

**E-DISTRIBUTIE BANAT**

**STANDALONE FINANCIAL STATEMENTS**

**On and for the financial exercise ended on December 31, 2019**

Prepared according to  
the Order of the Minister of Public Finances no. 1802/2014  
with further amendments

**April 2020**

E-DISTRIBUTIE BANAT SA

Financial Statements

Prepared according to the Order of the Minister of Public Finances no. 1802/2014

December 31, 2019

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County: TIMIS	TYPE OF OWNERSHIP: 24-Companies with foreign and private capital (state capital below 50%)
Legal person	MAIN ACTIVITY
Address: 3-5 Pestalozzi Street, Timisoara	(name NACE code): Distribution of electricity
Phone: 0372115694	NACE code group: 3513
Trade Register number J35/274/2002	Fiscal Registration Number: 14490379

SUMMARY

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**BALANCE SHEET**  
**December 31, 2019**

	Name of issue	Row no.	Note No.	Balance on	
				01.01.2019	31.12.2019
	B			1	2
A	<b>FIXED ASSETS</b>				
	<b>I. INTANGIBLE ASSETS</b>				
	1. Settlement expenses (acct. 201-2801)	01		-	-
	2. Development expenses (acct. 201 - 2803-2903)	02		-	-
	3. Concessions, patents, licenses, trademarks, rights and similar assets and other intangible assets (acct.205 + 208 - 2805 - 2808- 2905 - 2908)	03		25,288,787	21,820,084
	4. Goodwill (acct. 2071-2807-2907)	04		-	-
	5. Intangible assets for the exploration and evaluation of mineral resources (acct. 206 - 2806 - 2907)	05		-	-
	6. Advance payments (acct. 4094-1904)	06		-	-
	<b>TOTAL: (row 01 to 06)</b>	07	1	<b>25,288,787</b>	<b>21,820,084</b>
	<b>II. TANGIBLE ASSETS</b>				
	1. Land and buildings (acct. 211 + 212 - 2811 - 2812 - 2912 - 2911)	08		1,088,141,970	1,169,028,712
	2. Technical and machinery installations (acct. 213 + 223 - 2813 - 2913)	09		490,345,657	492,660,242
	3. Other installations, machinery, and furniture (acct. 214 + 224 - 2814 - 2914)	10		4,326,607	4,532,490
	4. Real estate investment (acct.215-2815-2915)	11		-	-
	5. Tangible assets in progress (acct. 235-2935)	12		105,626,556	131,066,728
	6. Real estate investments in progress (acct.235 - 2935)	13		-	-
	7. Tangible assets for the exploration and evaluation of mineral resources (acct.216-2816-2916)	14		-	-
	8. Productive biological assets (acct. 217 + 227 -2817 -2917)	15		-	-
	9. Advances (acct. 4093-1903)	16		-	-
	<b>TOTAL: (row 08 to 16)</b>	17	1	<b>1,688,440,790</b>	<b>1,797,288,172</b>
	<b>III. FINANCIAL ASSETS</b>				
	1. Shares in subsidiaries (acct. 261-2961)	18		16,500,000	16,500,000
	2. Loans to group's entities (acct. 2671 + 2672 -2964)	19			
	3. Shares held by associated entities and jointly controlled entities (acct.262 + 263 - 2962)	20		29,684	29,684
	4. Loans to associates and jointly controlled entities (acct.2673 + 2674-2965)	21			
	5. Other fixed assets (acct.265 - 2963)	22			

	6. Other loans (2675 + 2676 + 2677 + 2678 + 2679 -2966-2968)	23			
	<b>TOTAL (row 18 to 23)</b>	<b>24</b>	<b>1</b>	<b>16,529,684</b>	<b>16,529,684</b>
	<b>FIXED ASSETS – TOTAL (row 06 + 16 + 17+ 24)</b>	<b>25</b>	<b>1</b>	<b>1,730,259,261</b>	<b>1,835,637,940</b>
<b>B</b>	<b>CURRENT ASSETS</b>				
	<b>I. INVENTORIES</b>				
	1. Raw materials and consumables (acct. 301+321+302+322+303+323+/-308+351+358+381+328+/-388-391-392-3951-3958-398)	26		2,499,387	1,331,402
	2. Production in progress (acct.331 + 332 + 341 +/- 348 - 393 - 3941 - 3952)	27			
	3. Finished goods and commodities (acct. 345+346+/-348+354+ 356+357+361+326+/-368+371+327+/-378-3945-3946-3953- 3954-3956-3957-396-397-4428)	28			
	4. Advances (acct. 4091)	29		-	-
	<b>TOTAL (rows 26 to 29)</b>	<b>30</b>	<b>9m</b>	<b>2,499,387</b>	<b>1,331,402</b>
	<b>II. RECEIVABLES</b>				
	1. Commercial receivables (acct.2675+2676+2678+2679-2966-2968+4092+411+411+413+418-4902-491)	31		144,449,525	151,656,064
	2. Amounts receivable from affiliates entities (acct 451- 495)	32		-	-
	3. Amounts receivable from associates and jointly controlled entities (acct 453 - 495)	33		-	-
	4. Other receivables (425+4282+431+436+437+4382+441+4424+ + 4428+ 444 + 445 + 446+ 447+ 4482 +4582 + 461 + 473-496*+ 5187)	34		22,932,531	16,476,980
	5. Share Capital subscribed and not paid (acct. 456-495)	35		-	-
	6. Receivables representing dividends distributed during the financial year (acct. 463)	36			
	<b>Total (rows 31 to 36)</b>	<b>37</b>	<b>5 a)</b>	<b>167,382,056</b>	<b>168,133,044</b>
	<b>III. SHORT-TERM INVESTMENTS</b>				
	1. Shares in affiliates entities (acct.501-591)	38		-	-
	2. Other short-term investments (acct.505 + 506 + 507 + 508 - 595 - 596 - 598 + 5113 + 5114)	39		-	-
	<b>Total (rows 37 to 38)</b>	<b>40</b>		-	-
	<b>IV. CASH AND BANK ACCOUNTS</b> (acct. 5112 + 512 + 531 + 532 + 541 + 542)	<b>41</b>	<b>9 n</b>	<b>1,287,661,918</b>	<b>1,263,185,555</b>
	<b>CURRENT ASSETS - TOTAL (rows 31 + 37 + 40 + 41)</b>	<b>42</b>		<b>1,457,543,361</b>	<b>1,432,650,001</b>
<b>C</b>	<b>DEFERRED EXPENSES (acct.471 + 474) (rows 44 + 45)</b>	<b>43</b>		<b>1,079,971</b>	<b>1,044,378</b>
	Amounts to be repaid within a period of up to one year (out of acct 471)	44		1,079,971	1,044,378
	Amounts to be repaid longer than a period of one year (out of 471*)	45			
	<b>TOTAL ASSETS</b>			<b>3,188,882,593</b>	<b>3,269,332,319</b>
<b>D</b>	<b>DEBTS: AMOUNTS TO BE PAID WITHIN A PERIOD OF UP TO ONE YEAR</b>				
	1. Loans from the bond issue (acct. 161 + 1681-169)	46			
	2. Amounts owed to credit institutions (acct.1621 + 1622 + 1624 +1625 + 1627 + 1682 + 5191 + 5192 + 5198)	47			
	3. Advances received on account of orders (acct. 419)	48		70,790,391	73,686,073
	4. Trade payables - suppliers (acct. 401 + 404 + 408)	49		188,537,318	184,431,647
	5. Trade payments effects (acct .403 + 405)	50		-	
	6. Amounts owed to group's entities (ct. 1661 + 1685 + 2691 + 451)	51		-	

	7. Amounts owed to associated entities and jointly controlled entities (acct. 1663 + 1686 + 2692 + 453)	52		-	
	8. Other liabilities, including tax and debts to social insurance (acct. 1623 + 1626 + 167 + 1687 + 2693 421+423+ 424 + 426 + 427 + 4281 + 431 + 436 + 437 + 4381 +441 + 4423 + 4428 + 444 + 446 + 447 + 4481 + 455+ 456 + 457 + 4581 + 462 + 4661+ 473 + 4761 + 509 +5186 + 5193 + 5194 + 5195 + 5196 + 5197)	53		18,368,288	13,303,124
	<b>TOTAL (row 46 to 53)</b>	<b>54</b>	<b>5b</b>	<b>277,695,997</b>	<b>271,420,844</b>
<b>E</b>	<b>NET CURRENT ACCOUNTS / NET CURRENT LIABILITIES (rows 42 + 44- 56- 741-74- 77)</b>	<b>55</b>		<b>1,132,633,614</b>	<b>1,102,275,368</b>
<b>F</b>	<b>TOTAL ASSETS MINUS CURRENT LIABILITIES (rows 25 + 45 +57)</b>	<b>56</b>		<b>2,862,892,875</b>	<b>2,937,913,308</b>
<b>G</b>	<b>LIABILITIES: AMOUNTS TO BE PAID IN A PERIOD LONGER THAN ONE YEAR</b>				
	1. Loans from bond issues (acct. 161 + 1681-169)	57		-	-
	2. Amounts owed to credit institutions (acct.1621 + 1622 + 1624 +1625 + 1627 + 1682 + 5191 + 5192 + 5198)	58		-	-
	3. Advance payments for orders (acct. 419)	59		-	-
	4. Trade payables - suppliers (acct.401 + 404 + 408)	60		-	-
	5. Trade payments effects (acct. 403 + 405)	61		-	-
	6. Amounts owed to group's entities (ct. 1661 + 1685 + 2691 + 451)	62		-	-
	7. Amounts owed to associates and jointly controlled entities (acct.1663 + 1686 + 2692 + 453)	63		-	-
	8. Other liabilities, including tax debts for social security (acct. 1623+1626+167+1687+2693 +421+423+424+426+427+4281+431+436+437+4381+441 +4423+4428+444+446+447+4481+455+456+4581+462+473+509+ 5186+5193+5194+5195+5196+5197)	64		-	-
	<b>TOTAL (row 57 to 64)</b>	<b>65</b>	<b>5b</b>	<b>-</b>	<b>-</b>
<b>H</b>	<b>PROVISIONS</b>				
	1. Provisions for employees' benefits (acct.1515+1517)	66		26,981,249	32,418,613
	2.Provisions for taxes (1516)	67		-	-
	3. Other provisions (1511 + 1512 + 1513 + 1514 + 1518)	68		6,864,104	5,433,894
	<b>TOTAL PROVISIONS (rows 66+67+68)</b>	<b>69</b>	<b>2</b>	<b>33,845,353</b>	<b>37,852,507</b>
<b>I</b>	<b>DEFERRED INCOME</b>				
	1. Investment grants (acct. 475) (row 71+72)	70		2,193,490	2,065,970
	Amounts to be repaid within a period of up to one year (out of acct.475 *)	71		123,722	113,428
	Amounts to be repaid over a period longer than one year (out of acct.475 *)	72		2,069,768	1,952,542
	2. Deferred income (acct.472) - total (row 74+75), out of which:	73		-	-
	Amounts to be repaid within one year (acct.472 *)	74		-	-
	Amounts to be repaid over a period longer than one year (acct.472 *)	75		-	-
	3. Deferred income related to assets received by transfer from customers (acct. 478) (rows 77+78)	76		433,401,818	471,169,618
	Amounts to be repaid within a period of up to one year (out of acct.478 *)	77		48,169,999	59,884,739
	Amounts to be repaid over a period longer than one year (out of acct. 478 *)	78		385,231,819	411,284,879
	Negative goodwill (acct.2075)	79		-	-
	<b>TOTAL (rows 70+73+76+79)</b>	<b>80</b>		<b>435,595,308</b>	<b>473,235,588</b>

J	<b>CAPITAL AND RESERVES</b>				
	<b>I. CAPITAL</b>				
	1. Paid-in subscribed capital (acct. 1012)	81		382,153,800	382,153,800
	2. Unpaid subscribed capital (acct. 1011)	82		-	-
	3. Company's patrimony (acct. 1015)	83		-	-
	4. The patrimony of the national research-development institutes (acct. 1018)	84			"
	5. Other equity items (acct. 103)	85		-	-
	<b>TOTAL (row 81+82+83+84+85)</b>	<b>86</b>	<b>7</b>	<b>382,153,800</b>	<b>382,153,800</b>
	<b>II. CAPITAL's PREMIUMS (acct. 104)</b>	<b>87</b>		<b>9,146,618</b>	<b>9,146,618</b>
	<b>III. RESERVE FROM REVALUATION (acct. 105)</b>	<b>88</b>		<b>950,640,511</b>	<b>797,559,599</b>
	<b>IV. RESERVES</b>				
	1. Legal reserves (acct. 1061)	89		76,430,760	76,430,760
	2. Statutory or contractual reserves (acct. 1063)	90		-	-
	3. Other reserves (acct. 1068)	91		99,814,669	111,544,454
	<b>TOTAL (row 89 to 91)</b>	<b>92</b>		<b>176,245,429</b>	<b>187,975,214</b>
	Own shares (acct 109)	93		-	-
	Equity linked to equity instruments (acct. 141)	94		-	-
	Losses related to equity instruments (acct.149)	95		-	-
	<b>V. RETAINED EARNINGS, (acct.117)</b>	Balance C	96	<b>1,135,455,711</b>	<b>954,039,602</b>
		Balance D	97	-	-
	<b>VII. PROFIT OR LOSS OF THE EXERCISE (acct.121)</b>	Balance C	98	-	<b>167.678.332</b>
		Balance D	99	<b>211,896,134</b>	-
	The distribution of profit (acct. 129)	100			11,729,785
	<b>EQUITY – TOTAL (rows 86+87+88+92-93+94-95+96-97+98-99-100)</b>	101		<b>2,441,745,935</b>	<b>2,486,823,380</b>
	Private patrimony (acct. 1016)	102			
	Public patrimony (acct.1017)	103			
	<b>EQUITY- TOTAL (rows 101+102+103)</b>	104		<b>2,441,745,935</b>	<b>2,486,823,380</b>
	<b>TOTAL LIABILITIES</b>	105		<b>3,188,882,593</b>	<b>3,269,332,319</b>

The financial statements on pages 3 to page 71 were signed on April 8, 2020, by

General manager  
Gino Celentano

Prepared by,  
Maurizio Rastelli  
Financial Manager

Notes from 1 to 9 represent integral part of the financial situations

E-DISTRIBUTIE BANAT SA  
PROFIT AND LOSS ACCOUNT  
for the financial exercise ended on December 31, 2019  
(all amounts are in lei (RON) unless otherwise mentioned)

Name of issue		Row	Note	Financial exercise concluded on December 31	
				2018	2019
A		B		1	2
1	<b>Net turnover (rd. 02 + 03 - 04 + 05+06)</b>	<b>01</b>	<b>9e)</b>	<b>495,380,062</b>	<b>503,793,010</b>
	Production sold (acct.701 + 702 + 703 + 704 + 705 + 706 + 708)	02		488,867,195	499,615,548
	Income from the sale of goods (acct. 707)	03		6,512,867	4,177,462
	Commercial discounts granted (acct.709)	04		-	-
	Revenues from operating grants related to turnover (acct.7411)	05		-	-
2	Income related to the cost of production in progress (acct. 711 + 712)	Balance C	06	-	-
		Balance D	07	-	-
3	Production made by the entity for its own and capitalized purposes (acct. 721 + 722)*	08		12,428,019	13,134,026
4	Income from the revaluation of intangible assets (acct. 755)	09		-	9,228,097
5	Revenue from real estate investments (acct. 725)	10		-	-
6	Income from operating grants (acct.7412 + 7413 + 7414 + 7415 + 7416 + 7417 + 7419)	11		-	-
7	Other operating income (751+758+7815), of which	12		25,886,816	24,679,643
	-revenue from investment grants (acct. 7584)	13		20,351,576	21,807,123
	of which, negative goodwill income (ct. 7815)	14			
	<b>OPERATING REVENUES – TOTAL (row 01+07+08+09+10+11+12+13)</b>	<b>15</b>	<b>4</b>	<b>533,694,897</b>	<b>550,834,776</b>
8	a) Expenditure on raw materials and consumables (acct. 601 + 602)*	16		6,294,545	7,248,055
	Other material expenses (acct. 603+604+606+608)	17		136,111,637	165,482,278
	b) Other external expenditures (with energy and water) (acct.605)	18		4,909,811	4,755,017
	c) Expenditure on goods (acct. 607)	19		5,190,048	3,174,189
	Trade receipts received (acct.609)	20		2,927	1,244
9	Personnel costs (row 23+24), out of which:	21	<b>8</b>	<b>72,134,715</b>	<b>83,693,589</b>
	a) Salaries and allowances (acct. 641+642+643+644)	22		68,929,613	79,469,087
	b) Expenditure on insurance and social protection (acct.645)	23		3,205,102	4,224,502
10	a) Value adjustments on intangible assets, tangible assets (rows 26-27)	24		<b>413,500,360</b>	<b>(84,125,085)</b>
	a.1) Expenses (acct.6811 + 6813 + 6816 + 6817)	25		413,500,360	148,406,456
	a.2) Income (acct.7813 + 7816)	26		-	232,531,541
	b) Value adjustments for current assets (rows 26-27)	27		<b>7,846,566</b>	<b>9,772,157</b>
	b.1) Expenditure (acct.654 + 6814+6818)	28		9,547,908	11,517,242
	b.2) Revenues (acct.7813+7818)	29		1,701,342	1,745,085
11	Other operating expenses (row 32 to 38)	30	<b>9 o)</b>	<b>110,877,752</b>	<b>207,678,590</b>
	11.1. Expenditure on external benefits (acct. 611 + 612 + 613 + 614 +615 + 621 + 622 + 623 + 624 + 625 + 626 + 627 + 628)	31		93,948,986	114,728,111
	11.2. Expenses with other fees, taxes, and similar charges (acct. 635 + 6586)*	32		7,616,807	7,631,867
	11.3. Environment protection expenditures	33		241,060	330,605



