disciplinary dismissal				3	1	4	
14.	Dismissal (notice)							
15.	Dismissal of physical incapacity			1			1	
16.	Individual retirement							
	TOTAL	14	17	18	13	11	14	87

### I.2.1. January - June salary fund (estimated) 2020

REB	Item REB	REB 2020	Salary fund made in January-May 2020	Achieved (%)
<b>C0=C1+C2</b>	<b>SALARY RELATED EXPENSES</b>	467,708,133	216,872,001	46.37%
<b>C.1.</b>	<b>Salary expenses</b>	430,731,333	193,015,125	44.81%
<b>C.1.1.</b>	Gross basic salaries, of which:	246,670,008	112,786,331	45.72%
<b>C.1.1.1.</b>	- basic salaries	224,970,008	104,810,502	46.59%
<b>C.1.2.2.</b>	- salaries for overtime	21,700,000	7,975,829	36.75%
<b>C.1.2.</b>	BONUSES (according to the collective labor contract): bonuses, additions, prizes, electricity, other facilities, of which:	184,061,325	80,228,794	43.59%
<b>C.1.2.1.</b>	- bonuses	143,980,805	66,328,193	46.07%
<b>C.1.2.2.</b>	- allowances of Easter and St. Elijah, Christmas, as appropriate	12,355,770	4,034,756	32.65%
<b>C.1.2.3.</b>	- other facilities (special events, jubilee bonuses, retirement benefits, marriage benefits, hospital compensation, etc.)	13,498,200	6,584,412	48.78%
<b>C.1.2.4.</b>	- electricity	6,552,000	3,204,933	48.92%
<b>C.1.2.5.</b>	- prize money	3,824,550	76,500	2.00%
<b>C.1.2.6.</b>	- variable payment	3,850,000	-	0.00%
<b>C.2.</b>	<b>BONUSES</b>	36,976,800	23,856,876	64.52%
<b>C.2.1</b>	Total social expenses (art. 25 of L227 / 2015 + Fiscal Code), of which:	7,525,000	2,458,080	32.67%
<b>C.2.1.1.</b>	- gift vouchers	525,000	250,050	47.63%
<b>C.2.1.2.</b>	- other social expenses	7,000,000	2,208,030	31.54%
<b>C.2.2.</b>	Meal tickets	12,081,300	5,458,052	45.18%
<b>C.2.3.</b>	Employees' participation in the profit obtained in the previous year	17,370,500	15,940,744	91.77%

## II. Increasing human capital and training / regular training of employees

### II.1. Recruitment and ensuring the loyalty of competent employees

Human capital is essential to meeting the company's objectives, so in the context of changes of the external environment it is necessary to turn the skills and performance of its employees into a competitive advantage and to develop and keep existing valuable employees and to recruit new appropriate human resources that will ensure the quality of human capital in the future.

In the first semester of 2020, according to Procedure P\_S05.120 Recruitment of an employee (TESA, foreman, worker) of S.P.E.E.H. Hidroelectrica S.A., the following recruitments took place (competitions / interviews / practical tests):

Month/ Year 2020	Total number of recruitments scheduled to take place this month + recruitments announced for next month	Of which: Total number of suspended recruitments	Of which: Total number of recruitments carried out and completed	Number of positions for which recruitments were carried out and completed	Number of registered candidates	Number of candidates admitted
<b>January</b>	27 (18 + 9)	-	18	21 positions (13 TESA , 8 workers)	38	21
<b>February</b>	36 (20 + 16)	-	20	21 positions (10 TESA , 11 workers)	39	19
<b>March</b>	28 (26 + 2)	14	14	14 positions (3 TESA , 11 workers)	50	14
<b>April</b>	3 (3 + 0)	2	1	1 position (1 TESA , 0 workers)	1	1
<b>May</b>	4 (4 + 0)	0	4	4 positions (4 TESA , 0 workers)	4	3
<b>June</b>	0	0	0	0 position (0 TESA , 0 positions)	0	0

The summary of all recruitments carried out and completed in the first semester of 2020 is as follows:

Year 2020	Total number recruitment carried out and completed	Number of positions for which recruitments were carried out and completed	Number of registered candidates	Number of candidates admitted
<b>Total January - June 2020</b>	57	61 positions (31 TESA, 30 positions)	132	58
<b>Occupancy rate during January-June 2020 = no. occupied positions / no. positions for which recruitments were carried out and completed = 58/61 = 95.08%</b>			<b>No. candidates for a position = 132/61 = 2.16 candidates / position</b>	

We mention that starting with the middle of March, the recruitments were suspended due to the state of emergency and then the state of alert, and from that moment until now only 5 recruitments took place (1 in April and 4 in May).

#### **Identify key company positions and necessary competencies:**

The identification of the necessary competencies for all positions within the company, including key positions, is constantly performed through job descriptions that are prepared and updated according to the procedures in force within the company: elaboration / updating of a standard job description (process M02. 210) and preparation of a job description (process S05.902)

By the decision of the Directorate no. 616 / 15.05.2020, it was established that the Human Resources Department will perform analysis of the job specification in the job descriptions for the position of Department Manager, in order to have a standard. The Human Resources Department prepared the first version of the note registered with the number 56624 / 26.05.2020 and forwarded it to the Directorate and following the comments received had prepared a new version, at the end of June 2020.

#### **Using the recruitment services of head-hunting companies for key positions:**

During 2019, was still valid the contract no. 190 / 16.06.2016 concluded between S.P.E.E.H. Hidroelectrica S.A. and Pluri Consultants Romania S.R.L., having as object "Recruitment services for the Department Manager and 5 engineers within the Design Department of the S.P.E.E.H. Hidroelectrica S.A." Pluri Consultants Romania S.R.L. provided the services mentioned in the contract, completed the recruitment process for 5 of the 6 positions that were the subject of the contract and Hidroelectrica signed individual employment contracts with the occupants of these 5 positions, individual employment contracts that are in force at the moment.

During the first half of 2020, no head-hunting recruitment services were used.

#### **Continuing the steps for occupying the necessary key positions: traders, retail sales agents, risk management specialists, engineers-designers, etc.**

In the first semester of 2020, according to the Procedure P\_S05.120 Recruitment of an employee (TESA, foreman, worker) of S.P.E.E.H. Hidroelectrica S.A., were carried out **57 recruitments (competitions / interviews / practical tests) for a number of 61 positions (31 TESA, 30 workers)**. A number of **132 candidates had registered** for these recruitments, thus having an **average of 2.16 candidates / position**. Following the recruitments carried out in the first semester of 2020, 58 positions were taken, **the occupancy rate being 95.08%** (number of positions occupied / number of positions for which recruitments were carried out = 58 / 61).

Through these recruitments carried out in the first semester of 2020, the efforts to occupy the key positions continued and the positions were taken:

- Department Manager within the Risk Management Department
- 1 engineer in the Design Department, with a position at S.H. Bistrița.

#### **Implementation of social responsibility programs meant to attract young people to the profession of hydropower engineer (granting private scholarships, organizing professional competitions).**

*In 2020, the development of social responsibility programs continued, thus:*

- ✓ A new selection took place for granting 37 private scholarships, both to pupils and students enrolled in full-time courses in Romania. Following this selection, were concluded 10 contracts, of which 3 for pupils and 7 for students;
- ✓ partnership contracts were concluded for the professional training of students through dual education with 9 high schools / technological colleges for two fields:
  - Electric professional qualification - electrical and energy appliances and equipment;
  - Electro-mechanic professional qualification – electro-mechanic industrial equipment and installations.

## **II.2. Increasing employee's involvement, motivation and productivity**

The efficiency and productivity of the work of the company's employees represent key factors for success in obtaining the proposed results.

Performance management involves the clear definition of objectives and responsibilities, a motivated, involved workforce (managers and experts / execution staff) and capable employees.

**Proposals:**

- **Introduction of an integrated performance management system:** the promotion and rewarding of employees is done based on regulations, signed with the social dialogue partner, depending on the evaluation of employees' individual performance;
- **Improving personnel's development through courses and training;** Hidroelectrica organized in the first semester of 2020 vocational training courses for different categories of personnel (workers, TESA, top management), according to the Vocational Training Plan, annex no. 3 to the company's collective labour contract.

For the year 2020, in REB the amount allocated for Vocational Training is in amount of RON 2,828,000, of which in the first 6 months of the year a number of 160 employees were trained / authorized, for which the amount of RON 123,467 was used from the budget.