	(acct.652)				
	11.4. . Expenses from revaluation of intangible assets (acct. 655)	34		-	68,501,842
	11.5 Expenditure on calamities and other similar events (acct.6587	35		-	-
	16.9. Other expenses (acct.651 + 6581 + 6582 + 6583 +6588)	36		9,070,899	16,486,165
	<b>Adjustments for provisions (rows 40-41)</b>	<b>37</b>		<b>(9,944,687)</b>	<b>4,007,154</b>
	- Expenditure (acct. 6812)	38		6,907,988	8,452,486
	- Income (7812)	39		16,852,675	4,445,332
	<b>OPERATING EXPENDITURE - TOTAL (row 17 to 20 20-21+22+25+28+31+39)</b>	<b>40</b>	<b>4</b>	<b>746,917,820</b>	<b>401,684,700</b>
	<b>PROFIT OR LOSS FROM OPERATION:</b>				
	<b>-Profit (row 16-42)</b>	<b>41</b>	<b>4</b>	<b>-</b>	<b>149.150.076</b>
	<b>- Loss (row 42-16)</b>	<b>42</b>		<b>213,222,923</b>	<b>-</b>
12	Income from participation interests (acct. 7611 + 7612 + 7613)	43		453,242	-
	- of which, income from affiliated entities	44		-	-
13	Interest income (acct,766 *)	45		25,125,996	24.857.609
	- of which, the income affiliated entities	46		-	-
14	Income from operating grants for interest due (acct, 7418)	47		-	-
15	Other financial income (acct, 7615+762+764+765+767+768)	48		857,294	605.928
	-of which, income from other financial fixed assets (item 7615)	49		-	-
	<b>FINANCIAL INCOME – TOTAL (rows 45+47+49+50)</b>	<b>50</b>		<b>26,436,532</b>	<b>25,463,537</b>
16	Value adjustments on financial assets and financial investments held as current assets (rows 54-55)	51		-	-
	-Expenditures (acct.686)	52		-	-
	-Income (acct.786)	53		-	-
17	Interest Expenses (acct.666 *)	54			
	- of which, the expenses in relation to the entities in the group	55		-	-
	Other financial expenses (acct.663 + 664 + 665 + 667 + 668)	56		1,139,453	2,193,890
	<b>FINANCIAL EXPENDITURE - TOTAL (rows 53+56+58)</b>	<b>57</b>		<b>1,139,453</b>	<b>2,193,890</b>
	<b>PROFIT OR FINANCIAL LOSS:</b>				
	<b>- Profit (row 61 - 70)</b>	<b>58</b>		<b>25,297,079</b>	<b>23,269,647</b>
	<b>- Loss (rows 70- 61)</b>	<b>59</b>			
	<b>TOTAL INCOME (rows 16+52)</b>	<b>60</b>		<b>560,131,429</b>	<b>576,298,313</b>
	<b>TOTAL EXPENDITURE (rows 42+59)</b>	<b>61</b>		<b>748,057,273</b>	<b>403,878,590</b>
18	<b>GROSS PROFIT OR LOSS:</b>				
	<b>- Profit (rows 62-63)</b>	<b>62</b>		<b>-</b>	<b>172,419,723</b>
	<b>- Loss (rows 63-62)</b>	<b>63</b>		<b>187,925,844</b>	<b>' -</b>
19	Income tax (acc, 691)	64	9 d)	23,970,290	4,741,391
20	Tax-specific activities (acct, 695)	65		-	-
21	Other taxes not shown at the above items (acct,698)	66		-	-
22	<b>NET PROFIT OR LOSS OF FINANCIAL EXERCISE:</b>				
	<b>- Profit (rows 64-65-66-67-68)</b>	<b>67</b>		<b>-</b>	<b>167,678,332</b>
	<b>- Loss (rows 65+66+67+68-64)</b>	<b>68</b>		<b>211,896,134</b>	<b>-</b>

The financial statements from page 3 to page 71 were signed on April 8,2020, by

General manager  
Gino Cenentano

Prepared by,  
Maurizio Rastelli  
Financial Manager

E-DISTRIBUTIE BANAT SA  
SITUATION OF CASH FLOW  
for the financial exercise ended on December 31, 2019  
(all amounts are in lei (RON) unless otherwise mentioned)

<b>INDIRECT METHOD</b>		
ITEM	Financial exercise concluded on December 31	
	2018	2019
A	1	2
<b>Cash flows from operating activity</b>		
Profit / (loss) before income tax	(187,925,844)	172,419,723
<b>Adjustments for non-monetary items:</b>		
Depreciation related to tangible and intangible assets	179,145,760	148,406,456
Value adjustments related to tangible and intangible assets	234,354,599	(232,531,541)
Loss from disposals of fixed assets, net	481,183	11,776,806
The net impact of the revaluation of fixed assets	-	59,273,745
Operating expenses on provisions for receivables, net	7,755,125	9,475,283
(Revenue) / Operating expenses on provisions for impairment of inventories	91,441	296,875
Operating expenses / (Revenues) regarding provisions for risks and expenses, net	(9,944,687)	4,007,154
Income from grants	(20,351,576)	(21,807,123)
Interest income, net	(25,125,996)	(24,857,609)
Unrealized losses / (profits) from exchange rate differences	130,229	1,279,093
<b>Operating income before changes in working capital</b>	<b>178,610,235</b>	<b>127,738,862</b>
<b>Changes in net working capital in:</b>		
Decrease / (Increase) of stocks	(750,223)	871,110
Decrease / (Increase) in trade and other receivables and other claims	(52,830,975)	(16,825,778)
Decrease / (Increase) of deferred expenses	282,287	35,594
(Decrease) / Increase in trade and other payables	42,090,711	(4,105,671)
(Decrease) / Increase in other debts	(3,108,768)	(232,010)
<b>Changes in working capital</b>	<b>(14,316,968)</b>	<b>(20,256,755)</b>
Profit tax paid	(21,644,317)	(9,574,547)
<b>Net cash flow from operating activities</b>	<b>142,648,950</b>	<b>97,907,560</b>
<b>Cash flow from investment activity</b>		
Acquisitions of fixed assets	(206,715,005)	(214,965,265)
Proceeds from the sale of tangible assets	429,024	60,235
Interest collected	22,007,966	30,079,990
<b>Net cash flow used in investment activity</b>	<b>(184,278,015)</b>	<b>(184,825,040)</b>
<b>Cash flow from financial activity</b>		
Dividends paid	(31,890,277)	-
Grants	68,593,294	63,720,211
Reduction of share capital		
<b>Net cash flow from / (used in) financial activity</b>	<b>36,703,017</b>	<b>63,720,211</b>
<b>Net increase in cash and cash equivalents</b>	<b>(4,926,050)</b>	<b>(23,197,269)</b>
Availability and assimilated elements at the beginning of the year	1,292,718,197	1,287,661,918
The effect of exchange rate changes	(130,229)	(1,279,093)
<b>Availability and assimilated elements at the end of the year</b>	<b>1,287,661,918</b>	<b>1,263,185,555</b>

The financial statements from page 3 to page 71 were signed on April 8,2020, by

General manager  
Gino Cenentano

Prepared by,  
Maurizio Rastelli  
Financial Manager

Notes 1 to 9 represent integral part of the financial statements.

E-DISTRIBUTIE BANAT SA  
STATEMENT ON CHANGES IN EQUITY  
for the financial exercise ended on December 31, 2019  
(all amounts are in lei (RON) unless otherwise mentioned)

2019

ITEM		Balance on January 1, 2019	Increase		Decrease		Balance on December 31, 2019
			Total of which :	By Transfer	Total of which	By Transfer	
Capital subscribed		382,153,800	-	-	-	-	382,153,800
Inventory		-	-	-	-	-	-
Capital premium		9,146,618	-	-	-	-	9,146,618
Revaluation reserves		950,640,511	79,317,756	-	232,398,667	30,480,025	797,559,599
Legal reserves		76,430,760	-	-	-	-	76,430,760
Statutory or contractual reserves		-	-	-	-	-	-
Other reserves		99,814,669	11,729,785	11,729,785	-	-	111,544,454
Own shares		-	-	-	-	-	-
Earnings related to equity instruments		-	-	-	-	-	-
Losses related to equity instruments		-	-	-	-	-	-
Reserves representing the surplus realized from revaluation reserves		37,402,156	30,480,025	30,480,025	-	-	67,882,181
The result carried forward represents the undistributed profit or the uncovered loss	Balance C	1,098,053,555	-	-	211,896,134	211,896,134	886,157,421
	Balance D	-	-	-	-	-	-
Deferred income from the first adoption of IAS, less IAS 29	Balance C	-	-	-	-	-	-
	Balance D	-	-	-	-	-	-
The carried forward result from the correction of accounting errors	Balance C	-	-	-	-	-	-
	Balance D	-	-	-	-	-	-
Profit carried forward from the application of the accounting regulations in accordance with the Fourth Directive of the European Economic Communities	Balance C	-	-	-	-	-	-
	Balance D	-	-	-	-	-	-
Profit or loss for the financial year	Balance C	-	167,678,332	-	-	-	167,678,332
	Balance D	211,896,134	-	-	(211,896,134)	(211,896,134)	-
Distribution of profit		-	(11,729,785)	(11,729,785)	-	-	(11,729,785)
<b>Total equity</b>		<b>2,441,745,935</b>	<b>277,476,113</b>	<b>30,480,025</b>	<b>232,398,667</b>	<b>30,480,025</b>	<b>2,486,823,380</b>

2018

ITEM		Balance on January 1, 2018	Increase		Decrease		Balance on December 31 2018
			Total of which :	By Transfer	Total of which	By Transfer	
Capital subscribed		382,153,800	-	-	-	-	382,153,800
Inventory		-	-	-	-	-	-
Capital premium		9,146,618	-	-	-	-	9,146,618
Revaluation reserves		950,892,596	-	-	252,085	252,085	950,640,511
Legal reserves		76,430,760	-	-	-	-	76,430,760
Statutory or contractual reserves		-	-	-	-	-	-
Other reserves		99,814,669	-	-	-	-	99,814,669
Own shares		-	-	-	-	-	-
Earnings related to equity instruments		-	-	-	-	-	-
Losses related to equity instruments		-	-	-	-	-	-
Reserves representing the surplus realized from revaluation reserves		37,150,071	252,085	252,085	-	-	37,402,156
The result carried forward represents the undistributed profit or the uncovered loss	Balance C	1,066,163,281	63,780,551	63,780,551	31,890,277	-	1,098,053,555
	Balance D	-	-	-	-	-	-
Deferred income from the first adoption of IAS, less IAS 29	Balance C	-	-	-	-	-	-
	Balance D	-	-	-	-	-	-
The carried forward result from the correction of accounting errors	Balance C	-	-	-	-	-	-
	Balance D	-	-	-	-	-	-
Profit carried forward from the application of the accounting regulations in accordance with the Fourth Directive of the European Economic Communities	Balance C	-	-	-	-	-	-
	Balance D	-	-	-	-	-	-
Profit or loss for the financial year	Balance C	82,779,432	-	-	82,779,432	82,779,432	-
	Balance D	-	211,896,134	-	-	-	211,896,134
Distribution of profit		(18,998,881)	-	-	(18,998,881)	(18,998,881)	-
<b>Total equity</b>		<b>2,685,532,346</b>	<b>(147,863,498)</b>	<b>64,032,636</b>	<b>95,922,913</b>	<b>64,032,636</b>	<b>2,441,745,935</b>

E-DISTRIBUTIE BANAT SA  
STATEMENT ON CHANGES IN EQUITY  
for the financial exercise ended on December 31, 2019  
*(all amounts are in lei (RON) unless otherwise mentioned)*

The legal reserve is created in accordance with the provisions of the Companies Law, according to which 5% of the annual accounting profit before tax is transferred to legal reserves until their balance reaches 20% of the Company's share capital. As of December 31, 2018, the Company has legal reserves in amount of 76,430,760 (December 31, 2018: 76,430,760) representing 20% of the Company's share capital on this date.

As of December 31, 2019, the Company registered a net reduction in the revaluation reserve in the amount of 122,600,886 as a result of the revaluation performed on that date for the tangible assets and company's land. During 2019, the transfer from the revaluation reserve to the carried forward result representing the revaluation surplus realized was in the amount of 30,480,025.

If the revaluation surplus is used, from a fiscal point of view it will be taxed to the extent that, in accordance with the tax legislation applicable on the date of the revaluation, the depreciation expenses related to the revalued fixed assets were considered deductible expenses in the calculation of the profit tax and the surplus realized from revaluation reserves has not already been assimilated to the income for the calculation of the profit tax. The company does not intend to distribute the surplus realized from revaluation reserves in the balance as on December 31, 2019.

The loss related to the financial year ended December 31, 2018 in the amount of 211,896,134 was covered by the carried forward result (account 117), according to the Ordinary General Meeting of Shareholders of May 10, 2019.

**NOTE 1: FIXED ASSETS**

Item	Balance on 31 December 2018	Increase	Transfer	Difference from revaluation	Decrease	Balance on 31 December 2019
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6=1+2+3+4-5</b>
<b>Intangible assets</b>						
Settlement and development expenses	-	-	-		-	-
Concessions and other intangible assets	79,937,341	4,282,078	-	-	8,027,234	76,192,185
<b>Total Intangible assets</b>	<b>79,937,341</b>	<b>4,282,078</b>	<b>-</b>	<b>-</b>	<b>8,027,234</b>	<b>76,192,185</b>
<b>Tangible assets</b>	<b>37,218,375</b>	<b>-</b>	<b>-</b>	<b>4,973,272</b>	<b>-</b>	<b>42,191,647</b>
Lands	1,367,828,283	-	110,622,581	(346,839,421)	4,774,374	1,126,837,069
Constructions	576,394,292	25,215	73,754,483	(145,820,707)	11,693,043	492,660,240
Technical plants and machines	4,818,980	-	850,713	(1,007,704)	129,500	4,532,489
Other plant, equipment and furniture	107,886,567	210,657,969	(185,227,777)	"	-	133,316,759
Advances and tangible fixed assets in progress	2,094,146,497	210,683,184	-	(488,694,560)	16,596,917	1,799,538,204
<b>Total tangible assets</b>	<b>37,218,375</b>	<b>-</b>	<b>-</b>	<b>4,973,272</b>	<b>-</b>	<b>42,191,647</b>
<b>Financial assets</b>						
Other receivables	16,529,684	-	-	-	-	16,529,684
<b>Total financial assets</b>	<b>16,529,684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,529,684</b>
<b>Total assets</b>	<b>2,190,613,522</b>	<b>214,965,262</b>	<b>-</b>	<b>(488,694,560)</b>	<b>24,624,151</b>	<b>1,892,260,073</b>
<b>Impairment - amortization</b>	<b>Balance on 31 December 2018</b>	<b>Increase</b>	<b>Difference from revaluation</b>	<b>Decrease</b>	<b>Balance on 31 December 2019</b>	
	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11=7+8+9-10</b>	
<b>Intangible assets</b>						
Settlement and development expenses						
Concessions and other intangible assets	54,620,464	7,750,781	-	7,999,144	54,372,101	
<b>Total intangible assets</b>	<b>54,620,464</b>	<b>7,750,781</b>	<b>-</b>	<b>7,999,144</b>	<b>54,372,101</b>	
<b>Tangible assets</b>						
Lands						
Constructions	87,574,977	77,945,855	(164,719,651)	801,181	-	
Technical plants and machines	82,884,874	62,249,849	(141,095,291)	4,039,432	-	
Other plant, equipment and furniture	492,373	542,309	(1,004,989)	29,693	-	
<b>Total tangible assets</b>	<b>170,952,224</b>	<b>140,738,013</b>	<b>(306,819,931)</b>	<b>4,870,306</b>	<b>-</b>	
<b>Total fixed assets</b>	<b>225,572,688</b>	<b>148,488,794</b>	<b>(306,819,931)</b>	<b>12,869,450</b>	<b>54,372,101</b>	
<b>Depreciation - provisions</b>	<b>Balance on 31 December 2018</b>	<b>Increase</b>	<b>Difference from revaluation</b>	<b>Decrease</b>	<b>Balance on 31 December 2019</b>	
	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16=12+13+14-15</b>	
<b>Intangible assets</b>						
Settlement and development expenses	-	-	-	-	-	
Concessions and other intangible assets	28,090	-	-	28,090	-	
<b>Total Intangible assets</b>	<b>28,090</b>	<b>-</b>	<b>-</b>	<b>28,090</b>	<b>-</b>	
<b>Tangible assets</b>						
Lands	229,329,711	120	(82,067)	229,247,125	-	
Constructions	3,163,761	2,273,762	(2,641,885)	2,795,638	-	
Technical plants and machines	-	-	-	-	-	
Advances and fixed assets in progress	2,260,011	-	-	9,979	2,250,032	
<b>Total tangible assets</b>	<b>234,753,483</b>	<b>2,273,882</b>	<b>(2,724,591)</b>	<b>232,052,742</b>	<b>2,250,032</b>	
<b>Total fixed assets</b>	<b>234,781,573</b>	<b>2,273,882</b>	<b>(2,724,591)</b>	<b>232,080,832</b>	<b>2,250,032</b>	

<b>Net value</b>		
<b>Asset item</b>	<b>Balance on 31 December 2018</b>	<b>Balance on 31 December 2019</b>
	<b>14=1-6-10</b>	<b>15=5-9-13</b>
<b>Intangible assets</b>		
Settlement and development expenses	-	-
Concessions and other intangible assets	25,288,787	21,820,084
<b>Total Intangible assets</b>	<b>25,288,787</b>	<b>21,820,084</b>
<b>Tangible assets</b>		
Lands	37,218,375	42,191,647
Constructions	1,050,923,595	1,126,837,065
Technical installations and machines	490,345,657	492,660,242
Installations, equipment and furniture	4,326,607	4,532,490
Advances and fixed assets in progress	105,626,556	131,066,728
<b>Total tangible assets</b>	<b>1,688,440,790</b>	<b>1,797,288,172</b>
<b>Financial assets</b>		
Other receivables	16,529,684	16,529,684
<b>Total financial assets</b>	<b>16,529,684</b>	<b>16,529,684</b>
<b>Total fixed assets</b>	<b>1,730,259,261</b>	<b>1,835,637,940</b>

### **1. a. Intangible assets**

As of December 31, 2019, the net accounting value of intangible assets is 21,820,084 (2018: 25,288,787) representing mainly computer programs. Intangible assets representing software are depreciated over a period of 5 years (Windows licenses and similar) or 5 years (SAP system, software related to smart meters).

### **1.b. Tangible fixed assets**

Tangible assets include:

- a) Constructions;
- b) Administrative buildings;
- c) Energy equipment;
- d) Measurement groups;
- e) Other installations, equipment and furniture.

Constructions include both buildings and electricity distribution grids.

Ongoing tangible assets mainly include works for the modernization of transformer stations as well as the construction of medium and low voltage networks made from the connection rate.

### **Evaluation of tangible assets**

The company registers fixed assets at cost (permanently for fixed assets made from connection fees, and temporarily for fixed assets put into operation in the period between two revaluations) or revalued value. On December 31, 2019, the revaluation of fixed assets was carried out by an independent appraiser in accordance with OMF 1802/2014 and with the national evaluation standards issued by ANEVAR, the valuation being performed on the assets of tangible assets and land.

Society.

E-DISTRIBUTIE BANAT SA

NOTE TO STANDALONE FINANCIAL STATEMENTS

for the financial exercise ended on December 31, 2019

(all amounts are in lei (RON) unless otherwise mentioned)

Specialized fixed assets (special constructions and equipment) were valued using the cost approach. The assets for which a market could be identified, on which they can be capitalized (land, residential properties, commercial, administrative and / or industrial real estate, movable goods of the nature of means of transport, office and IT, equipment with use in multiple fields of activity, etc.) were valued at market value, applying one or two (depending on the specific market and available market data) of the three approaches under evaluation: the market approach, the revenue approach and the cost approach, specifying were applied, that whenever possible from the point of view of market data and the specifics of the property, either the income approach or the market approach.

The economic impairment test is required according to the valuation standards for the revalued fixed assets using the cost approach (most in terms of value). The impairment test for fixed assets was performed by calculating the value of their use based on a discounted cash flow model based on RAB (Regulated Assets Base).

One of the main components included for determining the discounted cash flows is the Regulated Rate of Return ("RRR"), established by ANRE for the current regulatory period. Considering that during 2019 two RRRs were already valid (the respective amendments are detailed in Note 9 j), and ANRE has not yet published the RRR that will be applied starting May 1, 2020, the company's management has applied estimated rate, taking into account all information available at the time of preparing the financial statements. Thus, the rate of return used for the impairment test was set at 6.2%. In order to present the potential impact of the RRR change in the future, the sensitivity analysis of the value used for the assets revalued according to the change of the regulated rate by 0.5% is presented as follows:

Indicator	Impact
Usage value calculated using the rate 6.7% rate	31,281,342
Usage value calculated using the rate 5.7%	(31,281,342)

After performing the impairment test, resulted a net impairment of 181,874,631. For the allocation of the depreciation, the fixed assets revalued at market value were excluded, which are not affected by the depreciation, respectively: land, buildings valued by income capitalization or by market comparisons.

In the process of allocating the impairment on the assets in the register, it was considered based on professional judgment that for fixed assets with the date of commissioning in the period 2017-2019, due to the small difference between net accounting value and net replacement cost, the accounting book value is adequate as the fair value on the measurement date.

In the case of tangible fixed assets with date of commissioning from 2005-2016, the depreciation resulting from the profitability test was allocated differently, as follows:

- 15% of the net replacement cost for fixed assets with date of commissioning between 2014-2016;
- 25% for date of commissioning 2011-2013;
- 40% for date of commissioning 2008-2010;
- 85% for date of commissioning 2005-2007;
- 91.48% for date of commissioning older than 2004;
- 100% fixed assets proposed for disposal.



The depreciation of the preliminary values resulting from the revaluation in net value of 181,874,631 is reflected in the final value of the fixed assets, registered following the revaluation (and in the table below the columns "increase in value" and "decrease in value" are determined after taking into account depreciation.

The result of the revaluation performed on December 31, 2019 was the following:

Revalued fixed assets	Gross value before revaluation	Cumulative depreciation cancellation	Value increases	Impairment losses	Value revalued on 31.12.2019
1	2	3	4	5	6 = 2 - 3 + 4 - 5
Lands	37,218,375		4,973,272		42,191,647
Constructions	1,473,676,486	164,719,649	48,219,764	230,339,536	1,126,837,065
Technical installations and machines	638,480,948	141,095,291	35,214,256	39,939,672	492,660,241
Other installations, equipment and furniture	5,540,193	1,004,989	138,561	141,276	4,532,489
<b>Total revalued tangible assets</b>	<b>2,154,916,002</b>	<b>306,819,929</b>	<b>88,545,853</b>	<b>270,420,484</b>	<b>1,666,221,442</b>

The result of the revaluation was registered as follows:

	increase in value	decrease in value
Revaluation reserve (account 105)	79,317,756	201,918,642
Profit and loss account (account 7813/6813)	9,228,097	68,501,842
<b>Total</b>	<b>88,545,853</b>	<b>270,420,484</b>

#### **1.c. Assets held under financial leasing or acquired in installments**

As of December 31, 2019, and December 31, 2018, the Company has no assets held under financial leasing or acquired in installments.

#### **1.d. Tangible assets sold and rented**

During 2019 and 2018, the Company did not subsequently sell or further rent tangible assets.

During 2019 and 2018, the company rented office space for group companies, JT and MT overhead power line poles as supports for telecommunications networks, fiber optics, billboards, and power transformers.

#### **1.e. Assets encumbered / mortgaged by collateral**

As of December 31, 2019 and December 31, 2018, the Company does not hold any encumbered assets in favor of credit institutions.

#### **1.f. Regulated assets**

As the Company operates in a regulated business environment, ANRE (National Energy Regulatory Authority) establishes the Regulated Assets Base (RAB) for each regulatory period.

The regulated asset base includes the net value of tangible and intangible assets recognized by ANRE and used only for the regulated distribution of electricity. RAB does not include fixed assets financed by donations, development fee received or other non-refundable funds, including connection fee received from new users of the electricity distribution network.

#### **1.g. Other**

The gross accounting value of fully depreciated tangible assets as of December 31, 2019 is 57,469,699 (2018: 36,606,104).

During 2019, the Company undertook internal development works of some fixed assets. These are included in the "Increases" column of the table with the movements of fixed assets and have an accounting value of 13,134,026 (2018: 12,428,019), representing the income from the capitalization of salary expenses.

The gross accounting value of fixed assets made from subsidies from the connection fee is 436,657,499 (2018: 395,481,018), while their net accounting value is 399,881,645 (2018: 376,910,911), from subsidies from the developer tax in value of 17,037,303 (2018: 15,184,714), their net accounting value is 16,250,695 (2018: 14,796,664).

As of December 31, 2019, the Company reclassified from stocks to fixed assets in progress the amount of 56,364,139 (2018: 44,964,413), as will subsequently be installed in the high, medium and low voltage distribution networks.

The note on fixed assets shows both increases and decreases in the value of capitalized fixed assets as a result of the change in the source of financing after the return of the amount of 1,818,753 (2018: 641,512) to real estate developers, representing the value of the works of the electricity network public interest within the housing condominiums built by them.

As of December 31, 2019, the Company has registered for tangible fixed assets a number of 191 lands that could be the subject of a future incorporation in the share capital according to clause 11.2.4 of the Privatization Agreement (see also note 9 Subsequent events). These lands have an entry value of 476,155 and a revalued value of 13,679,088 (of which 13,273,944 are related to the revaluation reserve).

#### **1.h. Financial assets**

As of December 31, 2019, the Company has financial assets amounting to 16,529,684 (2018: 16,529,684). The company holds 50% of the share capital of Enel Servicii Comune, with a value on December 31, 2019 of 16,500,000 (December 31, 2018: 16,500,000).

#### **1.i. Impairment of fixed assets**

As of December 31, 2019, the Company registered a specific provision for the depreciation of fixed assets in the amount of 2,250,032 (2018: 5,107,511) related to the proposed fixed assets for disposal.

As of December 31, 2018, as a result of the change in the regulated rate of return for the 2019-2023 regulatory period to 5.66% (decreasing from 7.7% in regulatory period 2014-2018), the Company's management identified that there were indicators of impairment of fixed assets and performed the impairment test for assets that are part of the RAB. Thus, was identified an impairment loss of 229,247,088, which due to the fact that a complete revaluation exercise was not performed, and impairment provisions have been registered (in the profit and loss account). This provision for impairment will be partially resumed as the assets of the RAB are impaired, and in full at the time of the next full revaluation exercise. Also due to the lack of the complete revaluation exercise, the entire provision was allocated to the construction class, the main class in which the assets that are part of the RAB are found (while in the revaluation a part will be allocated to the class of technical installations).

**NOTE 2: PROVISIONS**

Type of provision (account)	Balance on December 31 2018	Increase	Decrease	Balance on December 31 2019
Provisions for pensions and similar obligations (1515)	26,981,249	5,437,364		32,418,613
<i>Other provisions of which:</i>				
Provisions for restructuring (1514)	-	-	-	-
Provision for litigation (1511)	2,635,299	544,562	224,960	2,954,901
Other provisions (1518)	4,228,805	2,478,993	4,228,805	2,478,993
<b>Total provisions</b>	<b>33,845,353</b>	<b>8,460,919</b>	<b>4,453,765</b>	<b>37,852,507</b>

Starting January 1, 2019, the defined benefit plan for the Company's employees includes the following main elements:

- a) free energy quota of 1,200 kWh / year after retirement;
- b) jubilee premiums, for uninterrupted seniority within Enel, which consist of the following:
  - at 20 years - 1 gross monthly basic salary;
  - at 25 years - 1.5 gross monthly basic salaries;
  - at 30 years - 2 gross monthly basic salaries;
  - at 35 years - 3 gross monthly basic salaries;
  - at 40 years - 4 gross monthly basic salaries;
  - at 45 years - 5 gross monthly basic salaries;
- c) retirement premiums, for employees who retire, regardless of the cause of retirement, depending on the uninterrupted seniority within Enel, which consist of the following:
  - up to 10 seniority -1 gross monthly basic salary;
  - between 10-25 years of age - 2 gross monthly basic salaries;
  - over 25 seniority - 3 gross monthly basic salaries..

As mentioned in the Company's accounting policies presented in Note 6) r, on December 31, 2019, the Company established provisions for pensions and similar obligations in the amount of 32,418,613 (2018: 26,981,249):

- a) provisions for Kilowatts granted to own pensioners in the amount of 16,877,722 (2018: 14,901,559);
- b) provisions for jubilee premiums in the amount of 11,511,524 (2018: 9,206,438);
- c) provisions for pensions in the amount of 4,029,367 (2018: 2,873,252).

This provision is updated based on the actuarial calculation report prepared by the approved consultant.

In accordance with the Company's accounting policies presented in Note 6) r, the Company has not established provision for restructuring / voluntary departures. The management of the Company decided to cancel the implementation of the restructuring plan / voluntary departures.

As of December 31, 2019, the Company has established provisions for litigation in the amount of 2,954,901 (December 31, 2018: 2,635,299), of which the most significant:

- RON 760,265 represent claims requested by the Territorial Administrative Unit of Remetea Mare (2018: 760,265);

- RON 696,777 represent claims and compensations for land use (2018: 658,923);
- 656.288 represents claims for penalties advances to connection contracts (2018: 625,400);
- 22,200 refers to the conclusion of pillar rental contracts (2018: 22,200).

The increase in the provision during 2019 mainly refers to:

- 153,000, representing the power outage claims requested by Ikem International;
- 98,000, representing compensations for the lack of using land, by forcing the demolition / removal of a Transformer station requested by Disagila Paul;
- 85,000, representing claims for damages for the right of servitude requested by Bantex SA;
- 61,401, representing connection contract penalties requested by UAT Costeiu;
- 27,000, representing moratorium damages due to the connection to the electricity network requested by Bertea Carmen.

On December 31, 2019, the Company made provisions for other risks and expenses in the amount of 2,478,993 (2018: 4,228,805), representing provisions made for expenses with performance awards, payable in 2020 and provisions for leave not taken until December 31, 2019.

### NOTE 3: DISTRIBUTION OF PROFIT

Distribution of profit	Financial year ended December 31, 2018	Financial year ended December 31, 2019
<b>Result carried forward at the beginning of the financial year</b>	<b>1,167,093,903</b>	<b>923,559,577</b>
Surplus realized from revaluation reserves	252,085	30,480,025
Net profit / (loss) to be distributed / (to be recovered):	(211,896,134)	167,678,332
- legal reserve	-	-
- dividends	(31,890,277)	-
- reserves for reinvested earnings	-	11,729,785
<b>Undistributed profit, retained earnings undistributed at the end of the financial year</b>	<b>923,559,577</b>	<b>1,109,988,151</b>

During 2019, the Company did not distributed dividends to shareholders, as the Company recorded a loss of 211,896,134 for the financial year ended December 31, 2018, compared to 2018, when dividends in the amount of 31,890,277 were distributed from the result for the financial year ended December 31, 2017. The loss for the financial year ended December 31, 2018 was covered by the result carried forward (account 117) according to the Ordinary General Meeting of Shareholders of May 10, 2019.

The financial statements of the Company for the financial year ended December 31, 2019 will be approved by the Ordinary General Meeting of Shareholders to be held in May 2020 when it will be decided how to distribute the profit for the financial year ended December 31, 2019.

**NOTE 4: ANALYSIS OF OPERATING RESULT**

	Financial year ended December 31, 2018	Financial year ended December 31, 2019
<b>1. Net turnover</b>	<b>495,380,062</b>	<b>503,793,010</b>
<b>2. The cost of goods sold and services rendered, of which (3 + 4 + 5)</b>	<b>636,419,527</b>	<b>251,530,869</b>
3. Basic activity expenses	629,247,447	235,538,961
4. Expenditure on ancillary activities	7,172,080	15,991,908
5. Indirect production costs	-	-
<b>6. Gross net turnover (1 - 2)</b>	<b>(141,039,465)</b>	<b>252,262,141</b>
7. Sales expenses		
8. General and administrative expenses	98,070,274	127,791,708
9. Other operating income	25,886,816	24,679,643
<b>10. Operating result (6 - 7 - 8 + 9)</b>	<b>(213,222,923)</b>	<b>149,150,076</b>

Within the expenses chapter are decreased the incomes from the production realized by the entity for own purposes and capitalized (accounts 721 and 722 - Incomes from the capitalization of the expenses with salaries) in the amount of 13,134,026 (2018: 12,428,019). From the expenses of basic activities are also deducted the revenues from the resumption of the depreciation of fixed and current assets, before revaluation, in the amount of 1,745,085 (2018: 1,701,342), related to current assets and revenues from the revaluation of tangible fixed assets 9,228,097 (2018: 0). The expenses of the basic activity also include the expenses from the revaluation of tangible assets amounting to 68,501,842 (2018: 0), as well as the expenses from the depreciation of tangible assets amounting to 0 (2018: 234,354,599), and the impact from the reversal of the provision regarding the depreciation of tangible assets amounting to 232,531,541 (2018: 0).

General and administrative expenses also include revenues from the reversal of litigation, restructuring and other provisions in the amount of 4,445,332 (2018: 16,852,675).

In order to accurately reflect the nature of the activity carried out by the Company in these financial statements, the Company presented net in the profit and loss account the turnover of account 722, respectively of account 602 from the trail balance, the amount of 39,601,468 (2018: 41,853,887). This represents the value of materials initially registered as inventories of materials (account 302) in the trial balance and then capitalized in the value of distribution networks. The adjustment thus made in the profit and loss account does not affect the operating result and the net result.

**NOTE 5: SITUATIONS OF RECEIVABLES AND LIABILITIES**

**a) Receivables**

On December 31, 2019 and 2018 Company's receivables are as follows:

Receivables	Balance on December 31, 2018	Balance on December 31, 2019	Liquidity term	
			Less the 1 year	Over 1 year
	1	1	2	3
Receivables from affiliated parties	97,788,090	106,803,696	106,803,696	
Customers, gross accounting value	85,759,395	91,034,628	91,034,628	
Adjustment for uncertain customers	(39,097,960)	(46,182,260)	(46,182,260)	
<b>Total receivables</b>	<b>144,449,525</b>	<b>151,656,064</b>	<b>151,656,064</b>	
Miscellaneous debtors, gross accounting value	23,214,258	23,789,224	23,789,224	
Adjustment for various uncertain borrowers	(6,408,280)	(8,673,883)	(8,673,883)	
Other receivables	6,126,553	1,314,448	1,314,448	
Other receivables from affiliated parties (miscellaneous debtors)		47,191	47,191	
<b>Total other receivables</b>	<b>22,932,531</b>	<b>16,476,980</b>	<b>16,476,980</b>	
<b>Total receivables</b>	<b>167,382,056</b>	<b>168,133,044</b>	<b>168,133,044</b>	

For conditions and terms regarding claims from related / affiliated parties, see note 9 b.

Trade receivables accounts include receivables from distribution of electricity.

The balance of gross trade receivables as of December 31, 2019 in the amount of 197,838,324 (2018: 183,547,485) consists of:

- a) customers invoices to be prepared up in the amount of 62,610,071 (2018: 56,876,019);
- b) clients from the basic activity in the amount of 89,678,958 (2018: 85,423,235);
- c) clients from other activities in the amount of 6,697,907 (2018: 18,067,688);
- d) fixed assets 88,378 (2018: 8,894);
- e) uncertain customers from other activities in the amount of 5,955,151 (2018: 5,973,952);
- f) uncertain customers from the distribution activity in the amount of 32,807,859 (2018: 16,038,929);
- g) advances paid to suppliers in the amount of 0 (2018: 1,158,768).

The provision for trade receivables outstanding on December 31, 2019 in the amount of 46,182,260 (2018: 39,097,960) refers mainly to outstanding receivables older than 365 days in the amount of 870,561 (2018: 9,681,255), for which the Company did not initiate the action in court, outstanding claims less than 1 year but which present a risk of non-collection in the amount of 6,548,689 (2018: 7,403,824), claims in dispute in the amount of 30,497,764 (2018: 15,920,181) and receivables from customers in a state of bankruptcy, in the amount of 3,348,790 (2018: 3,255,131) and receivables from customers in a state of insolvency, in the amount of 4,916,456 (2018: 2,837,569).

The various debtors in the amount of 23,836,415, including the amounts with related parties (2018: 23,214,258) include:

- a) other miscellaneous debtors in the amount of 994,985 (2018: 2,453,630);
- b) debtors for penalties for non-payment on time of receivables from the distribution of electricity were calculated in the amount of 2,676,038 (2018: 2,138,013);
- c) debtors for penalties for non-payment on term the debts from other activities have been calculated in the amount of 3,609,532 (2018: 3,400,957);
- d) debtors from the connection fee in the amount of 14,040,060 (2018: 12,662,932);
- e) debtors regarding electricity theft in the amount of 2,513,931 (2018: 2,483,856);
- f) debtors from the sale of fixed assets in the amount of 1,870 (2018: 74,870).

The provision for various debtors set up by the Company on December 31, 2019 in the amount of 8,673,883 (2018: 6,408,280) refers mainly to receivables from debtors regarding the theft of electricity in the amount of 2,513,931 (2018: 2,483,856), penalties for non-payment in time of the receivables from the energy distribution in the amount of 2,074,365 (2018: 1,530,226), penalties for non-payment in time of other receivables in the amount of 3,212,139 (2018: 1,633,097), debtors from the sale of fixed assets in the amount of 1,870 (2018: 74,870) and receivables for other debtors in the amount of 871,578 (2018: 686,231).

As of December 31, 2019, the category "Other receivables" in the amount of 1,314,448 (2018: 6,126,553) mainly includes: interest receivable in the amount of 39,646 (2018: 5,262,026), the Company's contribution to the Sole National Fund for health insurance in the amount of 1,219,694 (2018: 803,830) and other claims in the amount of 55,108 (2018: 60,697).