*In the following table, we detail the training / authorization courses:*

Type of training	Amount (RON)	Participants, of which:	Workers	Tesa
<b>Authorizations</b>	<b>44,633</b>	<b>34</b>	0	34
<b>Training and specialization courses</b>	<b>78,834</b>	<b>126</b>	109	17
<b>Courses abroad</b>	<b>0</b>	<b>0</b>	0	0
<b>Training with internal lecturers</b>	<b>0</b>	<b>0</b>	0	0
<b>TOTAL</b>	<b>123,467</b>	<b>160</b>	<b>109</b>	<b>51</b>

*In the table below we detail the courses and costs, by categories of personnel:*

Employee category	Total amount / category (RON)	Employees
<b>Workers</b>	53,480	109
<b>Foreman</b>	490	1
<b>Other secondary education</b>	1,523	3
<b>Heads of compartments</b>	23388	7
<b>Engineers</b>	10,030	8
<b>Economists</b>	0	0
<b>Other higher education</b>	18,940	19
<b>TOTAL</b>	<b>123,467</b>	<b>160</b>

**The main courses held in the Q I 2020:**

- ❖ Vocational training services for employees (workers of S.P.E.E.H. Hidroelectrica S.A. from the operation department of hydropower plants in the electric field: operation of electrical installations and equipment in power plants and power stations and pumping stations), for maximum 340 employees - Contract no. 1937 / 18.10.2019, concluded between HIDROELECTRICA S.A. and FORMENERG S.A.;
- ❖ Professional training services in the technical field for detection systems, video surveillance, access control", for 2 employees - Contract no. 19 / 15.01.2020 ; concluded between HIDROELECTRICA S.A. and S.C. PROFESIONAL SECURITY DIVISION S.R.L.;

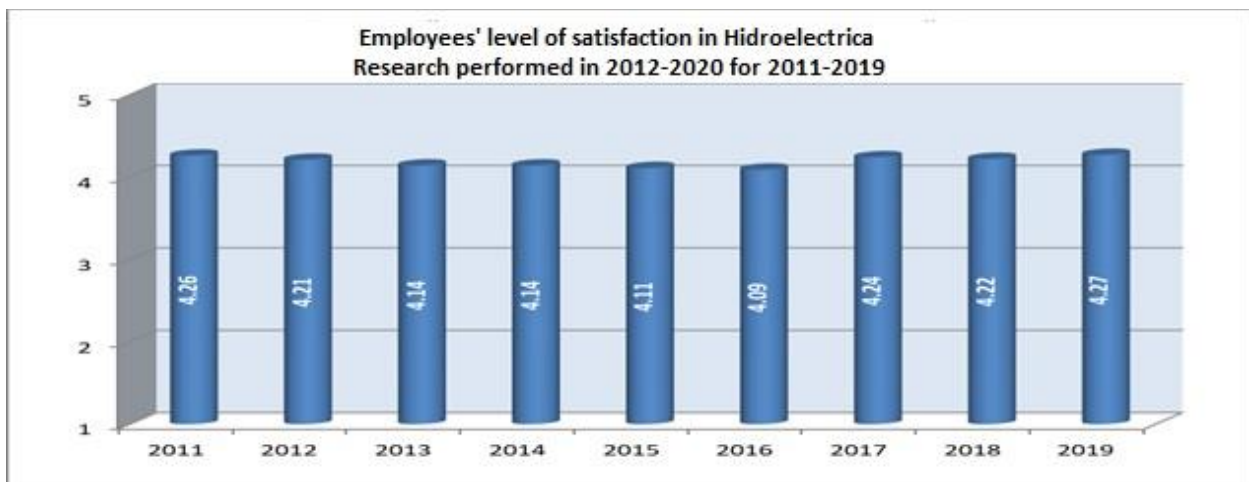
- ❖ Vocational training services in the field of environmental protection - Contract no. 28 / 20.01.2020, concluded between HIDROELECTRICA S.A. and CERTIND S.A.;
- ❖ Extension of the validity of the authorization for the operator responsible for the supervision and technical verification of the installations / equipment in the ISCIR field, for 4 employees - module B - Contract no. 74 / 10.02.2020, between HIDROELECTRICA S.A. and C.N.C.I.R. S.A.;
- ❖ Vocational training services for Emergency Situations, ethical framework with fire protection attributions, for 5 employees - Contract no. 11.03.2020, concluded between HIDROELECTRICA and Sarmis Columna Training S.R.L.;
- ❖ Vocational training services in the field of OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS, in accordance with the ISO 45001/2018 standard", for 12 employees, Contract no. 320 / 16.03.2020, concluded between HIDROELECTRICA S.A. and CERTIND S.A.;
- ❖ Training courses for IAPP CIPP and IAPP CIPM and "Current national security issues."

✚ **Continue to use methods to measure employees' involvement and internal customer satisfaction (tools, annual surveys):**

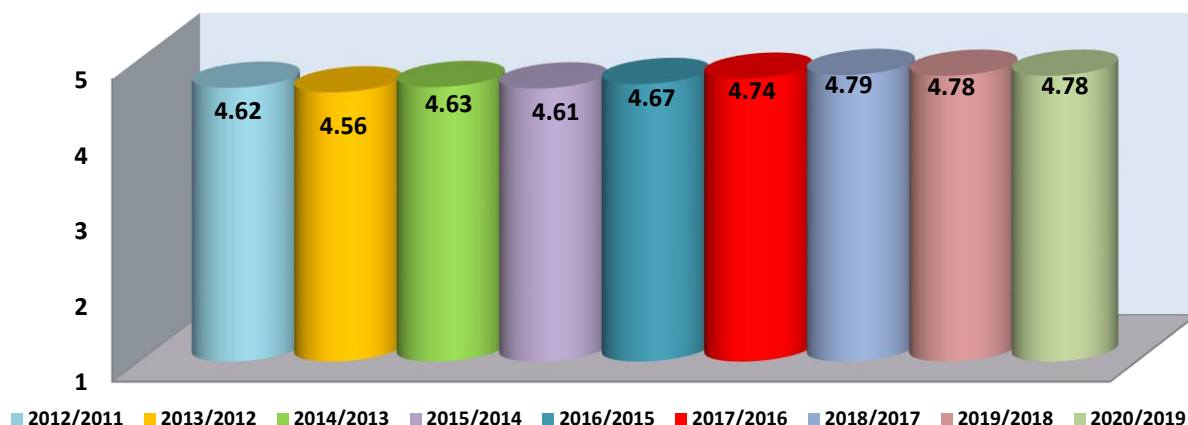
Annually, starting with 2011, the company has carried out, using two instruments, a survey for measuring the degree of employees' involvement and the involvement of the internal customer. This assessment is made at the beginning of the current year for the previous year. Thus, for 2019, there was an increase in the degree of involvement of domestic customers compared to the previous year.

We present in the following charts the evolution of the two indicators that show the involvement of employees and the quality of internal relations within Hidroelectrica.

#### EMPLOYEES' INVOLVEMENT IN HIDROELECTRICA



### Involvement of internal customers - Hidroelectrica general average; Comparative situation 2012-2020



### II.3. Developing organizational culture and cooperation between employees

Organizational culture and cooperation between company's employees have a direct impact on employees' productivity and performance. Based on the internal changes of recent years will be pursued the development of an organizational culture based on mutual Competitiveness Operational Program, orientation towards cost optimization and performance:

- ❖ Optimization and efficiency of the organizational structure based on a process approach: the *procedural approach* is implemented, the process map is constantly updated and is attached to Hidroelectrica's Rules of procedures;
- ❖ Organizing activities designed to strengthen teamwork - teambuilding. The procedure has started for acquiring this teamwork program. In the context of the COVID-19 pandemic, it was decided to look for other alternatives that comply the protection measures;
- ❖ Development of standards and procedures for the management of inter-departmental projects (other than development-refurbishment investments).

*Along with the implementation of the specific Competitiveness Operational Program procedures, were defined the projects, programs and the way of their management through specific procedures and regulations, implemented starting December 2019.*

The Hidroelectrica project, a project-oriented company aims at a cultural change in the organization, based on changing the way of working within Hidroelectrica by focusing on project management, by forming teams with responsibilities, deadlines and pursued objectives. It is also desired to transform the management act by streamlining internal processes.

#### Reference data on the development of the project:

- ✚ **First year of the contract:**
  - Signing the contract - 07.03.2019;
  - Analyzing Hidroelectrica's documents - 20.05.2019;
  - Developing specific structures HE- POC - 22.07.2019;
  - Completing pilot projects - 18.11.2019;



- Completing trainings for 150 employees in the activity of development, refurbishment, project management, design also for top management personnel - 10.02.2020;
- Working with the company's top management; Completed quality assurance structures in the project;
- Exchanging experience: Visits to Verbund and A1 Telecom Austria companies which are project-oriented in the energy field that took place in February 2020.