As of December 31, 2019, the trade receivables and various doubtful debtors, whose collection due date has been exceeded, have been adjusted for impairment. The movements in adjustments for impairment of receivables and miscellaneous debtors were as follows:

	Balance on December 31, 2018	Balance on December 31, 2019
<b>On January 1</b>	<b>37,947,037</b>	<b>45,506,240</b>
Growth during the year	9,209,294	10,964,698
Amounts registered ad expenses	200,207	130,339
Overflows during the year	1,449,884	1,484,456
<b>On December 31</b>	<b>45,506,240</b>	<b>54,856,143</b>

In the income statement, the line regarding "Adjustment of the value of current assets" reflects the annual movement of the adjustments for the depreciation of trade receivables and miscellaneous debtors as well as other current assets (stocks) as follows:

- a) the line of Revenues includes the impact of the reversal of inventories in the amount of 125,331 (2018: 46,966);
- b) the line of expenses includes the impact of adjustments for impairment for inventories in the amount of 422,206.

## b) Liabilities

As of December 31, 2019, the debts recorded by the Company are as follows:

LIABILITIES	Balance on December 31,2018	Balance on December 31,2019	Exigibility term		
			under 1 year 3	over 1 year 4	over 5 year 5
	1	2	3	4	5
<b>Amount due to credit institutions</b>	-	-	-	-	-
Suppliers - affiliated parties	35,774,908	52,678,200	52,678,200	-	-
Other suppliers	26,349,507	25,005,454	25,005,454	-	-
Fixed asset suppliers - related parties	13,343,404	6,938,508	6,938,508	-	-
Other fixed assets suppliers	46,144,099	31,272,798	31,272,798	-	-
Suppliers - invoices receivable - affiliated parties	19,508,735	24,509,089	24,509,089	-	-
Suppliers - invoices receivable - others	47,416,665	44,027,598	44,027,598	-	-
<b>Total commercial debts - suppliers</b>	<b>188,537,318</b>	<b>184,431,647</b>	<b>184,431,647</b>	-	-
Other liabilities to affiliates - advances and	-	-	-	-	-
Advances and guarantees - others	561,512	338,705	338,705	-	-
Salaries and other employee rights	2,448,014	2,435,342	2,435,3	-	-
Social insurance and other taxes related to salaries	2,784,921	3,061,391	3,061,391	-	-
Other liabilities to the state budget and to local	6,075,701	4,304,372	4,304,372	-	-
Advances received on account of the connection fee	70,790,391	73,488,073	73,488,	-	-
Other advances from customers	-	198,000	198,000	-	-
Other liabilities - to related parties	3,649,729	1,026	1,026	-	-
Other liabilities - various	2,848,411	3,162,288	3,162,288	-	-
<b>Total other liabilities, including tax and other social security liabilities</b>	<b>89,158,679</b>	<b>86,989,197</b>	<b>86,989,197</b>	-	-
<b>Total liabilities</b>	<b>277,695,997</b>	<b>271,420,844</b>	<b>271,420,844</b>	-	-

For conditions and terms regarding debts to related parties and other related parties, see Note 9 b.

Debts to other suppliers on December 31, 2019 in the amount of 100,305,850 (2018: 119,910,271) refer to the purchase of electricity for own technological consumption amounting to 16,720,220 (2018: 19,085,329), suppliers for the purchase of goods and other services 41,488,984 (2018: 34,528,688) and the debt for suppliers of fixed assets amounting to 42,096,646 (2018: 66,296,254).

Debts to the state budget and local budgets in the amount of 4,304,372 (2018: 6,075,701) come from:

- the salary tax debt of 536,498 (2018: 487,365);
- VAT not payable in the amount of 3,041,192 (2018: 300,353, included in the line Other debts);
- the debt regarding the profit tax in the amount of 0 (2018: 4,833,156);
- the debt regarding the concession fee in the amount of 438,772 (2018: 426,078);
- other taxes and fees 287,910 (2018: 329,102).

In the category of other miscellaneous debts, on December 31, 2019, the Company registered other creditors amounting to 3,140,425 (2018: 2,526,827), of which 2,171,291 related to the connection fee (2018: 1,413,337), settlements to be clarified 21,863 (2018: 21,231).



## **NOTE 6: ACCOUNTING PRINCIPLES, POLICIES AND METHODS**

### **A. Significant accounting principles**

The financial statements for the year ended December 31, 2019 have been prepared in accordance with the following accounting principles:

#### The principle of continuity of activity

The company will continue its operation, for a predictable period of time in normal economic and social conditions, without being currently the possibility to enter into situations of impossibility to continue the activity.

#### The principle of permanence of methods

The company applies the rules, methods and norms regarding the evaluation, registration, and presentation in accounting of the patrimonial items ensuring the comparability in time of the accounting information. In 2019, policies, principles, practices, and methods applied were in accordance with the provisions of OMF 1802/2014 with subsequent amendments.

#### The principle of prudence

The Company has included in its financial statements all value adjustments due to impairment in the valuation of assets, as well as all foreseeable liabilities and potential losses that arose during the financial year ended or during a previous year.

#### The principle of accrual accounting

The effects of transactions and other events were recognized when the transactions and events occurred (and not as cash or cash equivalents were received or paid) and were registered in the accounts and reported in the financial statements for the related periods. The incomes and expenses that resulted directly and simultaneous from the same transaction were recognized in the accounting, by the direct association between the expenses and the incomes, with the distinct highlighting of these incomes and expenses.

#### The principle of separate valuation of assets and liabilities

The value of each individual asset or liability item was determined separately.

#### The principle of intangibility

The opening balance sheet for the year corresponds to the closing balance sheet for the previous year.

#### The principle of non-compensation

The values of the elements representing assets were not offset by the values of the elements representing debts, respectively the income with expenses.

#### The principle of economic prevalence over legal

The information presented in the financial statements reflects the economic reality of the events and transactions, not only their legal form.

## **B. Significant accounting policies**

### **a) Reporting currency**

The financial statements have been prepared in Romanian lei ("RON") unless another currency used is specifically mentioned.

### **b) Basis of Accounting**

The financial statements have been prepared in accordance with the Order of the Minister of Public Finance No. 1802/2014 for the approval of the Accounting Regulations on individual annual financial statements and consolidated annual financial statements and supplemented by all subsequent amendments published so far, as well as in accordance with Accounting Law 82 / 1991 (republished in 2009) with subsequent amendments.

The financial statements refer only to E-Distributie Banat S.A.

The accounting records based on which these financial statements have been prepared are in lei ("RON") at historical cost, except for the situations in which the fair value was used, according to the Company's accounting policies and according to OMF 1802/2014.

These financial statements include:

- Balance sheet;
- Profit and loss account;
- Cash flow statement;
- Statement of changes in equity;
- Explanatory notes to the financial statements.

The preparation of the Company's financial statements in accordance with the provisions of OMF 1802/2014, with subsequent amendments, requires the Company's management to make estimates and assumptions that affect the reported values for income, expenses, assets, and liabilities, as well as the presentation of contingent liabilities at the end of the period. However, the inherent uncertainty surrounding these estimates and assumptions could result in a significant future adjustment to the carrying amount of recorded assets and liabilities.

### **Continuity of activity**

As of December 31, 2019, the Company recorded a total profit of 167,678,332 (2018: loss of 211,896,134), with net current assets of 1,102,275,368 (2018: 1,132,633,614).

The company will continue its operation, for a predictable period of time in normal economic and social conditions, without presuming at this moment the possibility of entering into situations that might influence to continue the activity.

**c) Foreign currency transactions**

Foreign currency transactions are registered at the exchange rate on the date of the transaction. At the end of the year, receivables and payables denominated in foreign currency are translated into lei, at the exchange rate at the balance sheet date and exchange rate differences are recorded in the income statement, financial income or expenses.

**d) Tangible assets**

**(i) Recognition and measurement**

Tangible assets are presented at cost or reassessed value less accumulated depreciation and impairment losses (see accounting policy (6j) Impairment losses).

The initial cost of tangible assets consists of the purchase price, including irrecoverable import duties or taxes, transportation, handling, commission, notary fees, licensing, and other non-recoverable expenses directly attributable to tangible assets and any direct attributable costs, bringing the asset to the place and in the operating conditions.

If an item of tangible assets is revalued, all other assets in the group to which it belongs must be revalued, unless there is no active market for that asset. If the fair value of an item of tangible assets cannot be determined by reference to an active market, the value of the asset shown in the balance sheet must be its revalued amount at the date of the last revaluation, less accumulated value adjustments.

Revaluations of tangible assets are made with sufficient regularity so that their carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date.

Fixed assets in progress represent unfinished investments made in own management or in the enterprise. They are valued at production cost or acquisition cost, as the case may be. They are not amortized over a period of time until the relevant assets are completed and put into operation.

**(ii) Subsequent maintenance and repair costs**

Expenses incurred after the fixed asset has been put into operation, such as repairs, maintenance, and administrative costs, are normally registered in the profit and loss account during the period in which they occurred. If it can be demonstrated that these expenses resulted in an increase in future economic benefits expected to be derived from the use of a fixed asset item above the initially assessed performance standards, the expense is capitalized as an additional cost in the value of the asset.

Expenses for the repair or maintenance of fixed assets incurred to restore or maintain the value of such assets are recognized in the income statement at the time they are incurred, while expenses incurred to improve technical performance are capitalized and amortized over the remaining amortization period of the fixed asset.

In case of replacing a component of a long-term asset, the Company recognizes the cost of the partial replacement, the accounting value of the replaced part being removed from the records, with the related depreciation, if the necessary information is available.

### (iii) Depreciation

The useful life is the period in which an asset is expected to be available for use by an entity.

The company uses the straight-line method. Land is not depreciated.

The Company records the accounting depreciation based on the economic life periods established by the Company and which are entered in a Catalog of the economic durations.

Depreciation is calculated at the estimated value, using the straight-line method over the estimated useful life of the assets.

The fiscal depreciation was calculated based on the fiscal durations from the Catalog regarding the classification of fixed assets according to GD 2139/2004.

The fiscal lifetimes were revised on January 1, 1994, by Law no. 15/1994, on January 1, 1999, by Government Decision no. 964/1998 and on January 1, 2005 by Government Decision 2139/2004. For all tangible assets acquired before January 1, 1999, the Company used the remaining normal operating life resulting from the combination of past and current terms for each asset class, based on a formula determined by the Ministry of Public Finance.

In accordance with the new regulations on the calculation of tax depreciation, the reserves from the revaluation of fixed assets, including land, made after January 1, 2004, are taxed starting with May 1, 2009 as the depreciation of the related fixed assets and the removal of assets.

The fiscal depreciation periods (in years) used for tangible fixed assets, as well as the economic durations used by the Company are as follows:

- In accordance with the new regulations on the calculation of tax depreciation, starting with January 1, 2007, for determining the tax value of land, respectively the tax value will be taken into account not depreciated in the case of depreciable fixed assets and accounting revaluations performed after January 1, 2007, as well as the remaining unamortized part of the accounting revaluations performed between January 1, 2004 and December 31, 2006, highlighted on December 31, 2006. The accounting revaluations performed after January 1, 2004 on depreciable fixed assets that do not recover they still have an unamortized tax value at the date of revaluation. Reserves from the revaluation of fixed assets, including land, made after January 1, 2004, which are deducted from the calculation of taxable profit through tax depreciation or expenses on assigned and / or disposed of assets, are taxed at the same time as the tax depreciation deduction, the moment of decommissioning of these fixed assets, according to GEO no. 34/2009.
- In this sense, the Company adjusted the inventory values on the fiscal area for the accounting revaluations performed on 31.12.2006, 31.12.2008, 31.12.2011, 31.12.2014 and 31.12.2017 which were recorded in the accounting for all depreciable assets that at those data had an unamortized tax value.

The fiscal depreciation periods (in years) used for tangible fixed assets, as well as the economic durations used by the Company are as follows:

Category	Duration economy (years)	Fiscal durations (years)			
		After January 1 2005	1 January 1999 - 31 December 2004	Before 1 January 1999	Before 1 January 1994
<b>Buildings</b>					
Administrative and industrial	60-90	40	50	50	70
Special installations					
Electricity distribution lines					
Overhead power lines on wooden poles	30	9	12	12	20
Overhead power lines on concrete poles	50	32	40	40	60
Underground power lines	35	12	20	20	30
Other cables	35	9	20	20	30
Transformer	40	16	20	20	30
Meters	10	8	10	10	20
Measuring and control devices	3-30	8	3-20	5-20	5-30
Means of transport	4-10	4	4-9	4-9	6-9
Stationary	5-20	2-12	15	15	40
Others	5	3	5	10	10

#### e) Intangible assets

Intangible assets acquired by the Company are presented at cost, less accumulated depreciation and impairment losses (see accounting policy (6j) "Impairment losses"). Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible asset. Most of the intangible assets registered by the Company are computer programs. They are amortized on a straight-line basis over a period of 3 years (Windows and similar licenses) or 5 years (SAP system, smart meter software).

#### f) Financial assets

The Company recognizes financial fixed assets as an asset at cost of acquisition or at the amount determined by the contract for their acquisition.

#### g) Inventories

Inventories consist of consumables, spare parts, and other materials, consisting mainly of materials for the maintenance of the distribution network. These are recorded as inventories at the time of purchase and are passed on to expenses or are capitalized, as the case may be, at the time of consumption. The cost of inventories includes all acquisition costs and other costs incurred in bringing inventories to their present location and position.

Inventories are recorded at the lower of cost and net realizable value based on the weighted average cost measurement method. Where applicable, provisions are made for obsolete stocks or disposals.

The stocks of materials that will be capitalized in the value of high, medium and low voltage distribution networks in the next period are reclassified as fixed assets in progress.

#### **h) Trade and other receivables**

Accounts receivable and similar accounts include invoices issued until December 31, 2019 for electricity distribution, penalties for late payment, and estimated receivables related to electricity distributed by the end of the year, but invoiced after the end of the year.

Accounts receivable and similar accounts are recorded at nominal value, less the estimated recoverable amount by recording a provision for uncertain customers. Short-term receivables are not updated.

The recoverable amount of short-term receivables is estimated based on the analysis of the seniority of the receivables. The Company's policy is to provide receivables older than one year, uncertain and bankrupt customers.

#### **i) Cash and cash equivalents**

Cash availabilities includes cash, current accounts, and bank deposits for up to 3 months. Cash in foreign currency is valued at the exchange rates at the end of the period. Account overdrafts are treated as current liabilities.

#### **j) Impairment**

For the asset items, the differences found in minus between the inventory value and the net accounting value of the assets are registered in the accounting as additional depreciation, in the case of depreciable assets for which the depreciation is irreversible.

The carrying amount of the Company's fixed assets is analysed at the balance sheet date to determine whether there are any impairment losses. If such a decrease is probable, the recoverable amount of the asset in question is estimated. If the carrying amount of the asset exceeds its recoverable amount, a provision for impairment is recognized in the income statement or, as the case may be, by decreasing the revaluation reserve (based on a revaluation ratio).

The recoverable amount is calculated as the present value of future cash flows, discounted at the weighted average cost of capital (WACC) corresponding to these assets.

In the current economic context, the Company analysed the internal and external sources of information and concluded that there are indications of general depreciation of fixed assets as of December 31, 2019. Details of the impairment test are included in Note 1.i.

Specific impairment was recorded only for the items identified as damaged, for disposal, etc.

A provision for the impairment of a long-term receivable is resumed if the subsequent increase in recoverable amount can be objectively attributed to an event occurring after the time of provisioning. For other assets, the provision for impairment may be resumed if there is a change in the conditions existing at the time of determining the recoverable amount. The reversal of a provision for impairment may be only in such a way that the net asset value does not exceed its historical net accounting value, considering depreciation and without considering the impaired provision.

#### **k) Financial instruments**

Financial assets and financial liabilities registered in the balance sheet include cash and cash equivalents, customers and other similar accounts, suppliers and other similar accounts. The accounting policies on the recognition and measurement of these elements are presented in the accounting policies that are found in this Note. Management believes that the estimated fair values of these instruments are approximate to their respective carrying amounts.

Financial instruments are classified as liabilities or equity in accordance with the content of the contractual arrangement. Interest, dividends, profit and losses associated with a financial instrument classified as a liability are reported as an expense or income at the time they arise.

Payments to holders of financial instruments classified in equity are recorded directly in equity. Financial instruments are offset when the Company has the legal right to offset and intends to either offset on a net basis or to realize the asset and settle the debt simultaneously.

#### **l) Share capital**

The share capital composed of common shares is registered at the value established based on the articles of incorporation and the addenda, as the case may be, as well as the supporting documents regarding the capital payments.

Profit or losses related to the issuance, redemption, sale, free transfer or cancellation of the entity's equity instruments (shares, social parts) are recognized directly in equity in the lines "Profit and / or losses on equity instruments".

The company recognizes the changes in the share capital only after their approval by the General Meeting of Shareholders and registration with the Trade Register Office.

#### **m) Retained earnings**

The accounting profit remaining after the distribution of the legal reserve quota, within the limit of 20% of the share capital, is taken over within the result carried forward at the beginning of the financial year following the one for which the annual financial statements are prepared.

Highlighting in accounting the destinations of the accounting profit is performed in the following year after the general meeting of shareholders or associates takes place approving the distribution of the profit, by registering the amounts representing dividends due to shareholders or associates, reserves and other destinations, according to law. It is not possible to amend the registers already made on the distribution of profit.

#### **n) Dividends**

Dividends are recognized as liability in the period in which their distribution is approved.

#### **o) Loans**

Long-term loans are initially recognized at cost, and transaction costs are recorded as prepaid expenses. Subsequent to initial recognition, loans are presented at amortized value; the differences between the cost

and the redemption value are recognized in the income statement over the life of the loan at an effective interest rate. As of December 31, 2019, the Company has no long-term loans.

**p) Suppliers and other debts**

Payables to suppliers are recorded at nominal value, which represents the fair value of the obligation to be paid for the goods and services received, whether or not they were invoiced to the Company, including invoices for electricity, supplies of goods, contracted works and services.

**q) Liabilities related to leasing contracts**

***Financial leasing contracts:***

Leases for tangible assets in which the Company substantially takes over the risks and rewards of ownership are classified as financial leases. If the lease term represents most of the average life expectancy of those assets, then the contracts are classified as financial leases. Financial leases are capitalized at the estimated present value of payments. Each payment is divided between the capital item and financing costs that are recorded in the income statement over the term of the lease at a constant interest rate. Amounts owed are included in short-term or long-term debt. The assets held under the financial leasing contracts are capitalized and depreciated on the minimum between their useful life and the duration of the leasing contract, in case the Company does not wish to acquire the good at the end of the leasing period. As of December 31, 2019, the Company has no financial leasing contracts.

***Operating leases:***

Leases for tangible assets in which the Company does not substantially assume the risks and rewards of ownership are classified as operating leases. The debt to the Leasing Company is included in the balance sheet as a debt regarding the leasing contract. Payments made under operating leases are recorded in the income statement on a straight-line basis over the term of the lease as rental expenses. Reductions in leasing premiums received are recognized in the income statement as a reduction in expenses.

**r) Provisions**

A provision is recognized when and only when the enterprise has a current obligation (legal or implied) as a result of a past event and it is probable (i.e. more likely than unlikely) that an outflow of resources representing economic benefits will be required to settle the obligation and when a correct estimate can be made as to the amount of the obligation. Where the effect of the temporal value of money is material, the amount of a provision is the present value of the expenses that are expected to be necessary to settle the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect management's current best estimate in this regard. If an outflow of resources is no longer probable to settle an obligation, the provision must be cancelled by resumption as income.

The company recognizes a provision for restructuring as a result of the existence of an approved and officially communicated, detailed plan, which generates expectations on the remuneration of those who will have to bear the effects of the program. A provision related to the restructuring will include only the direct costs generated by the restructuring, namely those that are necessarily generated by the restructuring process and are not related to the continuation of the entity's activity.



The provisions for taxes are constituted for the payments due to the state budget, in the conditions in which the respective amounts do not appear reflected as a liability in relation to the state. The company calculates the tax on reserves that will become taxable at the time of the change of destination, reflecting the future debt through a provision for taxes.

The company calculates and registers a provision related to the long-term benefits granted to employees, mentioned in Note 2 and Note 6 s). Also, the Company registers provisions for the estimates related to the amounts due and unpaid to the personnel until the end of the financial year (leave and performance bonuses) and which will be paid during the next financial year.

### **s) Pensions and other benefits subsequent to retirement**

As part of its current activity, the Company makes payments to the Romanian state for the benefit of its employees for social insurance. All employees of the Company are included in the pension plan of the Romanian state.

In addition, the Company provides cash benefits based on seniority for current employees and in-kind benefits (free energy) to retirees within the Company. These benefits were estimated by an authorized expert in actuarial and recorded calculations.

As of January 1, 2019, according to the Protocol concluded following the negotiation meeting of December 13, 2018 and the new Collective Labour Agreements, the defined benefit plan for the Company's employees includes the following main elements, also detailed in Note 2:

- free energy quota of 1,200 kWh / year after retirement;
- jubilee premiums, consisting of one, one and a half, two, three, four or five gross monthly basic salaries depending on the number of years of uninterrupted seniority in the Company;
- retirement awards consisting of one, two or three gross monthly basic salaries depending on the number of years of service in the Company at the date of retirement.

The company does not operate any other pension scheme or post - retirement benefit plan.

### **t) Revenue's recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will enter the Company and the amount of revenue can be determined correctly.

Revenue amounts do not include sales tax (VAT), but include commercial discounts granted. Financial discounts granted to customers (discounts) are recorded as financial expenses of the period without altering the value of the Company's income.

Revenues are mainly the value of electricity distribution services. Revenues from services are recognized in the period to which they refer and in correspondence with the stage of execution.

Interest income is recognized periodically, on a pro rata basis, as income is generated, based on accrual accounting.

Revenues from the collection of rents and / or rights to use assets are recognized based on accrual accounting, according to the contract.

#### **u) Financial result**

This includes interest receivable on cash deposits and exchange rate differences. The principle of separation of financial years is respected for the recognition of these elements.

#### **v) Income tax**

The profit tax includes the current tax calculated based on the annual fiscal result, using the tax rate in force at the balance sheet date, adjusted with the corrections of the previous years.

Debts related to taxes and duties are recorded in the period to which they refer to.

#### **w) Affiliated parties**

According to OMF 1802/2014, an entity is affiliated with a company if it is under the control of that company.

Control exists when the parent company meets one of the following criteria:

- a) holds the majority of voting rights over a company;
- b) is a shareholder or associate of a company and the majority of the members of the administration, management and supervisory bodies of the company in question, who performed these functions during the financial year, the previous financial year and until the preparation of the annual financial statements, were appointed only as a result of exercising their voting rights;
- c) is a shareholder or associate of the company and has sole control over the majority of the voting rights (shareholders or associates), as a result of an agreement concluded with other shareholders or associates;
- d) is a shareholder or associate of a company and has the right to exercise a dominant influence over that company, under a contract concluded with the entity in question or a clause in the articles of association or statute, if the law applicable to the company allows such contracts or clauses;
- e) the parent company has the power to exercise or actually exercise, a dominant influence or control over the Company;
- f) is a shareholder or associate of the company having the right to appoint or remove the majority of the members of the administrative, management and supervisory bodies of the Company;
- g) the parent company and the affiliated entity are managed on a unified basis by the parent company.

A person or a close family member of that person is related to the Company if that person:

- a) has joint control or control over the Company;
- b) has a significant influence on the Company; or
- c) is a member of the key personnel of the management of the Company or of the parent company of the Company.

An entity is "linked" if:

- a) the entity and the Company are members of the same group;
- b) an entity is an associate or jointly controlled entity of the other entity (or an associate or jointly controlled entity of a member of the group to which the other entity belongs);

- c) both entities are jointly controlled entities of the same third party;
- d) one entity is a jointly controlled entity of a third entity, and the other is an associate entity of the third entity;
- e) the entity is a post-employment benefit plan for the benefit of the employees of the Company or of an entity related to the Company.
- f) the entity is controlled or jointly controlled by a related person;
- g) a person who has joint control or control over the Company, significantly influences the entity or is a member of the key personnel of the management of the entity (or of the parent company of the entity);
- h) the entity or any member of a group to which it belongs provides to the Company or the parent company of the Company services related to the key personnel in the management of the respective entity.

#### **x) Grants**

Grants for assets, including non-monetary subsidies at fair value, are registered in the accounts as investment subsidies and are recognized in the balance sheet as deferred income. The deferred income is recorded in the profit and loss account as the expenses are recorded with amortization or at disposal or transfer of assets.

Revenue grants include all grants other than assets.

Grants are accounted for as deferred income and recognized as income on a systematic basis at the time of recognition of related costs (depreciation or consumption of inventories).

#### **y) Connection fee**

The connection fee collected is recognized as advances from customers until the start of work, at which time it is transferred to deferred income (see policy (6x)). The new connections made to the electricity network are the property of the Company.

The invoices for the equivalent value of the consumer connection rates are issued by E-Distributie Banat. Beneficiaries can contact E-Distributie Banat directly or optionally through the energy supplier, respectively Enel Energie / Enel Energie Muntenia, and based on the service contract signed between Enel Energie / Enel Energie Muntenia, as provider, and E-Distributie Banat, as a beneficiary Enel Energie / Enel Energie Muntenia performed support services to verify the correctness of the documents necessary to connect new customers to the electricity networks, by entering in the computer systems the applicants, listing and sending the connection fee invoice which is issued by E- Distributie Banat system.

#### **z) Reclassifications**

The comparative values for the previous year are reclassified, if applicable, for a presentation similar to the current year.

**aa) Subsequent events**

The financial statements reflect events after the end of the year that provide additional information about the Company's position at the balance sheet date or those that indicate a possible breach of the business continuity principle (adjusting events). Subsequent events that do not constitute adjustments are presented in the notes when they are considered significant.

**bb) Contingencies**

Contingent liabilities are not recognized in the financial statements. They are presented if the possibility of an outflow of resources representing economic benefits is probable.

A contingent asset is not recognized in the financial statements but is presented when an inflow of economic benefits is probable.

**cc) Geographical segments**

The company operates in several locations in Romania, which are engaged in distribution activities. The management considers the operations as "a single segment".

**dd) Accounting errors and changes in accounting policies**

The correction of significant errors in previous financial years does not change the financial statements of those years. In case of errors related to the previous financial years, their correction does not imply the adjustment of the comparative information presented in the financial statements. Any impact on the comparative information regarding the financial position and financial performance, respectively the change in the financial position, is presented in the explanatory notes and adjusted in the result carried forward during the year.

The effects of the change in the accounting policies related to the current financial year are accounted for at the expense and income accounts for the period.

The effects of the change in the accounting policies related to the previous financial years are recorded at the expense of the carried forward result.

If the effect of the change in accounting policy is impossible to determine for the past periods, the change in accounting policies shall be made for future periods, beginning with the current financial year and the financial years following the year in which the decision to change the accounting policy was taken.

## NOTE 7: PARTICIPATIONS AND SOURCES OF FINANCING

The share capital is structured as follows:

	Balance on December 31, 2018	Balance on December 31,2019
	Number	Number
Capital subscribed for ordinary shares	38,215,380	38,215,380
	RON	RON
Nominal value of ordinary shares	10	10
Value of share capital	382,153,800	382,153,800

The share capital of the Company is fully paid on December 31, 2019.

### Shareholding

	Balance on December 31, 2018	%	Balance on December 31,2019	%
ENEL SpA			194,912,340	51.0036
ENEL Investment Holding BV	194,912,340	51.0036		
Societatea de Administrare a Participatiilor in Energie (SAPE)	95,035,020	24.8683	95,035,020	24.8683
"FONDUL PROPRIETATEA" S.A.	92,206,440	24.1281	92,206,440	24.1281
<b>Total</b>	<b>382,153,800</b>	<b>100</b>	<b>382,153,800</b>	<b>100</b>

As of December 31, 2019, the share capital of the Company is 382,153,800, fully subscribed and paid-in and is divided into 38,215,380 registered shares, with a par nominal value of RON 10 each.

### Redeemable shares

The company has no redeemable shares as of December 31, 2019 (2018: there are no redeemable shares).

**NOTE 8: INFORMATION ON EMPLOYEE, MEMBERS OF THE ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES**

**8.a Administrators, directors and the supervisory board**

During 2019, the Company paid the following allowances to the members of the Board of Directors of the executive and supervisory management:

	Financial exercise ended on December 31, 2018	Financial exercise ended on December 31, 2019
Members of the Board of Directors	118,440	114,464
Managers	150,699	152,058
<b>Total</b>	<b>269,139</b>	<b>266,522</b>

At the end of the financial year, there were no advances or loans granted to management.

As of December 31, 2019, the Company had no obligation to pay pensions to former members of the Board and the executive management and the supervisory board.

At the end of the financial year, there are no future guarantees or obligations assumed by the Company on behalf of the directors or managers.

**8.b. Employee**

The average number of employees has evolved as follows:

	Financial exercise ended on December 31, 2018	Financial exercise ended on December 31, 2019
Management	55	55
Administrative	254	294
Personnel representing workers and foremen	408	409
<b>Total</b>	<b>717</b>	<b>758</b>

The expenses with salaries and related taxes registered during 2018 and 2019 are the following:

	Financial exercise ended on December 31, 2018	Financial exercise ended on December 31, 2019
Salary expenses	68,929,613	79,469,087
Social security expenses	3,205,102	4,224,502
<b>Total</b>	<b>72,134,715</b>	<b>83,693,589</b>

## **NOTE 9: OTHER INFORMATION**

### **a. Reporting entity**

These financial statements for the financial year ended December 31, 2019 represent the statutory annual financial statements of E-Distributie Banat S.A. (hereinafter referred to in this document as "the Company").

E-Distributie Banat S.A. has its registered office in Timisoara, 3-5 Pestalozzi Street and is registered at the Timiș Trade Register under no. J35 / 274 / 04.03.2002, fiscal registration number 14490379.

The Company's statutory annual financial statements are available for consultation by shareholders at the Company's headquarters.

The company is controlled by Enel SpA, the ultimate shareholder of the Group.

The company's main object of activity is the distribution of electricity in the geographical area of Banat, including the counties of Timiș, Arad, Caras-Severin and Hunedoara.

The company is not listed on the Bucharest Stock Exchange.

### **Consolidation of financial statements**

Considering that the parent company, Enel SpA, a company operating validly and organized according to Italian law and the beneficial owner of the Group, prepares consolidated financial statements IFRS (which are public and can be obtained from the official website of the Group), the company prepares a series of reports and specific situations in accordance with the Group's policy.

The company holds 50% of the share capital of Enel Servicii Comune SRL and exercises joint control over this company together with the other shareholder who holds 50% of the share capital, Enel Distribuție Dobrogea SA. In accordance with OMF 1802/2014 the Company is not obliged to prepare consolidated financial statements.

**b. Information on relations with affiliated entities and other related parties**  
**b1. The nature of transactions with affiliates and other related parties**

The related parties, as well as a brief description of their activities and relations with the Company, are as follows:

Company	Activity	Main relations with the Company
E-Distributie Muntenia, Romania	Electricity distribution in the geographical area of South Muntenia	Purchase of distribution service
Enel Energie Muntenia, Romania	Electricity trading in the geographical area of South Muntenia	Purchase /Sale of electricity
E-Distributie Dobrogea, Romania	Electricity distribution in the geographical area of Dobrogea	Purchase of distribution service
E-Distribuzione, Italia	Electricity distribution and electricity trading for captive customers in Italy	Support, assistance, and consulting services
Enel SpA, Italia	Management services	Support, assistance, and consulting services
Enel Italia	Accounting and computer services	Support, assistance, and consulting services
Enel Servicii Comune, Romania	Management and consulting services	Support, assistance, and consulting services
Enel Energie, Romania	Electricity trading in Dobrogea area and Banat area / Support services for the Distribution Operator	Purchase/Sale of electricity distribution services; Support, assistance, and consulting services
Enel Romania	Management and consulting services	Support, assistance, and consulting services
Enel Green Power Romania	Electricity production	Purchase and sale of energy
Enel Trade Romania	Energy trading	Purchase / sale of electricity
Enel Global Inf.and Netw.srl, Italia	Management and consulting services	Support, assistance, and consulting services

Enel SpA controls the Company, and the Company jointly controls the company Enel Servicii Comune. The other affiliates are "sister" companies in the Enel group (other related parties).



**b2. Amounts owed and receivable from affiliates and other related parties**

**(i) Receivables and payables from / to affiliated entities / other related parties:**

	Balance receivables		Balance liabilities	
	31 December 2018	31 December 2019	31 December 2018	31 December 2019
E-Distributie Dobrogea	478,403	77,459	624,024	16,841
Enel Trade Romania	166,494	-	-	-
Enel Global Inf. and Network SRL	-	-	4,866,383	10,819,031
E-Distributie Muntenia	470,472	71,119	7,905,903	1,548,143
E-Distribuzione	540,666	-	10,441,271	7,538,328
Enel Green Power Romania	3,217	-	86,759	-
Enel Spa	-	455,677	19,893,809	24,055,555
Enel Italia	-	-	21,054,721	26,377,420
Enel Romania	562	1,836	3,421,964	7,243,707
Enel Energie	95,276,865	105,437,674	1,296,185	50,816
Enel Servicii Comune	45,612	172,198	2,657,532	4,085,301
Enel Energie Muntenia	805,799	634,925	28,225	2,391,680
<b>Total</b>	<b>97,788,090</b>	<b>106,850,888</b>	<b>72,276,776</b>	<b>84,126,822</b>

The debts and receivables of Enel Trade Romania are presented as belonging to Enel Energie Muntenia as a result of the merger by absorption from December 31, 2019, following which Enel Trade Romania was absorbed by Enel Energie Muntenia. The receivables from Enel Energie result mainly from amounts receivable for the value of the distribution service.

Liabilities to ENEL companies include liabilities related to contracts for assistance, consulting and support services, as well as the equivalent value of the purchase of equipment and software.

**b3) Information on transactions with affiliated entities and other related parties**

**(i) Sales of goods and services and / or fixed assets and Purchases of goods and services**

	Sales / income in 2018	Sales / income in 2019	Purchases / expenses in 2018	Purchases / expenses in 2019
E-Distributie Dobrogea	1,437,847	83,936	1,456,691	537,079
Enel Trade Romania	1,631,253	48,046	-	10,927,890
Enel Green Power Romania	16,728	-	716,541	1,832,023
E-Distribuzione	97,158	-	19,463,513	15,492,459
Enel Energie	309,454,021	308,801,333	1,051,345	1,415
Enel Italia	-	-	8,057,987	5,781,777
Enel Romania	5,208	7,464	7,636,417	8,756,558
Enel Servicii Comune	220,287	261,628	10,049,571	8,806,237
Enel SPA	-	283,363	(398,282)	3,662,246
Enel Energie Muntenia	4,423,942	5,873,824	23,973	6,733,034
E-Distributie Muntenia	3,672,131	2,944,643	7,687,900	3,462,962
Enel Global Inf. and Network SRL	-	-	4,860,331	5,829,341
<b>Total</b>	<b>320,958,575</b>	<b>318,304,237</b>	<b>60,605,987</b>	<b>71,823,021</b>

**c. Method of converting assets, liabilities, income, and expenses into local currency**

Foreign currency transactions are in RON by applying the exchange rate from the date of the transaction. Assets and liabilities denominated in foreign currency at the end of the year are denominated in RON at the exchange rate on that date. Profit and losses on exchange differences, realized and unrealized, are included in the profit and loss account for the respective year. The exchange rates RON / USD and RON / EUR on December 31, 2019 and December 31, 2018, were as follows:

Currency	31 December 2018	31 December 2019
RON/USD	4.0736	4.2608
RON/EUR	4.6639	4.7793

**d. Income tax**

The numerical reconciliation between the income tax expense and the product between the accounting result and the applicable income tax rate is as follows:

	Financial exercise ended on December 31, 2018	Financial exercise ended on December 31, 2019
<b>Net accounting result</b>	<b>(211,896,134)</b>	<b>167,678,332</b>
Effect of non-deductible expenses (including income tax)	289,306,838	109,560,308
Non-taxable income	(19,002,974)	(247,945,096)
Other tax influences (deductions)	(425,081)	-
Items similar to income	32,157,470	30,573,736
5% legal reserve	-	-
Tax depreciation	(171,311,977)	(166,525,885)
Accounting depreciation	179,145,761	148,406,456
<b>Tax profit</b>	<b>97,973,904</b>	<b>41,747,851</b>
<b>Income tax expense before adjustments (16%)</b>	<b>15,675,824</b>	<b>6,679,656</b>
Fiscal credit related to the reinvested profit	-	(1,876,765)
Sponsorship	(750,967)	(61,500)
<b>Total income tax expense</b>	<b>9,045,433</b>	<b>-</b>

	2018	2019
<b>Income tax to be paid on December 31, 2018 (2017)</b>	<b>2,507,181</b>	<b>4,833,156</b>
Expenditure with the income tax during year	23,970,290	4,741,391
Payments	(21,644,315)	(9,574,547)
<b>Income tax to be paid (to be recovered) on December 31, 2019 (2018)</b>	<b>4,833,156</b>	

#### e. Total Sales

In 2019, the Company achieved a turnover of 503,793,010 (2018: 495,380,062), of which 438,735,522 related to the active energy distribution service (2018: 426,077,588), reactive energy distribution revenues 18,025,716 (2018: 18,558,820), revenues from the sale of energy on the balancing market 4,228,479 (2018: 2,133,106), revenues from the sale of energy on the next day's market 410,458 (2018: 815,685), revenues from the connection fee, fee for approval and reception of works 2,751,210 (2018: 3,051,903), income from rents 30,584,293 (2018: 35,576,449), income from theft 2,841,813 (2018: 890,739) and other income 6,215,519 (2018: 8,275,772) (sale of goods, other income).