In the first year of the contract, Hidroelectrica implemented procedures for project and program management, a regulation for the project-based operation, team-worked on two pilot projects, prepared a portfolio of Hidroelectrica's projects and as a result of trainings in project management of more than 150 employees and 50 top managers, was created a **community of project managers in Hidroelectrica**.

Within the program, were proposed 2 pilot projects by the members of the commission from the development, refurbishment and project management departments:

- ✓ Additional protection measures of the overflow dam heatsink in Portile de Fier I;
- ✓ Refurbishing of Hydropower development Răstolița.

#### **Second year of the contract: 4 follow-up sessions**

In July 2020, will take place the no. 1 follow-up session within the project, the project team being approved by the Directorate. The next sessions are in November 2020, January and March 2021.

### **III. Introduction of an integrated performance management system for employees**

#### **✓ Application of a variable remuneration scheme for the company's employees**

For the personnel in Top Management positions at executive and branch level, it is provided in the Individual Employment Contracts, in accordance with art. 4.24 of the Collective Labor Agreement in force, "(...) *the variable salary composition established according to the achievement of the performance indicators at the level of the entire company, of the performance indicators specific to the position and the annual performance evaluation.*"

#### **✓ Defining a career plan**

In June 2020, was started the procedure S05.201 *Development of a career plan*.

### **IV. Improving personnel's development measures through courses and training**

#### **Improving personal training processes**

- ✓ *defining the annual tactical plan regarding the courses and trainings: by defining the analyzed, centralized training needs and including them in the company's Training Plan, collecting feedback after each training;*
- ✓ *participation in conferences on various topics, postgraduate courses in certain fields;*
- ✓ *commencing the process of international authorization of project managers, which has started with training courses for international certification (35 hours).*

#### **Increasing the diversity of course content and trainings**

- ✓ *Including on the e-learning platform a diversified content, both for the improvement of "soft" and technical skills - e-learning: the training courses have diversified, the exam in 2019 took place on the e-learning platform; the course to improve the knowledge on the code of ethics takes place for several years on the e-learning platform, a basic knowledge course on personal data protection is uploaded to the e-learning platform, and employees have been trained in this field; organizational behavior courses are also available on the platform, kaizen etc.*

The training method on the e-learning platform will continue in 2020, thus all employees will take the course to refresh their knowledge on the Code of Ethics and will take the test to verify their knowledge on the Code

of Ethics on the e-learning platform.

## 7. Other important events between January and June 2020

- On 26.02.2020, the Government of Romania adopted Decision no. 148/2020 on the approval of the method of determination and calculation of the ecological flow, pursuant to art. 108 of the Romanian Constitution, republished, and of art. II of the Government Emergency Ordinance no. 78/2017 for the amendment and completion of the Water Law no. 107/1996, approved with amendments and completed by Law no. 243/2018. The field of application is in accordance with the provisions of art. 53 para. (4) and of point 26 of annex no. 1 to the Water Law no. 107/1996, with subsequent amendments and completions and is represented by the dam or water capture works located on the surface watercourses whose flows constitute the water resources used for: water supply of cities and economic operators, energy production electricity, fish farming in fish ponds, irrigation, navigation.
- Hidroelectrica S.A. provided and approved in REB 2020 and in PAAS 2020 the expenses related to the acquisitions of the studies for determining and calculation of the ecological flow for all barred sections, and Technical and Production Support Department has started the elaboration of specifications.
- **ENESCU Project – acquisition of CEZ România Group**
  - ✓ On **27.01.2020** the CEZ a.s consultant, Société Générale, London Branch (“Société Générale”) sent Notification no. 9433 regarding the selection of Hidroelectrica S.A. for the second phase of the process, following the analysis of the indicative offer;
  - ✓ Hidroelectrica notified the Consultant of the Association formed by Ernst & Young SRL, Ernst & Young doo Beograd and Ernst & Young Advisory (EY) on **27.01.2020** on the commencing of specialized consulting services, assistance, evaluation and intermediation of mergers and / or acquisitions (M&A) of the CEZ Romania group related to the Contract no. 2076 / 18.12.2019 „ for each of the component units of the CEZ Romania group related to **Stage III: “Carrying out the acquisition process - Due diligence”** for the CEZ Romania group and for **Stage IV: “Carrying out the acquisition process - The binding offer”**;
  - ✓ **From the receipt of the notification** from Hidroelectrica SA, until **31.03.2020** (end of the reporting period), the EY Consultant has performed activities specific to the mentioned sub-stages, materialized for Stage III *“Carrying out the acquisition process - Due diligence* as follows in Sub-stage 1.a. The consultant prepared and submitted the Report for Planning the Activities of Stage III, activity 1.a. , within Sub-stage 1.b., prepared the reports on the technical, financial, fiscal, commercial diagnostic analyses, and within Sub-stage 2 of the evaluation reports of CEZ RES, CEZ Vânzare, Distribuție Energie Oltenia, CEZ Romania;
  - ✓ As a result of the pandemic generated by Covid-19 worldwide, Romania declared a state of emergency starting with 16.03.2020. During the state of emergency, the authorities issued military ordinances establishing certain measures for the organization and functioning of the company. On April 9, 2020, the Military Ordinance no. 8, which by art.15 suspended the sale / purchase procedures of majority shares of companies in the National Energy System, regardless of their ownership, throughout the state of emergency.
  - ✓ On 15.05.2020 the state of emergency on the Romanian territory ceased, and on 18.05.2020, SocGen sent Addendum II to Process Letter II, informing that the new deadline for submitting the binding offer is 25.06.2020.

- ✓ Hidroelectrica together with the consultant EY analyzed both the possibility of the company to submit an offer alone, and to forming a consortium to maximize the chances of success of the transaction, starting from the premise of compatibility of the partner related to the entities of interest;
- ✓ The Directorate, by Decision no. 235 / 23.05.2020 and the Supervisory Board, by Decision no. 35 / 26.05.2020, approved the Association formed by Hidroelectrica, Electrica and SAPE in order to submit a joint binding offer for the entire transaction within the ENESCU project, in accordance with the Hidroelectrica interest, as follows:
 

RES	⇒	Tomis Team SA
	⇒	Odiviu Development SRL
	⇒	MW Team Invest SRL
Supply	⇒	CEZ Vânzare SA
Services	⇒	CEZ România SA
- ✓ The GMS Decision no. 10 / 25.06.2020, approved the elaboration and submission of a binding offer of Hidroelectrica, alone or in consortium, within the sale process (M&A) of the CEZ group, conditioned by its subsequent approval by the GMS. Also through this GMS Decision, it was approved the partner with which Hidroelectrica will form an Association and will submit a binding offer for the entire sales process (M&A) of the CEZ Romania Group,
- ✓ On 25.06.2020, Hidroelectrica submitted in Association with Electrica and SAPE, the binding Offer for the entire perimeter of the transaction.

#### **Scorilo Project – acquisition of UCMR Reșița assets**

- ✓ *Concluding on 16.03.2020 the contract regarding the provision of specialized consultancy services, assistance, due diligence, evaluation and conclusion of assets takeover from UCM Reșița S.A. by Consultant Ernst & Young SRL, winner of the selection carried out, based on the conclusions of the Technical Commission, set up at Hidroelectrica SA, results from the visit performed between 06-08.03.2019, at UCM Resita, on the site of Călnicel and ABC platforms, meetings between the representatives of the two companies, as well as the decision of Hidroelectrica management to analyze the opportunity of taking over the equipment and machine tools that can ensure the modernization and maintenance of hydro aggregates and hydro-mechanical equipment necessary for the company, in order to substantiate this strategic action (SCORILO project).*

#### **Updating the Investment Strategy a S.P.E.E.H. HIDROELECTRICA S.A.**

- ✓ Between April 27 and May 12, 2020, the team nominated for this project went through the following stages:
  - Documentation and participation in defining the format of the proposal for updating the Hidroelectrica S.A investment strategy, elaborated as a result of the provisions of the Order of the Minister of Economy, Energy and Business Environment no. 893 on 16.04.2020;
  - Preparing the chapters of the Investment Strategy: Preamble, General Objectives, Investment Strategy on new hydropower projects, Investment Strategy on refurbishment and modernization projects, Strategy on new projects to diversify the business portfolio and Conclusions.
  - integration of data received from specialized departments
- ✓ The updating of the SPEEH Hidroelectrica S.A Investment Strategy was approved by the Decision of the General Meeting of Shareholders no. 8 / 06.15.2020.