The company distributed electricity to approximately 0.916 million consumers (2018: 0.908 million consumers), the total amount of electricity distributed to final consumers being approximately 4,440,781 Mwh (2018: 4,422,894 Mwh). The average electricity distribution rate for the entire year 2019 was 98.8 RON / Mwh (2018: 96.3 RON / Mwh).

The company distributed 3,895,057 Mwh (2018: 3,634,502 Mwh) to eligible consumers at an average rate of 91.0 RON / Mwh (2018: 84.2 RON / Mwh) and 545,724 Mwh (2018: 788,392 Mwh) to captive consumers at an average rate of 154.7 RON / Mwh (2018: 152.3 RON / Mwh).

#### Sales by geographical areas:

	Sales in 2018	Sales in 2019
Sales to domestic market	495,380,062	503,793,010
<b>Total sales</b>	<b>495,380,062</b>	<b>503,793,010</b>

#### Sales by activities:

	Sales in 2018	Sales in 2019
Services (energy distribution and other services)	495,380,062	503,793,010
<b>Total sales</b>	<b>495,380,062</b>	<b>503,793,010</b>

#### f. Subsequent events

In 2020 until the date of approval of the financial statements, the Company continued to carry out its distribution activity normally, with no significant elements or usual activity that should be brought to the notice of users of the financial statements by presenting in the notes or requiring changes in financial statements. Significant legislative changes applicable in 2019 are presented in Note 9 j).

On February 14, 2020, according to the decision of the Ordinary General Meeting of Shareholders, the distribution of dividends to the Company's shareholders was approved in the total amount of 886,157,421 proportional to the share in the share capital. The payment of dividends was on February 21, 2020.

In accordance with the provisions of the Privatization Agreement applicable to the Company and those of Law no. 137/2002 regarding some measures for accelerating the privatization, the Company restarted the process of increasing the share capital with the value of the lands for which the Certificates of Ownership ("CO") were issued, after the privatization, as well as the rectification or obtaining certificates for the lands used by the Company, in order to increase the share capital.

At this moment, 191 land positions have been identified, which could be the subject of a future incorporation in the share capital. For 103 of them, respectively those for which COs were obtained from the Ministry of Industry and Resources on behalf of the privatized entity, namely FDFEE Electrica Banat SA, the Company launched during 2016 an operation to increase the share capital of the Subscriber, operation in progress on December 31, 2019.

The relevant legislation issued by the Romanian state before the privatization of Electrica Banat allowed the registration of lands in the Company's patrimony in return for the share capital (if there is the related property documents) or in an equity account called Other funds (account 719), with an analytical distinct "Land not included in the share capital". As a result of successive legislative changes, the balance of this capital account was taken over by a reserve account (1068 "Other reserves").

Any other share capital increases will be made following the decisions of the Extraordinary General Meeting of Shareholders which will be adopted in this regard depending on the clarification of the holder of the COs and the entity entitled to receive shares following those share capital increases.

The Coronavirus Pandemic (COVID-19) has a severe impact on to the entire world economy. The measures imposed by the authorities to limit the spread of the virus have had the effect of closing factories, schools, cancelling events, as well as imposing restrictions on air, sea, and land traffic.

In the current context, namely the state of emergency and the restrictive measures imposed by the Romanian state authorities, as a result of the pandemic of coronavirus (COVID-19), the main concern of the Company is the protection of employees and their families and creating good business conditions for our customers.

As a result, the management have applied the following measures:

- The introduction of the "telework" activity for all employees, whose attributions can be thus fulfilled, depending on the nature of each activity;
- Procedures and operational instructions;
- Procedures and instructions for continuing the activity;
- Creation of a working group related to COVID -19;
- Meetings of the national crisis' committee on prevention measures;
- Internal information on the evolution of the crisis generated by COVID-19;
- Purchases of protective masks, disinfectants and dispensers;
- Business trips have been suspended - the necessary ones being approved by the coordinator of the business line or personal

With respect to the financial statements for the year ended December 31, 2019, the Company does not adjust the amounts recognized in its financial statements to reflect events subsequent to the balance sheet date as a result of the crisis caused by the coronavirus (COVID - 19), as it provides information on conditions that appeared after the balance sheet's date.

Management has begun to monitor the situation and the economic and financial impact of this crisis caused by the corona virus (COVID -19) cannot be accurately estimated.

The Company's management estimates that the main effects on the activity in 2020 generated by the corona virus crisis (COVID -19) will be related to:

- Reduction of energy volumes distributed as a result of consumption's decreasing;
- Volatility and uncertainty in the energy field that will generate a decrease in the price traded on next day market;
- Possible decrease in debt collection (no such impact has been identified until the date of signing the financial statements);
- Temporary reduction of investments during the state of emergency, both those from own funds and those from connections, for which a recovery is estimated immediately after the end of the state of emergency;
- The company has temporarily suspended non-essential activities involving direct contact with customers.

Taking into account all these aspects, the management concluded that there was no significant uncertainty about the Company's ability to continue its activity for the next 12 months.

**g. Extraordinary items and income / expenses recorded in advance**

There are no significant situations to present.

**h. Rental and leasing expenses**

During the financial year 2019, the Company made payments in the amount of 1,423,268 related to the rents paid in connection with the lease and operating leasing contracts (2018: 1,218,745). Payments made in the current year mainly refer to space rental contracts.

**i. Audit expenses**

The contractual costs for audit services and other services provided by the financial auditor for the financial year ended December 31, 2018 and December 31, 2019 are presented in the following table.

	<b>2018</b>	<b>2019</b>
Audit of individual financial statements	108,869	108,869
Audit of individual financial statements - additional fees for 2018		27,965

**j. Regulatory and legislative framework**

**Regulatory environment**

The activity in the energy sector is regulated by the National Energy Regulatory Authority ("ANRE") established as an autonomous public institution by Emergency Ordinance No. 33/2007 with subsequent amendments and completions and which has the mission to create and apply the energy system regulations necessary for the functioning of the electricity sector and market as well as of natural gas in conditions of efficiency, competition, transparency and consumer's protection.

In carrying out its mission, ANRE aims at integrating the regulatory act with the actions of other regulatory authorities and harmonizing it with the objectives and priorities of the Government.

ANRE has the following main attributions:

- approving the technical and commercial regulations for the economic operators in the sector, including the performance standards for the transmission, distribution and supply services of the electric and thermal energy;
- granting, modifying, suspending or withdrawing authorizations and licenses for economic operators in the electricity sector, including for producers of thermal energy produced in cogeneration;
- elaboration and approval of the methodologies for calculating the regulated tariffs and prices.

The approval of the regulations elaborated by ANRE is made in the Regulatory Committee appointed by the Decision of the Romanian Parliament no. 40/2017, published in the Official Gazette 391 / 24.05.2017, respectively, Decision of the Romanian Parliament no. 86/2017, published in the Official Gazette 825 / 18.10.2017 regarding the appointment of the members of the regulatory committee of the National Energy Regulatory Authority.

Up to January 20, 2020, by Government Decision 980/2015, published in the Official Gazette 952 / 22.12.2015 on the organization and functioning of the Ministry of Energy, this institution, also relevant to the Company, is organized and operates as a specialized body of the central public administration, public institution with personality under the Government, which implements the strategy and governance program in the fields of energy and energy resources, in accordance with the requirements of the market economy and to stimulate the initiative of economic operators.

The most important functions of the Ministry of Energy are:

- strategy, which ensures the elaboration of the strategy for the implementation of the Government Program in the fields of energy and energy resources, as well as of the strategies and programs regarding the economic growth in these fields;
- regulation and synthesis, which ensures the elaboration of the normative and institutional framework necessary for the achievement of the strategic objectives in its domain, as well as regarding the administration and, as the case may be, the privatization of the economic operators operating under its authority, the fulfilment of the clauses from the sale-purchase contracts of shares concluded within the privatization processes;
- internal and external representation in its fields of activity.

The regulatory framework is constantly being detailed and refined, while trying to create coherence between both newly issued and existing regulations, as well as their regulations in relation to EU legislation.

This dynamic nature is also imposed by the fact that the centralized energy markets face a continuous development and thus new situations appear that must be solved by regulations, or in certain situations the interpretation of the regulatory framework requires the issuance of specific implementing regulations.

In July 2012, the Electricity and Natural Gas Law 123/2012 was approved, published in the Official Gazette 485 / 16.07.2012, which repealed the Electricity Law 13/2007 and the Gas Law no. 351/2004. Following the entry into force, Law 123/2012 was supplemented and amended by other normative acts.

Law 123/2012 regulates the regulatory framework for:

- performing activities in the electricity sector and thermal energy produced in cogeneration, in order to make optimal use of primary energy resources in terms of accessibility, availability and affordability and in compliance with safety, quality and environmental protection;
- performing activities regarding the production, transport, distribution, supply and storage of natural gas, means of organizing and functioning the natural gas sector, market access, as well as the criteria and procedures applicable for granting authorizations and / or licenses in the natural gas sector.

The Law on Electricity and Natural Gas 123/2012 transposes the third EU legislative package, the most important provisions being:

- organization and operation of the transmission and systems' operator according to the "independent system operator" model;
- discharging regulated prices for final customers, after December 31, 2013 for non-household customers, after December 31, 2017 for household customers;
- development of competitive electricity and natural gas markets;
- customer protection methods;
- implementation of a concept of universal service for the supply of electricity to certain categories of customers;
- implementation of an intelligent metering system for 80% of customers by 2020;
- defining and designating the supplier of last resort on a competitive criteria;
- guaranteed and priority access to electricity networks for manufacturers.

Following the amendments of the European Commission regarding the incomplete transposition of Directives 2009/72 / EC and 2009/73 / EC, the Law on Electricity and Natural Gas 123/2012 was amended and supplemented by Law no. 127 / 30.09.2014. The amendments and completions made concern both the electricity and natural gas sections and refer mainly to: defining the public service, the trader type supplier, the certification, the roles, the attributions and the activity of the transmission operators, the attributions of the distribution operators and natural gas storage operators, obligations of the electricity and natural gas supplier, the rights of final customers. With regard to the activity of electricity distribution, the new Law brings a tightening of the sanctions in non-compliance conditions with the legislative provisions.

With entry into force on 01.01.2016, Law 227/2015 published in the Official Gazette 688 / 10.09.2015 approves the Fiscal Code of 2015 and completes the Law on electricity and natural gas 123/2012 eliminating the exemption of holders of authorizations and licenses' beneficiaries of the rights of use and servitude on the public or private property of the state and of the administrative-territorial units from paying taxes, duties and other payment obligations established by the central public administration authorities. The tax on special constructions, which was also due by the distribution operators, had been applied until 31.12.2016.

During 2016, debates took place during the public consultation process on the text of the Law on Electricity and Natural Gas no. 123/2012. On 8.11.2016, Law 203 / 07.11.2016, published in the Official Gazette 892 / 08.11.2016, enters into force, completing and modifying the Law on Electricity and Natural Gas 123/2012, with aspects that mainly concern the activity of producers of electricity, but also the trading activity on the centralized markets of all the participants in the electricity market for the transparency of prices and quantities.

In 2019 there were several amendments to the Law on Electricity and Natural Gas no. 123/2012. Thus, by the Emergency Ordinance no. 114 / 28.12.2018, with effect from 01.01.2019, major changes were made regarding the functioning of the electricity and natural gas markets, by establishing the return to the regulated sphere for household customers in case supply of electricity and by setting a fixed price for natural gas, increases of fines for certain contraventions, etc.

Some of the most important elements for the energy sector, but especially for the activity of the companies in the area of electricity supply and distribution, was the establishment at 2% of the turnover of the annual contribution quota charged to the license holders issued by ANRE. This had an impact on the increase in distribution rates due to the need to redo the calculations as they had already been approved considering a contribution of 0.1%.

Subsequently, on March 29, 2019, GEO no. 19/2019 which significantly amended the provisions of the Law on electricity and natural gas no. 123/2012 in the sense of taking over the ANRE's attribute establishing the value of the Regulated Rate of Return for the provision of electricity and natural gas transmission and distribution services, as well as its establishment at a value of 6.9%, higher than the one established by ANRE in 2018 (5.66%). The impact of this change led to the need to redo the calculations and establish new electricity and natural gas distribution rates starting with July 2019, but covering the entire period of 2019 from the date of entry into force of GEO no. 19/2019.

In 2020, in Emergency Ordinance no. 1/2020, several amendments were made to the Energy and Natural Gas Law no. 123/2012, one of the most important being the amendment of GEO 114/2018 by reducing the share of the annual contribution charged by ANRE to the holders of distribution licenses, from 2% to 0.2%. As a result, the distribution rates for 2020, although they had been approved in December 2019 by Ordinances 224, 225 and 226/2019, and will be valid throughout 2020, were modified by ANRE Orders 4/2020, 5/2020 s 6/2020, the rates being valid from 16.01.2020.

Another amendment brought by Emergency Ordinance 1/2020 on the Law on Energy and Natural Gas 123/2012 is the repeal of Article 79, paragraph 8 of April 30, 2020. As a result, the Regulated Rate of Return ("RRR") expressed in real terms, before tax, applied to the prices for the electricity distribution service provided by the concessionaire distribution operators will return to the value of 5.66% provided in art. 1 of the ANRE Order no. 168/2018

The system for promoting the production of energy from renewable sources is regulated by Law 220/2008 with subsequent amendments and completions. In 2014, GD 495 was approved, amended, and supplemented by GD 1104/2014 for establishing the State's aid scheme for exemption of certain categories of final consumers from the application of the provisions of Law 220/2008. The respective law was amended by Law no. 360 of December 27, 2018 regarding the amendment of art. 8 para. (1) letter b) of Law no. 220/2008 for establishing the system for promoting the production of energy from renewable energy sources, in the sense of establishing the quantity for which the contribution for green certificates is due.

Elaboration by ANRE and the Ministry of Energy the state's aid scheme to support the production of electricity from renewable sources with powers up to 500 kW per plant (feed-in tariffs), a measure established by Law 122/2015 on approving measures for promoting the production of electricity from renewable energy sources and on the amendment and completion of some normative acts (Law 220/2008), has not been fulfilled.



By ANRE Order 110/2017 the estimated mandatory quota for the acquisition of green certificates by economic operators which have the obligation to purchase green certificates, for 2018, is established at 0.346 green certificates / MWh (2017: 0.210 green certificates / MWh for the period January - March 2017 and 0.357 green certificates / MWh for the period April - December 2017 according to ANRE Order 38/2018). According to Order 18/2020, the mandatory annual quota for the acquisition of green certificates for 2019 was set at 0.433548 green certificates / MWh, corresponding to a final consumption of electricity exempted from the payment of green certificates of 7598.7932 GWh.

In 2014, Law no. 121/2014 on energy efficiency, repealing Government Ordinance no. 22/2008 on energy efficiency and promoting the use of RES by the final consumers. The most important provisions are:

- introduction of the concept of energy services company ESCO type;
- establishing the criteria for metering and implementation of intelligent metering systems in terms of energy efficiency;
- the obligations of the distribution operators regarding the connection to the network of the producers of energy from renewable sources and high efficiency in cogeneration;
- obligations related to efficiency of management.

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- introduction of the notion of energy services company, ESCO type;
- establishing the criteria for metering and implementation of intelligent metering systems in terms of energy efficiency;
- the obligations of the distribution operators regarding the connection to the network of the producers of energy from renewable sources and in cogeneration of high efficiency;
- obligations related to efficiency management.

Law 121/2014 was amended and supplemented by GEO 1/2020, the most important provisions being:

- The Department for energy efficiency within ANRE is dissolved, and a structure for energy efficiency is established within the Ministry of Economy, Energy and Business Environment, whose functioning and organization are established by a decision on the organization and functioning of the ministry.
- The financing of energy efficiency programs will be ensured annually, from the budget of the Ministry of Economy, Energy and Business Environment, from its own budget and / or by attracting third party funds, as well as a contribution from the holders of licenses in the field of energy and natural gas in case of joint projects.

In March 2015 GD 122/2015 was published in the Official Gazette 169 bis / 11.03.2015 approving the National Action Plan in the field of energy efficiency until 2020. In 2019, by Government Decision no. 203/2019, the Action Plan in the field of energy efficiency IV was approved.

The tariffs and the annual contributions collected from the economic operators whose activities are, according to the legal framework, in the area of ANRE's regulatory competence for 2018 were established by Order 126 / 20.12.2017.

The tariffs and the annual contributions collected from the economic operators whose activities are, according to the legal framework, in the area of ANRE's regulatory competence for 2019 were established by Order 224 / 20.12.2018

## **Electricity distribution**

The distribution of electricity is carried out by the distribution operator, legal person holding a licensee.

Considering that on January 1, 2019 has begun the fourth regulatory period, in July 2017, ANRE published for consultation the proposals to modify the methodology for establishing the tariff for the electricity distribution service, approved by Order 72 / 2013, with subsequent amendments and completions.

During 2017 and 2018, significant public consultations and public debates took place on the documents proposed by ANRE for the modification of the pricing system of the electricity distribution service. At the same time, was implemented the first phase of simulating binomial tariffs (calendar, annexes, impact on regulated costs and revenues).

The new Methodology was approved by Order no. 169/2018, having numerous changes on important aspects of the distribution activity and the way in which they are reflected in the calculation of the applied tariffs.

Another important change is the establishment of the new level of Regulated Rate of Return (RRR) at a level lower by 26% compared to the previous value, from 7.7% to a percentage of 5.66%. However, according to the new methodology, for new investments, RRR has a higher value by one percentage point, reaching 6.66%.

As a result of the appearance of GEO no. 19/2019, RRR was set by the Government at a value of 6.9% for the period 2019 - 2024. Thus, starting with July 1, 2019, the distribution tariffs for 2019 were modified with the inclusion in the calculation of the new value of RRR, from the date of publishing the GEO no. 19/2019 and until the end of 2019. A new amendment of Law no. 123/2012 through GEO no. 1/2020 has the effect of changing the value of RRR starting with April 30, 2020, as presented above, in the description of the primary legislative framework.

In carrying out the economic, communication and advertising activities, the vertically integrated economic operator is obliged to eliminate any confusion regarding the separate identity of the electricity distribution and supply activities it carries out. For this purpose, between 01.10.2016 - 01.10.2018, the distribution companies carried out a program of actions regarding the modification of the visible identification elements (re-branding). Within the program, the distribution companies updated the compliance program, adopted new names, acronym, logo and modified accordingly, the licenses for the distribution service, the documents, the web pages, the computer systems, etc.