- ✓ **Preparing the IPO process and Hidroelectrica's listing during the first quarter of 2020**
  - ✓ Hidroelectrica's Periodic Reporting procedure was approved in order to implement the periodic reporting requirements specific to the companies whose shares are traded on the regulated market;
  - ✓ On 12 February 2020, the public procurement procedure was launched in SEAP for the "Acquisition of legal advice and assistance services of an international legal consultant which will take all necessary measures in order to meet the requirements imposed on the capital markets in connection with the public tender procedure provided by GD no. 1066/2013, with subsequent amendments and completions";
  - ✓ Was cancelled the public procurement procedure launched in SEAP on December 18, 2019 for "Equity Adviser" capital market consulting services that will be used for training and assistance in conducting the IPO S.P.E.E.H. Hidroelectrica S.A. " and was resumed in SEAP on 3 March 2020;
  - ✓ On May 6, 2020, was concluded the service contract with Dentons Europe SPARL for legal consulting and legal assistance services in order to meet the requirements imposed on the capital markets in connection with the public offering procedure provided by GD no. 1066/2013, with subsequent amendments and completions"
  - ✓ On May 19, the contract for the provision of consulting services for the 'Equity Adviser' type capital market was concluded with STJ Advisors Group Ltd. (UK) for training and assistance in conducting the IPO S.P.E.E.H. Hidroelectrica S.A."
  - ✓ On June 10, 2020, the Romanian Parliament (through the Chamber of Deputies, the decision-making chamber) adopted the Draft Law no. 314/2020 on some measures to protect national interests in economic activity. According to art. 2 of the Draft Law, "it is prohibited, for a period of two years, the transfer of state participations in national companies and societies, in banks, as well as in any other company in which the state has the quality of shareholder, regardless of the participation quota held".
  - ✓ The Draft Law was submitted to the constitutionality control by the notification of unconstitutionality formulated by the deputies belonging to the National Liberal Party Parliamentary Group on June 16, 2020.
  - ✓ Following the deliberations on July 14, 2020, the Constitutional Court, with a majority of votes, rejected, as unfounded, the objection of unconstitutionality and found that the provisions of the Law on some measures to protect national interests in economic activity are constitutional in relation to the complaints.
  - ✓ The decision is final and generally binding and is communicated to the President of Romania.
- **Partnerships / participations of the company's representatives at the following conferences in the fields of interest:**
  - ✓ The ninth edition of the energy summit - *ZF Power Summit*, an event organized between February 17-18, 2020 by Ziarul Financiar, took place at the Radisson Blu Hotel in Bucharest. The theme of this year's summit was *The Energy Transition, from Speech to Action: What Energy Will We Consume in the Next 10 Years*;
  - ✓ *Gala Women in Economy*, event organized on March 4, 2020 by the National Confederation for Female Entrepreneurship, the only confederation in Romania that supports and promotes female entrepreneurship, in partnership with the Ministry of Culture and National Identity and the George Enescu Philharmonic;
  - ✓ The third edition of the gala *Energy-Center Awards*, an event organized on March 12, 2020 by Energy-Center.ro, on the 9<sup>th</sup> anniversary of the publication of the first issue;

- ✓ Online Energy Forum, event organized by Financial Intelligence on June 10, 2020;
  - ✓ Online conference *Sustainability in business*, event organized by The Diplomat-Bucharest magazine on June 16, 2020;
  - ✓ Videoconference "Romania's Development Strategy" with the theme "Returning to habits or advancing in a new economic reality", event organized by the BURSA Press Group, on June 23, 2020;
  - ✓ The 6th edition of the Energy Strategy Summit event (online video conference), organized by Wing Media Energy Consulting on June 30, 2020;
- **Publication of two interviews** with Mr. Bogdan Badea - President of Hidroelectrica Directorate in specialized publications: Investenergy (April 2020), Financial Intelligence (May 2020).
  - **Carrying out seven sponsorships to medical institutions, with emergency reception units, in the total amount of RON 10,033,000:**
    - ✓ Municipal Emergency Hospital Caransebeș – RON 1,500,000;
    - ✓ County Emergency Hospital Vâlcea - RON 1,500,000;
    - ✓ County Clinical Hospital Mureș – RON 1,033,000;
    - ✓ County Emergency Hospital Deva - RON 1,500,000;
    - ✓ County Emergency Hospital Giurgiu - RON 1,500,000;
    - ✓ County Emergency Hospital Drobeta Turnu Severin - RON 1,500,000;
    - ✓ County Emergency Hospital „Sfântul Ioan cel Nou” Suceava - RON 1,500,000.

**In the first semester of 2020, on 16.03.2020, the state of emergency was established on the Romanian territory, due to the Coronavirus pandemic, subsequently it was extended, followed starting 15.05.2020 by a state of alert.**

**In this context, Hidroelectrica has taken measures to reduce the spread of the virus, as follows:**

- ✓ the Plan to continue the activity in Hidroelectrica was drawn up in the situation generated by the spread of Coronavirus, in accordance with the provisions of Military Ordinance no. 8/2020; The purpose of this plan is to ensure the continuity of activity in order to produce electricity and ancillary services, for the safe operation of the National Energy System and at the same time to prevent the spread of the virus and minimize the effects on employees' health.
- ✓ Critical hydroelectric power plants were identified, for which was established the measure of preventive isolation at the workplace, depending on the category of importance;
- ✓ Protective materials were purchased for Hidroelectrica's employees (masks, gloves, disinfection products);
- ✓ At the level of the health and safety at work, environment, emergency situations department, were centralized the data and information necessary for the safe management of the emergency situation, constantly knowing the state of the company in terms of personnel in isolation at home / quarantine / suspects / infected;
- ✓ The personnel was constantly informed about the measures imposed by the authorities, but also at the level of company, to prevent the spread of the virus;
- ✓ Health and safety at work, Environment, and Emergency situations departments prepared weekly reports to the Directorate, regarding the events of the previous week, the measures and the methods applied.

The Health and safety at work and Environmental specialists, as well as the fire protection inspectors, participated in the external controls that were performed in the branches by the authorities (National Environmental Guard, ABA, Territorial Labour Inspectorates and County Emergency Inspectorates). Given the situation imposed by the measures

taken to prevent the spread of coronavirus, external controls were not carried out with the same frequency as before declaring the state of emergency at national level.

Following the inspections carried out, measures have been taken to deal with the identified non-conformities, which have been resolved or are being resolved, so that the deadline is met.

Number of external inspections and number of measures initiated following external inspections for each of the 3 areas:

Domain	HSW	ENVIRONMENT	EMERGENCY SITUATIONS
Foreign inspections	5	6	7
Measures taken	4	9	6

Due to the state of emergency at national level, starting with March 16, 2020, subsequently extended and followed by the state of alert, internal controls have been limited, as a measure to prevent the spread of coronavirus.

Number of internal controls performed for each of the 3 areas:

Domain	HSW	ENVIRONMENT	EMERGENCY SITUATIONS
Domestic inspections	36	11	15

Number of sanctions registered for each of the 3 areas:

Domain	HSW	ENVIRONMENT	EMERGENCY SITUATIONS
Sanctions	0	0	0

❖ **Important events on investments held during April-June 2020:**

- S.P.E.E.H. Hidroelectrica S.A. has taken important steps in relaunching the procurement procedure for the refurbishment works of HEA Vidraru. In order to approve the achievement of the investment objective "refurbishment of HEA Vidraru" in the new concept, the following were issued: Decision of the Directorate no. 233 / 03.05.2020, Decision of the Supervisory Board no. 28 / 14.05.2020 and EGMS Decision no. 9 / 15.06.2020. The new procurement procedure is to be launched in the third quarter of 2020;
- By the GMS Decision no. 9 / 15.06.2020, Extraordinary General Meeting of Shareholders of HIDROELECTRICA S.A. approved the investment objective "Refurbishment of the HPP Raul Mare Retezat" and the related technical-economic indicators. The procurement procedure for the refurbishment works is to be started in the fourth quarter of 2020;
- On 26.02.2020 the Government of Romania adopted Decision no. 148/2020 on the approval of the method for determining and calculating the ecological flow, pursuant to art. 108 of the Romanian Constitution, republished, and of art. II of the Government Emergency Ordinance no. 78/2017 for the amendment and completion of the Water Law no. 107/1996, approved with amendments and completions by Law no. 243/2018. The field of application is in accordance with the provisions of art. 53 para. (4) and of point 26 of annex no. 1 to the Water Law no. 107/1996, with subsequent amendments and completions and is represented by the dam or water capture works located on the surface watercourses whose flows constitute the water resources used for: water supply of cities and economic operators, energy production electricity, fish farming in fish ponds, irrigation, navigation.
- Hidroelectrica S.A. provided and approved in REB 2020 and in PAAS 2020 the expenses related to the acquisitions of the studies for determining and calculating the ecological flow for all barred sections, and at

the level of the Technical and Production Support Department has commenced the preparation of the of specifications.

## 8. Other aspects

### 8.1. Regulated prices

Following the approval of GEO no. 114 / 28.12.2018, published in the Official Gazette no. 1116 on 29.12.2018, amendments and completions were made to the Energy and Natural Gas Law no. 123/2012, published in the Official Gazette Part I, no. 485 on 16.07.2012. Thus, art. 22 of Law no. 123/2012 was completed with a new paragraph which will read as follows: “for the period March 1, 2019 - February 28, 2022, for household customers the supply of electricity is made in regulated conditions, by ANRE”.

ANRE, by order no. 10 / 01.02.2019 approved the “Methodology for establishing the prices for electricity sold by producers based on regulated contracts and the quantities of electricity from regulated contracts concluded by producers with suppliers of last resort”. Based on this methodology, for 2019 the following quantities of energy sold by Hidroelectrica were established based on regulated contracts:

Sales on the regulated market	Quantities (MWh)	% of total sales	Average price with TG (RON/ MWh)	Revenue from sales TG included (RON)
	<b>1,839,325.076</b>	<b>23.36</b>	<b>103.84</b>	<b>190,995,514.957</b>

### 8.2. Litigations

On 30.06.2020 Hidroelectrica S.A. is involved in over 426 litigations in progress in various procedural phases.

#### 1. Arbitral litigations

##### ***I. Arbitral file ICC 20861/MHM***

Arbitration dispute regarding Contract no. 21 / 50765 / 09.11.2001 between Hidroelectrica and Andritz Companies - Refurbishment and modernization of the Portile de Fier II hydropower plant and the Gogoşu hydropower plant.

Petitioner: Societatea de Producere a Energiei Electrice în Hidrocentrale „Hidroelectrica” SA

Defendant: Andritz Hydro GmbH Germania and Andritz Hydro GmbH Austria

Object of arbitration dispute: Obligation to make + claims

The value of the dispute: estimated Euro 8,957,375 made up of Euro 6,834 thousand (estimated value of the end of application no. 1) and Euro 2,124 thousand to which is added monthly an amount of Euro 129,000 and a legal interest of 6% per year (estimated value of end of application No 2).

Place of Arbitration: Bucharest, Romania

Status of the arbitration dispute: By the Partial Arbitral Award of 14 June 2017, the Arbitral Tribunal rejected the exception of lack of jurisdiction invoked by Andritz and maintain its jurisdiction to resolve Hidroelectrica's claims on the merits.

By the Procedural Order no. 3 of 20 June 2017, the Arbitral Tribunal suspended the arbitration proceedings pending the settlement of the ICC 19414 / MHM arbitration case and rejected Andritz's request for the communication of the cases before the Tribunal in the ICC 19414 / MHM file.

The debates on the merits will be resumed after the pronouncement of the final arbitral award in the ICC 19414 / MHM



file.

At this time, the procedure has not yet been resumed, being suspended at the request of the Parties, for possible conclusion of a transaction.

## **II. Arbitral file ICC 22047/MHM**

Arbitration dispute regarding Contract no. 23.534 / H.700.116004 having as object the refurbishment of the hydroelectric power plants located on the Lower Olt: Ipotești, Drăgănești, Frunzaru, Rusănești și Izbiceni.

Petitioner: Andritz Hydro GmbH Germania (in the following „Andritz”)

Defendant: Societatea de Producere a Energiei Electrice în Hidrocentrale „Hidroelectrica” SA

Object of arbitration dispute: Obligation to make + claims

The value of the dispute: Euro 7,262,095 (Andritz evaluation according to Request for Arbitration)

Status of the arbitration dispute: By Procedural Order No. 2 on January 30, 2017, the Arbitral Tribunal ordered the suspension of the trial, according to the agreement of the Parties, until the settlement of the ICC 19414 / MHM file and Andritz appeal against the sentence of closing the Hidroelectrica insolvency procedure.

At this time, the procedure has not yet been resumed, being suspended at the request of the Parties for the possible conclusion of a transaction.

## **III. Arbitral file no. ICC 20540/MHM**

Arbitral litigation regarding Contract no. 23.534 / H.700.116004, on the refurbishment of hydroelectric power plants located on the Lower Olt: Ipotești, Drăgănești, Frunzaru, Rusanesti and Izbiceni.

Petitioner: Societatea de Producere a Energiei Electrice în Hidrocentrale „Hidroelectrica” SA

Defendant: Voith Hydro Holding GmbH & CO KG („Voith”)

Defendant 2: Andritz Hydro GmbH (Andritz)

Object of arbitration dispute: Obligation to make + claims

Status of the procedure: The procedure is currently closed. On 21.11.2019, the parties communicated to the Arbitral Tribunal comments on the application of art. 15 (4) of the ICC Rules in relation to the arbitration procedure in question. The court did not return until this date with a decision.

## **IV. Arbitral file no. 20901/MHM**

Arbitral litigation regarding Contract no. 16636 / 31.10.1997 on the refurbishment and the increase of the power of the 6 hydroelectric units of HPP Portile de Fier I.

Petitioner: Societatea de Producerea Energiei Electrice în Hidrocentrale ”HIDROELECTRICA”

Defendant: ANDRITZ HYDRO AG

Object of arbitration dispute: claims + obligation to make

Litigation value: USD 378,640,027 for the Main Application and (ii) CHF 11,544,811, plus Euro 1,114,207, plus USD 23,740, plus RON 13,528,608.46, plus CHF 1,405,936.36, plus CHF 900,000 for the Application counterclaim.

Status of the dispute: The Court will give a Final Judgment after receiving the conclusions or, if it deems it necessary, will issue a Final Partial Decision on liability; whether additional information from the parties will be required, or experts to determine the amount will inform the parties accordingly; the memorandum on costs will be requested by the Arbitral Tribunal at the end of the procedure; the estimated date for issuing the Decision is May / June 2020.

## **V. Arbitral file no ICC 22482/MHM**

Arbitral litigation regarding Contract no. 21 / 50765 / 09.11.2001 on capital repairs and the modernization of the hydropower plant Portile de Fier II .

Petitioner: Andritz Hydro GmbH (former VA Tech Escher Wyss GmbH) and Andritz Hydro GmbH (former VA Tech Hydro GmbH& Co)

Defendant: Societatea de Producere a Energiei Electrice în Hidrocentrale „Hidroelectrica” SA.

Object of the file: the action under contractual liability

Hidroelectrica filed a counterclaim claiming its own demands against Andritz Hydro GMBH (Germany) and Andritz Hydro GMBH (Austria) in the total amount of EUR 3,481,016.4 plus default interest and the obligation to pay the costs of the



arbitration.

The value of the dispute: Euro 13,015,329.06 (estimated value of the claim no. 1) and a legal interest of 6% per year. Hidroelectrica filed a counterclaim requesting the obligation of the petitioners to pay the amount of EUR 3,481,016.4.

Arbitral Tribunal: the constitution stage has been completed.

Status of the arbitration dispute: The procedure is currently in the process of administering evidence.

## 2. Other litigations

### ➤ General tax inspection

i) Hidroelectrica was under general fiscal inspection, the period subject to inspection being 01.01.2006 - 30.06.2012. ANAF issued the Tax Decision no. F-MC 851 / 21.01.2014 regarding additional fiscal payment obligations in the amount of RON 232,570,429, representing income tax, VAT, social contributions, and related accessories. By the Decision no. 406 / 18.12.2014, ANAF's General Directorate for Solving Complaints, partially upheld the appeal filed by Hidroelectrica, ordering the annulment of the Tax Decision for the amount of RON 18,185,217.

Consequently, the obligations established by the Tax Decision were reduced to RON 214,385,212 which is the subject of File no. 3288/2/2015 with trial date on **26.02.2020** for the administration of evidence, including evidence with expertise.

ii) In 2016, Hidroelectrica S.A. signed with ING Bank the credit facility agreement no. 16271 / 09.02.2016 for the issuance by ING Bank, in favour of ANAF, of a letter of bank guarantee in the amount of RON 214,385,212.

On 06.09.2016, ANAF started the foreclosure against ING Bank as a result of its refusal to comply with ANAF's request for payment the Letter of Bank Guarantee. By the letter no. 100178 / 14.09.2016, Hidroelectrica S.A. was informed that, following the summons for foreclosure issued by ANAF on 06.09.2016, ING Bank paid to ANAF the amount of RON 214,385 thousand.

Both ING Bank and Hidroelectrica S.A. filed an appeal against foreclosure initiated by ANAF which was the subject of file no. 38.194 / 299/2016 \* pending before the Bucharest District 1 Court. By the civil Sentence no. 8725 / 07.11.2017, the court rejected the appeal.