The following main orders issued by the National Energy Regulatory Authority regulate the activity of distribution companies:

- Order 25/2010 for the approval of the General Regulation of manoeuvres in medium and high voltage electrical installations, code NTE009 / 10/00;
- Order 16/2012 for the approval of the Procedure regarding the connection of users to the electrical networks in the vicinity of the activity area of some distribution operators;
- Order 40/2012 for the amendment of the Procedure regarding the designation of a license holder for taking over the development of the electricity distribution service, approved by Order 4/2011;
- Order 32/2013 - Regulation on the programming of production units and dispatchable consumers amended by Order 51/2016;

- Order 59/2013 on the approval of the Regulation on the connection of users to the electricity networks of public interest with the amendments and completions brought by Order 63/2014;
- Order 72/2013 - Methodology for establishing the tariffs for the electricity distribution service, with the modifications and completions brought by Orders 112/2014, 146/2014 and 165/2015;
- Order 29/2013 - Order on amending and supplementing the Technical Norm - Technical conditions for connection to electricity networks of public interest for wind power plants, approved by Order 51/2009;
- Order 30/2013 - Order on the approval of the Technical Norm for connection to electricity networks of public interest of photovoltaic power plants;
- Order 31/2013 on the regulation of the conditions for taking over energy distribution capacities;
- Order 62/2013 for the approval of the Regulation on notification, ascertainment and sanctioning of deviations from the regulations issued in the field of energy;
- Order 74/2013 on the approval of the Procedure regarding the commissioning for the test period and the certification of the technical conformity of the wind and photovoltaic power plants with the modifications brought by Order 59/2014;
- Order 75/2013 regarding the approval of the Methodology for the evaluation of the financing conditions for investments in the electrification of the localities or for the extension of the electricity distribution networks;
- Order 97/2013 for the approval of the rules regarding the acquisition of electricity to cover the technological consumption related to the electricity networks;
- Order 5/2014 - for approving the framework content of the connection certificates;
- Order 11/2014 - the methodology for establishing the tariffs for connecting users to the electricity networks of public interest modified by Order 87/2014;
- Order 15/2014 - Procedure for determining own technological consumption in the electricity distribution networks;
- Order 24/2014 - Procedure for determining and using the residual consumption profile;
- Order 33/2014 - Methodology regarding the establishment of payment obligations of reactive electricity and of the regulated price for reactive electricity modified by Order 76/2016.
- Order 59/2014 - Procedure for commissioning the CEE and CEF test period, amending Order 74/2013 on the approval of the Procedure for commissioning the test period and the certification of the technical conformity of wind and photovoltaic power plants;
- Order 61/2014 - Methodology regarding the establishment of tariffs for issuing and updating technical connection approvals, connection certificates and location approvals;
- Order 63/2014 amending and supplementing the Regulation on the connection of users to electricity networks of public interest, approved by Order 59/2013;
- Order 64/2014 - Regulation for the supply of electricity to final customers with the amendment of art. 80 by Order 121/2015;
- Order 73/2014 - General conditions associated with the license for the provision of electricity distribution service, amended by Order 32/2016;
- Order 74/2014 - Content of the technical approvals for connection;
- Order 85/2014 - Regulation on the organization and functioning of commissions for resolving disputes / divergences regarding access to energy networks / systems;
- Order 87/2014 - Methodology for establishing the tariffs for connecting users to the electricity networks of public interest, approved by Order 11/2014;
- Order 112/2014 for the modification and completion of the Methodology for establishing the tariffs for the electricity distribution service approved by Order 72/2013;
- Order 114/2014 for the approval of the tariffs for issuing and updating the technical connection approvals, connection certificates and location approvals;

- Order 141/2014 for the approval of specific tariffs and specific indicators used to establish tariffs for connecting users to electricity networks of public interest, amended by Order 63/2017
- Order 145/2014 on the implementation of intelligent electricity metering systems, amended by Order 119/2015 and Order 6/2016;
- Order 146/2014 - regarding the establishment of the regulated rate of return applied to the approval of tariffs for the electricity distribution service provided by the concessionaire distribution operators starting with January 1, 2015 and the abrogation of art. 122 of the Methodology for establishing the tariffs for the electricity distribution service, approved by Order 72/2013;
- Order 5/2015 for the approval of the Regulation for monitoring by ANRE the compliance programs established by the electricity distribution operators;
- Order 11/2015 - for the approval of the contract - connection framework to the electricity networks of public interest which repeals Order 9/2006;
- Order 12/2015 on the approval of the Regulation for granting licenses and authorizations in the electricity sector, amended by Order 158/2015;
- Order 69/2015 for the modification of ANRE Order 147/2014 regarding the approval of tariffs and monetary contributions levied by ANRE;
- Order 75/2015 approving the procedure regarding the correction of the measurement data in relation to the delimitation point;
- Order 85/2015 on the approval of the document Convention - tripartite framework concluded between the provider, the network operator and the final customer holding the network contract and the Convention - multipartite framework concluded between the final customer, suppliers and the network operator;
- Order 90/2015 for the approval of the framework contracts for the electricity distribution service, repealing Order 43/2004;
- Order 102/2015 for the approval of the Regulation on establishing the solutions for connecting users to electricity networks of public interest, repealing Order 129/2008;
- Order 103/2015 for the approval of the Electricity Measurement Code, approves Order 17/2002;
- Order 121/2015 for the approval of the Procedure regarding the determination of the electricity consumption in case of erroneous registration and flat-rate system and for the modification of art. 80 of the Regulation on supply to final customers, approved by Order 64/2014;
- Order 129/2015 on the approval of the Procedure regarding the establishment of financial guarantees within the contract for the electricity distribution service;
- Order 130/2015 for the approval of the Procedure regarding the electricity supply of the consumption places belonging to the suppliers, producers or network operators, other than own technological consumption of the electric networks;
- Decision 1790/2015 approving the framework format of the measurement data in the assignment of the electricity consumption settlement;
- Order 150/2015 for the approval of the Regulation on the settlement of complaints against the network / system operator in the field of energy;
- Order 211/2019 on the approval of the values of the reference bonuses for electricity produced in high efficiency cogeneration and of the reference prices for thermal energy produced in cogeneration, applicable in 2020;

- Order 158/2015 on amending and supplementing the approval of the Regulation for granting licenses and authorizations in the electricity sector approved by Order 12/2015;
- Order 177/2015 for the approval of the Procedure regarding the granting of compensations to household customers for damaged household appliances as a result of accidental overvoltage caused by the fault of the network operator;
- Order 180/2015 on the approval of the Methodology for establishing monetary compensations between users connected in different stages, through a common installation, to electricity networks of public interest, repeals Order 28/2003, supplemented by Order 10/2016;
- Order 3/2016 on the approval of the trading limit values of green certificates and the equivalent value of an unacquired green certificate;
- Order 6/2016 for the amendment of Order 145/2014 on the implementation of intelligent electricity metering systems;
- Order 8/2016 approving the draft Order for the approval of the Procedure regarding the elaboration and approval of the investment programs of the concessionary economic operators for the electricity distribution service.
- Order 10/2016 for the modification of the Methodology for establishing the monetary compensations between the users connected in different stages, through a common installation, to electrical networks of public interest approved by Order 180/2015;
- Order 11/2016 regarding the approval of the Performance Standard for the electricity distribution service;
- Order 17 / 2016 on amending and supplementing the Regulation on the organization and functioning of the green certificates market, approved by Order 60/2015;
- Order 18/2016 approving the modification and completion of Order 3/2016 on the approval of the trading limit values of green certificates and the equivalent value of an unacquired green certificate;
- Order 23/2016 approving the Regulation on the suspension of the operation of the wholesale electricity market and the applicable commercial rules;
- Order 25/2016 - Methodology for issuing site permits, repeals Order 13/2012;
- Order 26/2016 on the approval of the Energy Technical Norm regarding the determination of its own technological consumption in the electricity networks of public interest;
- Order 32/2016 on the approval of the Methodology for preparing the Annual Report by license holders in the electricity sector.
- Order 45/2016 - Regulation for the certification of economic operators which design, execute, verify and operate electrical installations in the power system, repeals Order 23/2013;
- Order 51/2016 for amending and supplementing Orders 32/2013, 60/2013 and 115/2014;
- Order 52/2016 for the approval of the Methodology for monitoring the system for the promotion of electricity from renewable energy sources through green certificates;
- Order 76/2016 on amending and supplementing the Methodology for establishing the payment obligations of reactive electricity and the regulated price for reactive electricity, approved by Order 33/2014;
- Order 77/2016 on amending and supplementing the Regulation on the accreditation of producers of electricity from renewable energy sources for the application of the promotion system through green certificates, approved by Order 48/2014;
- Order 79/2016 on the approval of the classification of generating units and power plants;
- Order 87/2016 for the modification and completion of the Methodology for establishing the regulated tariff practiced by the electricity market operator, approved by Order 67/2013;

- Order 116/2016 approving the amendment of the annex to Order 11/2013 for the approval of the Regulation for the authorization of electricians, project verifiers, technical staff responsible with execution, as well as quality and extrajudicial technical experts in the field of electrical installations;
- Order 6/2017 approving the Performance Standard for the electricity supply activity;
- Order 8/2017 on the approval of the trading limit values for green certificates and the equivalent value of an unacquired green certificate - Repeals Order 3/2016, Modified by Order 26/2017;
- Order 15/2017 approving the amendment of point II subpoint 8 of the annex no. 4 to the Order of the President of the National Energy Regulatory Authority no. 178/2015 on the approval of tariffs and monetary contributions levied by ANRE in 2016;
- Order 17/2017 approving the amendment of Order 145/2014 on the implementation of intelligent electricity metering systems;
- Order 29/2017 approving the amendment and completion of the Order of the President of the National Energy Regulatory Authority no. 118/2016 on the approval of tariffs and monetary contributions levied by the National Energy Regulatory Authority in 2017;
- Order 31/2017 approving the amendment of Order 145/2014 on the implementation of intelligent electricity metering systems;
- Order 33/2017 approving the change of point II subpoint 8 of the annex no. 4 in the ANRE Order no. 178/2015 on the approval of tariffs and monetary contributions levied by ANRE in 2016;
- Order 34/2017 approving the amendment and completion of Order 32/2016 on the approval of the Methodology for drawing up the Annual Report by the license holders in the electricity sector and regarding the modification of some ANRE Orders;
- Order 42/2017 approving the criteria for granting the derogations of the places / nodes of consumption connected to the electric transmission and distribution networks from the obligation to fulfil one or more requirements from the technical norm for connection;
- Order 46/2017 approving the criteria for granting exemptions for high voltage direct current systems that are connected to the transmission or distribution electrical network and for generating modules in a power plant that are connected through a high-power DC voltage system to the electrical transmission or distribution network, from the obligation to meet one or more requirements of the technical rules for connection, applicable;
- Order 49/2017 on amending the Performance Standard for the electricity distribution service, approved by Order 11/2016;
- Order 62/2017 approving the amendment and completion of the Methodology regarding the establishment of tariffs for issuing technical connection approvals, connection certificates and location approvals approved by Order 61/2014;
- Order 63/2017 approving the amendment of Order 114/2014 on the tariffs for issuing and updating the technical connection approvals, connection certificates and locations' approval;
- Order 64/2017 approving the amendment and completion of Order 118/2016 on tariffs and monetary contributions levied by ANRE in 2017;
- Order 72/2017 approving the Technical Norm regarding the technical requirements for connection to the electricity networks of public interest for the synchronous generating groups;
- Order 77/2017 on the approval of the Regulation on the organization and functioning of the green certificates market - Repeal Order 60/2015, Order 166/2015, Order 17/2016;

- Order 78/2017 approving the Methodology for establishing the annual static quantity of green certificates and the mandatory annual quota for the acquisition of green certificates - Repeals Order 41/2016, repealed and replaced by Order 157/2018, Order 96/2017 approving of the Regulation on the organization of maintenance activity, Order 97/2017 on the approval of the reference price for electricity produced in high efficiency cogeneration, applicable in 2018 to producers of electricity and heat in cogeneration, which benefit from the bonus - Repeals Order 68 / 2016, repealed and replaced by Order 182/2018;
- Order 97/2017 on the approval of the reference price for electricity produced in high efficiency cogeneration, applicable in 2018 to producers of electricity and heat in cogeneration, which benefit from the bonus - Repeals Order 68/2016, repealed and replaced by Order 182/2018;
- Order 99/2017 on the approval of the values of the reference bonuses for the electricity produced in high efficiency cogeneration and of the reference prices for the thermal energy produced in cogeneration, applicable in 201 - Repeals Order 78/2016;
- Order 100/2017 approving the amendment and completion of the Methodology for determining and monitoring the contribution for high efficiency cogeneration approved by Order 117/2013;
- Order 106/2017 approving the Methodology for verifying / withdrawing the classification of generating units made in emerging technology in / from the category of electricity generation installations that benefit from the status of emerging technology;
- Order 110/2017 on establishing the estimated mandatory quota for the acquisition of green certificates for 2018;
- Order 122/2017 on amending Order 48/2017 and approving the average tariff for the transmission service, the components of the transmission tariff for the introduction of electricity into the network (TG) and the extraction of electricity from the network (TL), the tariff for ancillary service and the regulated price for reactive electricity, practiced by the Compania Națională de Transport al Energiei Electrice "Transelectrica" - Repeals Order 48/2017;
- Order 123/2017 approving the contribution for high efficiency cogeneration and some provisions regarding invoicing - Repeals Order 117/2016;
- Order 125/2017 approving the regulated tariff practiced by the electricity market operator in 2017 - Repeals Order 106/2016;
- Order 126/2017 approving the tariffs and the annual contributions received from the economic operators whose activities are, according to the legal framework, in the area of ANRE's regulatory competence;
- Order 25/2018 for the amendment and completion of Order 145/2014 on the implementation of intelligent electricity metering systems;
- Order 33/2018 on amending the Regulation on issuance of green certificates, approved by Order 4/2015;
- Order no. 34/2018 for the amendment and completion of the Procedure regarding the elaboration and approval of the investment programs of the concessionary economic operators for the electricity distribution service, approved by Order 8/2016;
- Order 38/2018 on establishing the mandatory quota for the acquisition of green certificates for 2017;
- Order 65/2018 on amending the Regulation on the organization and functioning of the green certificates market approved by Order 77/2017;
- Order 42/2018 amending and supplementing the Performance Standard for the natural gas distribution and ancillary service, approved by Order 162/2015;
- Order 68/2018 regarding the abrogation of paragraph (3) art. 2 of Order 97/2013 for the approval of the rules regarding the acquisition of electricity to cover its own technological consumption related to electricity networks;
- Order 93/2018 for the approval of the Commercial Rules regarding the collection, aggregation and transmission of the measured values of electricity - modified by Order 71/2019;

- Order 95/2018 on the approval of the mandatory clauses for the provision of services in order to perform connection works to the electricity networks of public interest;
- Order No. 113/2018 on amending Annex No. 1 to the Methodology for establishing tariffs for connecting users to electricity networks of public interest, approved by Order 11/2014 and amending Order 141/2014 for approving specific tariffs and specific indices used in establishing the tariffs for connecting users to the electricity networks of public interest;
- Order 157/2018 approving the Methodology for establishing the mandatory annual quota for the acquisition of green certificates;
- Order 158/2018 approving the establishment of the estimated mandatory quota for the acquisition of green certificates for the period August - December 2018;
- Order 168/2018 on establishing the regulated rate of return applied to the approval of tariffs for the electricity distribution service provided by concessionaire distribution operators starting with January 1, 2019;
- Order 169/2018 on the approval of the Methodology for establishing tariffs for the electricity distribution service;
- Order 175/2018 for completing the Regulation on the organization and functioning of the commission for resolving disputes on the wholesale and retail market between the participants in the electricity and natural gas market, approved by Order 61/2013;
- Order 177/2018 on the approval of the Framework Conditions for the implementation calendar of intelligent electricity metering systems at national level;
- Order 178/2018 for the amendment and completion of the Regulation on the organization and functioning of the green certificates market, approved by Order 77/2017;
- Order 183/2018 on the approval of the values of the reference bonuses for electricity produced in high efficiency cogeneration and of the reference prices for thermal energy produced in cogeneration, applicable in 2019, being repealed and replaced by Order 211/2019;
- Order 185/2018 for the modification of the Mandatory Clauses in the contracts for the provision of services in order to carry out the connection works to the electricity networks of public interest, approved by Order 95/2018;
- Order 191/2018 approving the Procedure regarding the granting of derogations of the electricity production installations from the obligation to fulfil one or more requirements provided in the technical connection norm;
- Order 193/2018 approving the amendment and completion of the Methodology for establishing the tariffs for the electricity distribution service, approved by Order 169/2018;
- Order 194/2018 approving the specific tariffs for the electricity distribution service and the price for reactive electricity, for E-Distribuție Banat SA, valid from January 1, 2019, amended by Order 21/2019, repealed and replaced by Order 224/2019, repealed and replaced in turn by Order 4/2020;
- Order 195/2018 approving the specific tariffs for the electricity distribution service and the price for reactive electricity, for E-Distribuție Dobrogea SA, valid from January 1, 2019, amended by Order 22/2019, repealed and replaced by Order 225/2019 repealed and replaced in turn by Order 5/2020;
- Order 196/2018 approving the specific tariffs for the electricity distribution service and the price for reactive electricity, for E-Distribuție Muntenia SA, valid from January 1, 2019, amended by Order 23/2019, repealed and replaced by Order 226/2019, repealed and replaced in turn by Order 6/2020;
- Order 202/2018 approving the regulated tariff practiced by the electricity market operator in 2019;
- Order 207/2018 approving the establishment of the estimated mandatory quota for the acquisition of green certificates for 2019;