Sentence no. 8725 / 07.11.2017 was appealed, both by Hidroelectrica S.A. and by ING Bank, and the Bucharest Tribunal-Civil Section V, by Decision no. 641 / 06.03.2019 admitted the appeals, partially changed the appealed civil sentence, in the sense of admitting the enforcement appeals and annulled the foreclosure carried out by ANAF-DGRFP Bucharest-Sector 1 Administration of Public Finances in file no. 803895 / 06.09.2016, against ING Bank NV Amsterdam Bucharest Branch, based on the letter of bank guarantee no. GI-16/0826, issued to guarantee the fiscal obligations established by the Tax Decision no. F-MC 851 / 21.01.2014.

iii) In relation to the solution of the court, Hidroelectrica notified ING by the letter no. 81905 / 12.07.2019 to reimburse the amount of RON 214,385,212 representing the equivalent value of the letter of bank guarantee no. GI-16/0826, as well as the payment of legal interest and penalties calculated from the time of ING's payment up to the date of repayment, but the bank refused to process the requests.

In order to recover the above-mentioned amount from ING Bank, including legal interest, S.P.E.E.H. Hidroelectrica S.A. registered at the Bucharest Tribunal the **file no. 25111/3/2019**, and on 02.06.2020 the sentence no. 481 / 02.06.2020 by which it was ordered: *Rejects the request for summons as unfounded. Obliges the petitioner to pay the trial costs in the amount of RON 40,000. With call within 30 days from communication. Delivered by making the solution available to the parties through the court registry today, 02.06.2020.*

On 04.08.2020 Hidroelectrica declared an appeal, being in the regularization phase.

### Labor disputes

Labor disputes represent a substantial share in the company's litigation portfolio. In relation to the case which gave rise to the labor disputes in question, they can be divided into the following categories:

1. Labor disputes resulting from dismissals or disciplinary sanctions;
2. Labor disputes resulting from requests for finding special working conditions and placing employees in various groups based on the Joint Order issued by the Ministry of Health and the Ministry of Labor and Social Protection no. 50/1990 for specifying the jobs, activities and professional categories with special conditions that fall into groups I and

II of work for retirement, on GD no. 1025/2003 regarding the methodology and criteria for employing persons in special conditions and on GD no. 261/2001 on the criteria and methodology for employment in special conditions;

**3.** Other labor disputes resulting from the current development of labor relations between the employer Hidroelectrica S.A. and employees, or former employees or of the precursor companies, including the commitment of the patrimonial responsibility following the inspections carried out by the Chambers of Accounts / Court of Accounts of Romania, files pending before the Bucharest Tribunal, Section VIII labor disputes.

**4.** Collective disputes initiated on behalf of former employees / current employees / heirs, by the Hidroelectrica „Hidrosind” Union, among which we mention:

i) File no. 3036/3/2017 - Bucharest Court, having as object compensations by updating the salary scale to the minimum salary in the economy.

ii) File no. 29762/3/2019 Bucharest Tribunal, having as object the obligation of Hidroelectrica to pay the compensations related to the overtime worked (15 minutes before taking over the shift according to the job description) and granting the increase of 100% of the basic salary due for overtime, starting with of 01.10.2016 until the date of introduction of the action (04.10.2019), updated plus the legal interest.

The court ruled on 30.03.2020 an unfavorable solution for the Company.

iii) File no. 29764/3/2019 Bucharest Tribunal - having as object a request for granting money rights, holiday vouchers based on GEO no. 46/2017, for a number of over 2800 employees, related to the leave corresponding to 2017, performed after 01.07.2017. Postpones the pronouncement on 14.07.2020.

➤ **Disputes regarding the buildings taken over for the cause of public utility**

On 30.06.2020, the company is involved in several legal disputes regarding the buildings (mainly land) used in the current activity, having as object expropriations, which are being resolved, in various procedural stages.

➤ **Disputes generated by the use of water**

On 30.06.2020, the company is involved as a Petitioner in several legal disputes having as object, in their vast majority, the annulment of the authorizations issued by the National Administration of Romanian Waters, litigations pending, in various procedural stages. Most of these disputes are generated by the drawing up of obligations in charge of Hidroelectrica by the Romanian Waters National Administration which have been assessed as being outside the concession contract, the applicable legislation and / or the technical possibilities of the hydropower plants.

➤ **The litigation that is the object of file no. 720/33/2017**

Being on the role of the Court of Appeal Cluj-Section III administrative and fiscal contentious, having as object the annulment of an administrative act. The petitioner, the Butterfly Effect Association, requested in contradiction with the National Administration Romanian Waters and Hidroelectrica S.A. total annulment of the Water Management Notice no. 410 / 15.08.2005 issued for the project Hydropower development of the Jiu River on the Livezeni Bumbești sector.

At the deadline of 27.09.2018, by the civil Sentence no. 232, the court rejected the action as inadmissible.

On **28.02.2019**, an appeal was declared by the petitioner, the Butterfly Effect Association. The case is pending before the High Court of Justice in the filter procedure, the first trial term being set for 18.11.2020.

➤ **Litigations regarding the liability of the Directors / annulment of the GMS decisions**

- **The litigation that is the object of file no. 24895/3/2019** - having as object the liability of the defendant Oana Truta and her obligation to repair the damage in the total amount of RON 39,213,288.96, caused by the violation of the provisions of Law no. 31/1990, of the Articles of Association of the undersigned and of the mandate contract under which she exercised the position of member in the Supervisory Board of Hidroelectrica SA, respectively the payment of the court expenses occasioned by the settlement of the present summons. Court term 01.10.2020.

- **The litigation that is the object of file no. 44380/3/2017** - having as object claims resulting from the adoption of the Decisions of the Supervisory Board no. 19,20,21 dated 05.07.2017. By the summons that is the object of the file no. 44380/3/2017, the minority shareholder Fondul Proprietatea S.A. requested the liability under art. 155 of Law no. 31/1990 of Mrs. Ioana Andreea Lambru, Mr. Horia Marian Gambuteanu, Mr. Laurențiu Dan Tudor and Mr. Karoly Borbely - members of the Supervisory Board, motivated by the fact that on 05.07.2017 as they voted "For" the appointment of Mr. Bogdan- Nicolae Badea - Member of the Board of Directors, Mr. Marian Bratu- Member of the Board of Directors and Mr. Mihai Val Zdru - Member of the Board of Directors.

Hidroelectrica S.A. formulated a request for intervention for the 4 members of the Supervisory Board, being postponed the pronouncement of the solution for 30.07.2020.

➤ **Criminal litigation**

The company is involved in several criminal cases, having as object crimes of corruption, culpable homicide, possession disorder, embezzlement, cases in which the company is constituted as a civil party, or has the quality of a civilly responsible party. For these cases, no amounts are identified that could have a significant effect on the financial statements.

➤ **The investigation of the Competition Council in progress at Hidroelectrica**

There is an ongoing investigation at Hidroelectrica ordered based on the Order of the President of the Competition Council no. 1079 / 24.08.2018 having as object a possible violation of art. 6 para. (1) letter (b) 1 of the Competition Law no. 21/1996, with subsequent amendments and completions ("Competition Law") by Hidroelectrica S.A. on the market of production and sale of electricity in Romania by limiting the sale of electricity.

By court decision no. 22 / 03.09.2018 pronounced by the Bucharest Court of Appeal, an unannounced inspection was authorized at Hidroelectrica and at the National Electricity Transmission Company Transelectrica S.A. ("Transelectrica"), the Competition Council invoking the fact that, in 2017, the Romanian electricity market was characterized by an increase in the price of electricity on each of the centralized markets managed by OPCOM, especially in January, June and July 2017. In addition, the suspicions of the competition authority were based on the price increases registered on the balancing market, where, against the background of the large volume of energy selected for the increase, the prices registered very high hourly values in January and February 2017.

Thus, at the request of the competition authority was a possible anti-competitive act committed by Hidroelectrica, consisting in limiting the sale of electricity on the market of production and sale of electricity in Romania, achieved by withdrawing available capacity or selling offers at prices above market (physical and / or financial withdrawal of capacity). On September 5, 2018, based on the court decision authorizing the inspection, as well as the Order of the President of the Competition Council no. 1112 / 04.09.2018, the Competition Council inspected the headquarters of Hidroelectrica S.A. in Bucharest. The inspection took place over a single day, and no seals were required. At the end of it, the inspectors picked up a series of documents in physical format, in electronic format, as well as scanned documents.

As of this date, the investigation is ongoing, without any action being taken against Hidroelectrica, the Director, or the managers.

➤ **Other litigations with the Ministry of Public Finance having as object an administrative act**

**File no. 1088/2/2020 Bucharest Court of Appeal** - Petitioner Ministry of Public Finance - A.N.A.F. - D.G.A.M.C. having as object of appeal fiscal administrative act dec.no.46380 / 12.11.2019 and 71296 / 23.12.2019 - and the refund of the amount of RON 214,385,212 paid by Hidroelectrica SA on 29.09.2016 and illegally executed by ANAF, at which will add the related interest until the moment of return. The trial term is on 10.11.2020.

**File no.6835 / 2/2019 Bucharest Court of Appeal** - Petitioner Ministry of Public Finance - ANAF-GENERAL DIRECTORATE FOR LARGE TAXPAYERS having as object appeal on administrative act - and the refund of the amount of RON 4,156,604 paid by Hidroelectrica SA through payment orders from 23.08.2019. Remained in the pronouncement on 17.07.2020.

### ➤ **S.S.H. Hidroserv S.A. Insolvency**

Considering the negative evolution of the economic-financial indicators, the Board of Directors of Hidroserv requested the insolvency of the company, and the Syndic Judge, by the minutes of the proceedings, pronounced on 10.10.2016, within the file no. 36365/3/2016, pending before the Bucharest Tribunal-Civil Section VII, ordered the opening of insolvency proceedings according to the provisions of art. 71, para. 1 of Law no. 85/2014 regarding the insolvency prevention and insolvency procedures with the preservation of the company's administration right and based on art. 45, letter d) of Law no. 85/2014 appointed C.I.T.R. BUCHAREST BRANCH S.P.R.L as official receiver, reported to art. 87 para.1, letter d) of Law no. 85/2014.

By the civil Sentence no. 658 / 07.02.2017, pronounced in the file no. 31845/3/2917, the syndic judge admitted the request of the official receiver to cancel the administration right of S.S.H Hidroserv S.A. and, as a consequence, attributed the administration right to the official receiver, namely the Casa de Insolventa Transilvania - Bucharest Branch S.P.R.L.

In order to pronounce this solution, the syndic judge retained the decision of the fact that the Official receiver proved the fulfillment of both conditions provided by art. 85 para. 5 of Law no. 85/2014, respectively: i) "continuous losses from the debtor's fortune" and ii) "lack of probability of achieving a rational activity plan".

The Special Administrator of the debtor S.S.H Hidroserv S.A., the only one that had an active procedural capacity, declared an appeal against this decision, and Hidroelectrica S.A. filed an accessory intervention request by which it was understood to support the debtor's defense.

By the civil Decision no. 358 / 25.02.2019 The Bucharest Court of Appeal ruled the following solution: *"Rejects the appeal as unfounded. Dismisses the application for leave to intervene in the interests of the appellant. Final."*

At this moment SSH Hidroserv SA is also in the insolvency procedure, with the mention that a Reorganization Plan was approved by the Creditors' Assembly in the meeting on 10.06.2020, a plan that was confirmed, according to the law, by the syndic judge by intermediate decision pronounced at the term on 24.06.2020.

The term granted by the syndic judge for the continuation of the procedure: **02.12.2020**.

### **8.3. Possible evolutions**

Execution of maintenance works included in PAM 2020 by concluding contracts subsequent to the framework agreement 2028/2019 for the works executed with SSH Hidroserv and concluding contracts with other third party executors.

Execution of maintenance works included in PAM\_CH 2020 by concluding contracts with other third party executors.

#### **❖ Building permit for hydropower development Bumbești –Livezeni**

The procedure for obtaining an environmental agreement for the project "Hydropower development of the Jiu River on the Livezeni-Bumbesti sector. Continuation of works "is currently in the stage of defining the field of assessment and preparing the report on the impact on the environment, respectively the Decision of the classification stage no. 7 / 22.01.2020 and Decision no. 34559 / DDC / 03.12.2019 on the need to develop SEICA. The documents requested by the central public authorities, respectively ANAR and ANPM are under preparation.

Through the letter no.1 / 588 / 27.01.2020, the ANPM requested Hidroelectrica to send assumed proposals regarding relevant aspects for environmental protection and establishing the framework in art. 28 of GEO 57/2007.

Until now, no answer has been given as no decision has been made regarding the inclusion in art. 28, para. 9 of GEO 57/2007 on the regime of protected natural areas, conservation of natural habitats, wild flora and fauna:

" If the sites included in the "Natura 2000" network, identified according to the legislation in force, shelter a priority

natural habitat type and / or a priority species, the only considerations that can be invoked for the issuance of the environmental agreement, environmental opinion or opinion Natura 2000, as the case may be, are those concerning:

- public health or safety;
- certain beneficial consequences of major importance for the environment;
- other mandatory reasons of major public interest on which the European Commission's point of view has been obtained".

At the level of Hidroelectrica, a MEMORANDUM was clarified on the need to declare Societatea de Producere a Energiei Electrice în Hidrocentrale Hidroelectrica S.A. as an objective of strategic interest of public safety and national security to be presented in the CSAT.

### ***Price of turbinated water***

At the level of the Ministry of Environment and the National Authority Romanian Waters there is a proposal for a legislative act to be promoted by Government Decision in the next period, which refers to updating the amount of specific contributions for water resources management, prices and penalties. The document was posted on the website of the Ministry of Waters and Forests on 15.10.2019. The draft Decision provides for updating the amount of specific contributions for water resources management, in the sense of increasing the price for turbinated water, an increase that has a significant impact on Hidroelectrica S.A budget, the most important updated amount targeting Hidroelectrica S.A. as the contribution for the use of the water resource in hydropower plants, regardless of the installed power, in turbinated regime. The GD Draft provides for an increase of the turbinated water price by 23%, i.e. from the current value of RON 1.1 / 1000 m<sup>3</sup> to the value of RON 1.35 / 1000 m<sup>3</sup> and subsequently an increase of 6% each year, for a period of 5 years. According to the Note substantiating the GD Draft, this increase aims to increase the revenues of ANAR. Hidroelectrica stated its point of view, namely that it cannot agree with the GD Draft because:

- the impact of the normative act subject to public debate is strongly unfavorable both on Hidroelectrica S.A. as well as on the State Budget;
- the impact on the company's IPO is extremely negative, with a direct consequence in the decrease of revenues that could be obtained, on the one hand by the direct decrease of the company's value and on the other hand by creating uncertainties for potential investors;
- Hidroelectrica S.A. does not consume this turbinated water but returns it entirely downstream of hydropower plants under the same quality conditions. Moreover, by exploiting the hydropower facilities Hidroelectrica S.A. contributes as much as possible to debt settlement and flood transit;
- water pricing per thousand cubic meters leads to very high costs per MWh delivered for low-fall hydropower plants; small fall hydropower plants become unfeasible from a higher fall value, and by increasing the cost per MWh it is most likely that some operating plants will become unprofitable, the solution being the payment of a contribution for turbinated water to MWh delivered;
- turbinated water costs can exceed the price of energy on the Next Day Market, a market characterized by a decrease in prices during the flood period;
- the principle of recovering the costs of use water services, including environmental and resource costs associated with damage or negative impact on the aquatic environment, should be taken into account, in particular in accordance with the "polluter pays" principle;
- the increase of the price for the turbinated water by the water users cannot be justified by the expenses made by the water administrator (ANAR), these not being related to providing water in the hydropower arrangements by ANAR;
- from the justification of the increase by 64% (between 2020-2025) of the price for turbinated water determined by the increase of ANAR's expenses results that the real purpose is to cover the ANAR budget

and not by a direct correspondence between expenses made by ANAR for a hydropower plant to produce energy, and here we refer especially to the obligation established for Hidroelectrica SA to ensure the sanitization of the water luster and the cleaning of floats, a measure that exceeds the legal framework.

Hidroelectrica S.A. considers appropriate to carry out a study on the amount of these types of contributions on water resources in various European countries, so that a possible decision does not lead to a decrease in the competitiveness of Romanian producers on the European market, in interconnection conditions. Hidroelectrica S.A. considers that a tax on MWh delivered is much more correct, instead of paying for the turbinated water per thousand cubic meters, given that the water is not "consumed" in the machining process, and in this way low-fall hydropower plants will not become unprofitable and a directly proportional percentage of Hidroelectrica SA's revenues related to the electricity delivered in SEN from hydropower plants will thus enter the ANAR budget as a contribution for the turbinated water. The GD draft in the form presented on 15.10.2019 would lead to operational problems at Hidroelectrica SA, to an increase in the cost of energy produced, to the impossibility of operating some hydropower plants, as well as to an economic inefficiency for other hydropower plants, with a possible closing.

**Chairman of the Supervisory Board S.P.E.E.H. Hidroelectrica S.A.**

**Andreea Ioana Lambru**

## ANNEXES

### ANNEX 1: Statement of financial position as at 30 June 2020

	30 June 2020	31 December 2019
	(revised)	(audited)
<b>Assets</b>		
<b>Fixed assets</b>		
Tangible assets	14,431,325,065	14,676,062,569
Intangible assets	2,889,649	3,441,762
Rights to use leased assets	23,920,963	19,443,798
Long-term receivables	214,385,212	214,385,212
Other assets	2,390,385	2,390,385
<b>Total tangible assets</b>	<b>14,674,911,274</b>	<b>14,915,723,726</b>
<b>Current assets</b>		
Inventories	72,755,045	70,883,042
Trade receivables and other receivables	436,883,044	333,648,056
Payments made in advance	27,970,757	2,084,599
Bank deposits	1,399,278,293	1,736,855,286
Cash and cash equivalents	1,430,125,493	233,233,947
<b>Cash and cash equivalents</b>	<b>3,367,012,631</b>	<b>2,376,704,930</b>
<b>Total assets</b>	<b>18,041,923,906</b>	<b>17,292,428,655</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital, of which:	5,511,265,310	5,511,265,310
Subscribed and paid-in share capital	4,482,393,310	4,482,393,310
Inflation adjustments of share capital	1,028,872,000	1,028,872,000
Public patrimony	39,619,341	39,619,341
Revaluation reserve	6,853,256,068	7,054,241,933
Other reserves	744,814,918	728,874,174
Reported result	1,313,562,165	2,357,173,273
Other equity items	(564,896,060)	(595,806,295)
<b>Total equity</b>	<b>13,897,621,742</b>	<b>15,095,367,736</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Long-term loans	26,794,264	26,445,661
Leasing	17,840,793	14,529,615
Provisions for risks and expenses	582,561,094	582,561,094
Long-term advance income	153,049,135	155,794,498
Deferred tax liability	712,000,570	708,991,968
Obligations regarding employee benefits	101,212,805	101,206,714
Other liabilities	26,576,368	27,834,009
<b>Total long term liabilities</b>	<b>1,620,035,029</b>	<b>1,617,363,560</b>
<b>Current liabilities</b>		
The current portion of long-term loans	22,067,640	43,561,064
The current portion of the leasing	6,315,708	5,064,771
Trade and other payables	192,009,918	181,622,021
Dividends Payment	2,000,931,487	0
The current portion of provisions for risks and expenses	73,061,575	98,756,293
Employee benefits	40,113,659	32,019,137
Profit tax due	138,221,655	181,676,152
Income in advance	51,545,493	36,997,921
<b>Total current debts</b>	<b>2,524,267,134</b>	<b>579,697,360</b>
<b>Total liabilities</b>	<b>4,144,302,163</b>	<b>2,197,060,920</b>
<b>Total equity and liabilities</b>	<b>18,041,923,906</b>	<b>17,292,428,655</b>

## ANNEX 2: Profit and loss account as of June 30, 2020

The 6-month period ended on June 30, 2020    The 6-month period ended on June 30, 2019

Operating income		
Revenues from the sale of electricity	1,798,343,999	2,346,563,615
Other incomes	25,514,100	19,446,279
<b>Total operating income</b>	<b>1,823,858,099</b>	<b>2,366,009,894</b>
Operating expenses		
Turbinated water costs	147,809,653	209,641,033
Employee benefits expenses	228,892,905	188,980,210
Depreciation, adjustments and provisions	286,204,863	278,865,681
Expenditure on external services	124,787,493	114,956,401
Expenses with other taxes, fees and assimilated payments	27,467,298	69,217,238
Other operating expenses	43,724,755	92,613,387
<b>Total operating expenses</b>	<b>858,886,968</b>	<b>954,273,951</b>
<b>Operating profit</b>	<b>964,971,131</b>	<b>1,411,735,943</b>
Financial expenses	2,299,347	8,646,807
Financial income	48,901,624	62,201,286
<b>Net (Expenses) / financial income</b>	<b>46,602,277</b>	<b>53,554,479</b>
Extraordinary expenses - COVID-19	2,624,543	0
<b>Profit before income tax</b>	<b>1,008,948,865</b>	<b>1,465,290,423</b>
Income tax expense, net	203,413,523	563,793,988
<b>Profit of the period</b>	<b>805,535,342</b>	<b>901,496,434</b>



### ANNEX 3: Execution of the Revenue and Expenditure Budget as of June 30, 2020

th\$  
RON

						%		
			Indicators	No.	REB Q. I 2020	Achieved Q. I 2020	Achieved vs. Approved	Variation
				row			[col.5/ col 4]	(abs.)
								[col.5- col.4]
								[col.7/ col.4]
1			2	3	4	5	6	7
I.			TOTAL INCOME	1	2,085,663	1,872,755	90%	-212,908
			(Row2+Row5+Row6)					-10%
	1.		Total operating income, of which :	2	2,046,474	1,823,854	89%	-222,620
			Subsidies, according to the legal provisions in force	3	0	0		0
			Transfers, according to the legal provisions in force	4	0	0		0
	2.		Financial income	5	39,190	48,902	125%	9,712
	3.		Extraordinary income	6	0	0		0
II.			TOTAL EXPENSES	7	1,256,800	863,807	69%	-392,994
			(Row8+Row20+Row21)					-31%
	1.		Operating expenses	8	1,241,201	858,883	69%	-382,318
			(Row9+Row10+Row11+ Row19)					-31%
		A.	Expenditure on goods and services	9	412,940	248,169	60%	-164,771
		B.	Expenses with taxes, fees and similar payments	10	32,818	27,919	85%	-4,899
		C.	Personnel costs	11	265,061	230,140	87%	-34,921
			(Row12+Row15+Row17+Row18)					-13%
		C0	Salary related expenses	12	242,539	216,870	89%	-25,670
			(Row13+Row14)					-11%
		C1	Salary expenses	13	215,366	193,013	90%	-22,353
		C2	Bonuses	14	27,174	23,857	88%	-3,317
		C3	Other staff costs, of which:	15	8,050	401	5%	-7,649
			Expenses with compensatory payments related to staff availability	16	500	138	28%	-362
								-72%

		<b>C4</b>	<i>Expenditures related to the mandate contract and other management and control bodies, commissions and committees</i>	<b>17</b>	<b>7,427</b>	<b>6,588</b>	<b>89%</b>	<b>-838</b>	<b>-11%</b>
		<b>C5</b>	<i>Expenses with insurance and social protection, special funds and other legal obligations</i>	<b>18</b>	<b>7,045</b>	<b>6,282</b>	<b>89%</b>	<b>-764</b>	<b>-11%</b>
		<b>D.</b>	<b>Other operating expenses</b>	<b>19</b>	<b>530,382</b>	<b>352,654</b>	<b>66%</b>	<b>-177,728</b>	<b>-34%</b>
	<b>2.</b>		<b>Financial expenses</b>	<b>20</b>	<b>15,599</b>	<b>2,299</b>	<b>15%</b>	<b>-13,300</b>	<b>-85%</b>
	<b>3.</b>		<b>Extraordinary expenses</b>	<b>21</b>		<b>2,625</b>		<b>2,625</b>	
<b>III.</b>			<b>GROSS RESULT</b>	<b>22</b>	<b>828,863</b>	<b>1,008,949</b>	<b>122%</b>	<b>180,086</b>	<b>22%</b>
			<b>(profit/loss)</b>						
			<b>(Row1-Row7)</b>						
<b>IV.</b>			<b>INCOME TAX</b>	<b>23</b>	<b>142,744</b>	<b>203,414</b>	<b>143%</b>	<b>60,669</b>	<b>43%</b>
<b>V.</b>			<b>ACCOUNTING PROFIT AFTER INCOME TAX</b>	<b>24</b>	<b>686,119</b>	<b>805,535</b>	<b>117%</b>	<b>119,417</b>	<b>17%</b>

#### ANNEX 4: Economic and financial indicators related to the reporting period

Name of indicator	Calculation	u.m.	Value
			<b>30.06.2020</b>
1. Current liquidity indicator	Current assets / Current liabilities	X	1.49
2. Debt indicator			
<b>2.1. Debt indicator (1)</b>	Borrowed capital / Equity *100	%	0.53%
<b>2.2. Debt indicator (2)</b>	Borrowed capital / Committed capital *100	%	0.52%
3. Rotation speed of flows - customer	Average customer balance / Turnover * 360	days	36.97
4. Asset turnover rate	Turnover / Fixed Assets	X	0.12