- Order 208/2018 approving the Technical Norm on the technical requirements for connection to the electricity networks of public interest for generating modules, power plants consisting of generating modules and power plants consisting of offshore generating modules (located offshore);
- Order 211/2018 on amending and supplementing the Regulation for granting licenses and authorizations in the electricity sector, approved by the Order of the President of the National Energy Regulatory Authority no. 12/2015;
- Order 212/2018 on amending and supplementing the Regulation for the certification of economic operators that design, execute and verify electrical installations, approved by the Order of the President of the National Energy Regulatory Authority no. 45/2016;
- Order 214/2018 on amending and supplementing the Order of the President of the National Energy Regulatory Authority no. 72/2017 for the approval of the Technical Norm on the technical requirements for connection to electricity networks of public interest for synchronous generating groups;
- Order 224/2018 approving the tariffs and monetary contributions levied by the National Energy Regulatory Authority in 2019 - amended by the Order 18/2019 and rectified in 2020;
- Order 226/2018 for the approval of the rules for the sale of electricity produced in power plants from renewable sources with installed electrical power of no more than 27 kW belonging to prosumers, amended by order 194/2019;
- Order 228/2018 for the approval of the Technical Norm and Technical conditions for connection to the electricity networks of public interest for prosumers with active power injection in the network;
- GEO no. 114/2018 regarding the establishment of measures in the field of public investments and of fiscal-budgetary measures, modification and completion of normative acts and extension of deadlines - Amends Law 123/2012;
- Order 212/2018 on amending and supplementing the Regulation for the certification of economic operators that design, execute and verify electrical installations, approved by Order 45/2016;
- Order 208/2018 approving the Technical Norm regarding the technical requirements for connection to the electricity networks of public interest for generating modules, power plants consisting of generating modules and power plants consisting of offshore generating modules (located offshore);
- Order 211/2018 on amending and supplementing the Regulation for granting licenses and authorizations in the electricity sector, approved by Order 12/2015;
- Order 214/2018 on amending and supplementing the Order of the President of the National Energy Regulatory Authority no. 72/2017 for the approval of the Technical Norm on the technical requirements for connection to electricity networks of public interest for synchronous generating groups;
- Order 224/2018 approving the tariffs and monetary contributions levied by the National Energy Regulatory Authority in 2019 - amended by the Order 18/2019 and rectified in 2020;
- Order 226/2018 for the approval of the rules for the sale of electricity produced in power plants from renewable sources with installed power of up to 27 kW belonging to prosumers, amended by Order 194/2019;
- Order 228/2018 for the approval of the Technical Norm Technical conditions for connection to the electricity networks of public interest for prosumers with active power injection in the network;
- GEO 114/2018, amended and supplemented by GEO 1/2020;
- Order 5/2019 on amending and supplementing Order 62/2013 for the approval of the Regulation on finding, notifying and sanctioning deviations from the regulations issued in the field of energy - amended and supplemented by Order 169/2019;

- Order 15/2019 on amending and supplementing the Regulation on the connection of users to electricity networks of public interest, approved by the Order of the President of the National Energy Regulatory Authority no. 59/2013;
- Order 16/2019 on amending and supplementing the Methodology for establishing monetary compensations between users connected in different stages, through common installation, to electricity networks of public interest, approved by Order of the President of the National Energy Regulatory Authority no. 180/2015, with subsequent amendments;
- Order 18/2019 approving the Methodology regarding the calculation and establishment of the annual financial contribution provided for in Article 2 paragraph (31) of the Government Emergency Ordinance No. 33/2007 on the organization and functioning of the National Authority for Energy Regulation, approved with amendments and completions by Law No. 160/2012, as introduced by Government Emergency Ordinance No. 114/2018 and amending the Order of the President of the National Energy Regulatory Authority No. 224 - amended by GEO 1/2020 - the contribution from 2% (GEO 114/2018) to 0-2%;
- Order 21/2019 regarding the modification of Order 196/2018 regarding the approval of the specific tariffs for electricity distribution and the price for reactive electricity, for E-Distributie Muntenia, repealed and replaced by Order 6/2020;
- Order 22/2019 on amending Order 195/2018 on approving the specific tariffs for electricity distribution and the price for reactive electricity, for E-Distributie Dobrogea, repealed and replaced by Order 5/2020;
- Order 23/2019 regarding the modification of Order 194/2018 regarding the approval of the specific tariffs for electricity distribution and the price for reactive electricity, for E-Distributie Banat - repealed and replaced by Order 4/2020;
- Order 33/2019 regarding the establishment of the mandatory quota for the acquisition of green certificates, related to 2018, being replaced by Order 18/2020;
- Order 36/2019 approving the Methodology for evaluating the conditions for financing investments for the electrification of cities or for the extension of electricity distribution networks;
- Order 43/2019 approving the completion of the Regulation on the organization and functioning of the commissions for the settlement of disputes / divergences regarding the access to the networks / systems in the energy field;
- Order 46/2019 approving the amendment and completion of the Regulation on the organization and functioning of the green certificates market;
- Order 50/2019 on amending the annex to the Order of the President of the National Energy Regulatory Authority no. 78/2014 for the approval of the Regulation on ways to conclude bilateral electricity contracts by extended tender and continuous negotiation and processing contracts;
- Order 51/2019 approving the Notification Procedure for connecting the generating units and verifying the compliance of the generating units with the technical requirements regarding the connection of the generating units to the electricity networks of public interest;
- Order 59/2019 for the modification and completion of Order 19/2019 for the approval of the Methodology regarding the calculation and establishment of the annual monetary contribution provided in art. 2 paragraph 31 of GEO 33/2007 on the organization and functioning of ANRE, approved with subsequent amendments and completions by Law 160/2012, as introduced in GEO 114/2018 and the amendment of Order 224/2018 on the approval of tariffs and monetary contributions charged by ANRE.
- Order 60/2019 regarding the modification of the Methodology for establishing the tariffs for the electricity distribution service, approved by Order of the President of the National Energy Regulatory Authority no. 169/2018, the modification of the Methodology for establishing the tariffs for the system service, approved by the Order of the president of the National Energy Regulatory Authority no. 45/2017 and the suspension of the applicability of some provisions in the electricity sector;

- Order 67/2019 approving the Technical Norm on the technical requirements for connection to the electricity networks of public interest for the places / nodes of consumption;
- Order 68/2019 on the regulated price for electricity produced in high-efficiency cogeneration that benefits from the bonus, sold based on contracts regulated by producers of electricity and heat in cogeneration and the reference price of electricity produced in high cogeneration efficiency, which benefits from the bonus;
- Order 71/2019 approving the amendment and completion of the Order of the President of the National Energy Regulatory Authority no. 93/2018 for the approval of the Commercial Rules regarding the collection, aggregation and transmission of the measured values of electricity;
- Order 75/2019 amending the Order of the President of the National Energy Regulatory Authority no. 194/2018 on the approval of specific tariffs for the electricity distribution service and the price for reactive electricity, for E-Distribuție Banat – repealed and replaced by Order 224/2019 (repealed in its turn by order 4/2020);
- Order 76/2019 for amending the Order of the President of ANRE no. 195/2018 on the approval of specific tariffs for the electricity distribution service and the price for reactive electricity, for E-Distribuție Dobrogea S.A. - repealed and replaced by Order 225/2019 (repealed in its turn by Order 5/2020);
- Order 77/2019 for amending the Order of the President of the National Energy Regulatory Authority no. 196/2018 on the approval of specific tariffs for the electricity distribution service and the price for reactive electricity, for E-Distribuție Muntenia S.A. - repealed and replaced by Order 226/2019 (repealed in its turn by Order 6 / 2020);
- Order 81/2019 on the approval of the average tariff for the transmission service, the components of the transmission tariff for the introduction of electricity into the network (TG) and the extraction of electricity from the network (TL), the tariffs for the system service and the price regulated for reactive electricity, practiced by the Compania Națională de Transport al Energiei Electrice "Transelectrica" - SA - repealed and replaced by Order 218/2019, modified in its turn by Order 10/2020;
- Order 156/2019 amending the Order of the President of the National Energy Regulatory Authority no. 123/2017 regarding the approval of the contribution for high efficiency cogeneration and some provisions on invoicing - repealed and replaced by Order 212/2019;
- Order 157/2019 on the approval of the Cost-Benefit Analysis Methodology for extending the application and granting derogations on the requirements provided in the technical connection norms;
- Order 160/2019 for the approval of the Regulation on the operation of the centralized market for electricity from renewable sources supported by green certificates;
- Order 167/2019 for the approval of the Methodology for monitoring the retail electricity market;
- Order 168/2019 on amending and supplementing the Regulation for the organization and conduct of the investigation in the field of energy regarding the functioning of the wholesale energy market, approved by Order of the President of the National Energy Regulatory Authority no. 25/2017;
- Order 175/2019 approving the Procedure on granting derogations of the places / nodes of consumption connected to the electric networks of public interest, from the obligation to fulfil one or more requirements provided in the technical norm for connection;
- Order 176/2019 approving the Notification Procedure for the connection to the electricity networks of public interest of the places / nodes of consumption and for verifying their compliance with the technical requirements for connection - rectified in 2019;
- Order 178/2019 on amending, supplementing and repealing certain provisions in the electricity sector - amended by order 202/2019;
- Order 183/2019 on amending and supplementing the Methodology for issuing site permits by network operators, approved by ANRE Order 25/2016;

- Order 184/2019 for amending and supplementing the Regulation on establishing solutions for connection to electricity networks of public interest, approved by Order 102/2015;
- Order 185/2019 approving the Technical Norm on the technical requirements for connection to electricity networks of public interest for high voltage direct current systems and for power plants consisting of generating modules that connect to electricity networks of public interest through power systems high voltage direct current;
- Order 186/2019 approving the Procedure for granting exemptions for high voltage direct current systems and power plants consisting of generating modules, which are connected to electricity networks of public interest through high voltage direct current systems, from the obligation to fulfil of one or more requirements provided in the technical norms;
- Order 194/2019 approving the modification and completion of some ANRE orders on the commercialization of the electricity produced in the power plants from renewable sources with installed electric power of at most 27 kW belonging to the prosumers;
- Order 201/2019 on amending and supplementing the Methodology for issuing site permits by network operators, approved by ANRE Order 25/2016;
- Order 203/2019 on amending and supplementing the Methodology for establishing tariffs for the electricity distribution service, approved by ANRE Order 169/2018;
- Order 204/2019 on the substantiation and criteria for approving the investment plans of the transmission and system operator and of the electricity distribution operators;
- Order 211/2019 on the approval of the values of the reference bonuses for the electricity produced in high efficiency cogeneration and of the reference prices for the thermal energy produced in cogeneration, valid for 2020;
- Order 212/2019 on amending the Order of the President of ANRE no. 123/2017 regarding the approval of the contribution for high efficiency cogeneration and some provisions regarding the invoicing;
- Order 217/2019 approving the Methodology for establishing regulated tariffs and prices applied by suppliers of last resort to final customers and completing the General Conditions for the supply of electricity to final customers of last resort approved by Order of the President Of the National Energy Regulatory Authority no. 88/2015;
- Order 218/2019 approving the average tariff for the transmission service, the components of the transmission tariff for the introduction of electricity into the network (TG) and for the extraction of electricity from the network (TL), the tariff for the system service and regulated price for reactive electricity, charged by the Compania Națională de Transport al Energiei Electrice "Transelectrica" - SA, amended by Order 10/2020 - Repeals Order 81/2019 - amended by Order 10/2020; specific for the electricity distribution service and the price for reactive electricity, for E-Distribuție Banat SA, valid from January 1, 2020; - repealed and replaced by ORD 4/2020;
- Order 225/2019 approving the specific tariffs for the electricity distribution service and the price for reactive electricity, for E-Distribuție Dobrogea S.A., valid from January 1, 2020; - repealed and replaced by ORDER 5/2020;
- Order 226/2019 approving the specific tariffs for the electricity distribution service and the price for reactive electricity, for E-Distribuție Muntenia S.A., valid from January 1, 2020; repealed and replaced by ORD 6/2020;
- Order 231/2019 approving the regulated income related to the regulated activity carried out by the electricity market operator;
- Decision 1020/2019 for E- Distribuție Muntenia amending License no. 459 for the provision of electricity distribution service;

- Decision 1000/2019 for E-Distribuție Dobrogea SA amending License no. 461 for the provision of electricity distribution service;
- • Decision 1021/2019 for E- Distribuție Banat amending License no. 463 for the provision of electricity distribution service;

The specific tariffs for the electricity distribution service and the prices for reactive energy for 2018 were approved by Orders: 112/2017 for E-Distributie Muntenia S.A., 113/2017 for E-Distributie Banat S.A. and 111/2017 for E-Distributie Dobrogea S.A.

The specific tariffs for the electricity distribution service and the prices for reactive energy for 2019 were approved by Orders: 196/2018 for E-Distributie Muntenia S.A., 194/2018 for E-Distributie Banat S.A. and 195/2018 for E-Distributie Dobrogea S.A.

The specific tariffs for the electricity distribution service and the prices for reactive energy for 2020 were approved by Orders: 226/2019 amended by Order 6/2020 for E-Distributie Muntenia SA, 224/2019 amended by Order 4/2020 for E-Distributie Banat SA and 225/2019 amended by Order 5/2020 for E-Distributie Dobrogea S.A. The above-mentioned orders were abrogated in 2020 by ANRE Order 4, 5 and 6/2020 due to GEO / 2020 by which the contribution to ANRE was modified from 2% to 0.2%, as a result the distribution tariffs were also modified.

### **Transportation and ancillary services**

The transport of electricity is carried out by the transmission and system operator, the legal person, holding a license.

- Order 46/2009 on determining the value of the electricity transmission service that an electricity producer has the right to recover through each regulated contract for the sale-purchase of electricity concluded between it and an implicit supplier, respectively a distribution operator;
- Order 67/2009 for the amendment of the Methodology for establishing, implementing and using the technological ancillary service, approved by Order 19/2007;
- Order 6/2010 Application of the operational procedure, the mechanism for compensating the effects of the use of electric transmission networks for electricity transits between transmission operators and system operators, amended by Order 14/2012;
- Order 14/2012 for the modification of the operational procedure, Mechanism for compensating the effects of the use of electric transmission networks for electricity transits between transmission operators and system operators;
- Order 53/2013 for the approval of the Methodology for establishing the tariffs for the electricity transmission service, amended by Order 87/2015;
- Order 87/2013 regarding the approval of the methodology for establishing the tariffs for the system service;
- Order 89/2013 on the approval of the Framework Contract for the provision of electricity transmission service and ancillary service, between the Compania Națională de Transport al Energiei Electrice "Transelectrica" - S.A. and beneficiary amended by Order 12/2017;
- Order 7/2014 regarding the amendment of the annex to Order 88/2013 for the approval of the regulated tariff practiced by the electricity market operator;

- Order 37/2016 regarding the amendment of the annex to Order 167/2015 for the approval of the regulated tariff used by the electricity market operator;
- Order 50/2016 approving the regulated transit tariff charged by the transmission operator and system operator for the provision of the electricity transit service from / to the perimeter countries through the National Electric Power System, repeals Order 83/2015;
- Order 87/2016 - for the approval of the Methodology for establishing the regulated tariff practiced by the electricity market operator, repeals Order 117/2014 and Order 67/2013;
- Order 27/2016 on the approval of the average tariff for the transmission service, of the tariff for the system service, of the area tariffs related to the transmission service for the extraction of electricity from the network (TL), of the average tariff for the extraction of electricity from the network and of the regulated price for reactive electricity, used by the Compania Naționala de Transport al Energiei Electrice "Transelectrica" SA, repeals Order 93/2015;
- Order 16/2017 approving the amendment and completion of the Methodology for establishing tariffs for the electricity transmission service, approved by Order 53/2013;
- Order 42/2017 approving the criteria for granting the derogations of places / nodes of consumption connected to the electric transmission and distribution networks from the obligation to fulfil one or more requirements from the technical norm for connection;
- Order 45/2017 approving the Methodology for establishing the tariffs for the ancillary service - Repeals Order 87/2013;
- Order 46/2017 approving the criteria for granting exemptions for high voltage direct current systems that are connected to the transmission or distribution of electrical network and for generating modules in a power plant that are connected through a high-power system DC voltage to the electrical transmission or distribution network, from the obligation to meet one or more requirements of the technical rules for connection, applicable;
- Order 47/2017 approving the document " Proposal for all transmission system operators (TSO) on the term for the next day's steadiness in accordance with Article 69 of Commission Regulation (EU) 2015/1222 of 24 July 2015, which sets out guidelines for capacity allocation and congestion management ";
- Order 48/2017 approving the average tariff for the transmission service, the components of the transmission tariff for the introduction of electricity into the network (TG) and for the extraction of electricity from the network (TL), the tariff for the ancillary service and regulated price for reactive electricity, applied by the Compania Naționala de Transport al Energiei Electrice "Transelectrica" SA - Repealing Order 27/2016;
- Order 83/2017 for the abrogation of Order 19/2007 on the approval of the Methodology for establishing, implementing and using the technological service of the capacity reserve system - Repealing Order 67/2009;
- Order 122/2017 amending Order 48/2017 on approving the average tariff for the transmission service, the components of the transmission tariff for the introduction of electricity into the network (TG) and the extraction of electricity from the network (TL), the tariff for ancillary service and the regulated price for reactive electricity, applied by the Compania Naționala de Transport al Energiei Electrice "Transelectrica" SA.
- Order 56/2019 - Order approving the regulated tariff for electricity exchanges with the perimeter countries, practiced by the Compania Naționala de Transport al Energiei Electrice "Transelectrica" SA .;
- Order 57/2019 - Order regarding the completion of the Methodology for establishing the tariffs for the electricity transmission service, approved by Order 53/2013 - repealed by Order 171/2019;
- Order 81/2019 - Ordinance on the approval of the average tariff for the transmission service, of the components of the transmission tariff for the introduction of electricity in the network (TG) and for the extraction of electricity from the network (TL), of the tariffs for the system service and of the regulated price

for reactive electricity, charged by the Compania Naționala de Transport al Energiei Electrice "transelectrica" SA, valid from July 1, 2019 - Repealed by Order 218/2019;

- Order 171/2019 - Order approving the Methodology for establishing the tariffs for the electricity transmission service;
- Order 192/2019 - Order approving the Methodology for establishing the regulated income related to the regulated activity carried out by the electricity market operator;
- Order 204/2019 - Order on the substantiation and approval criteria of the investment plans of TSO and OD, Order 218/2019 - Order approving the average tariff for the transmission service, the components of the transmission tariff for the introduction of electricity in network (TG) and grid electricity extraction (TL) and the price for reactive electricity, for CNTEE Transelectrica S.A., valid from January 1, 2020 - amended by Order 10/2020;
- Order 10/2020 - Order amending the Order of the President of the National Energy Regulatory Authority no. 218/2019 on the approval of the average tariff for the transmission service, the components of the transmission tariff for the introduction of electricity into the network (TG) and the extraction of electricity from the network (TL), the tariffs for the system service and the regulated price for reactive electricity, practiced by the Compania Naționala de Transport al Energiei Electrice "Transelectrica" - SA;

The price for the transmission and ancillary services valid from July 1, 2017 were those approved by Order 48/2017 regarding the approval of the average tariff for the transmission service, of the components of the transmission price for the introduction of electricity in the network (TG) and for the extraction of electricity from the network (TL), the tariff for the ancillary service and the regulated price for reactive electricity, charged by the Compania Naționala de Transport al Energiei Electrice "Transelectrica" - SA, amended by Order 122/2017.

The price for transport and ancillary services valid from July 1, 2018 were those approved by ANRE Order no. 108/2018 on the approval of the average tariff for the transmission service, of the components of the transmission tariff for the introduction of electricity into the network (TG) and for the extraction of electricity from the network (TL), the tariff for the ancillary service and the regulated price for reactive electricity, practical by the Compania Naționala de Transport al Energiei Electrice "Transelectrica" SA, which repeals Order no. 48/2017;

The price for transmission and ancillary services valid from July 1, 2019 were those approved by ANRE Order no. 81/2019 on the approval of the average tariff for the transmission service, of the components of the transmission tariff for the introduction of electricity into the network (TG) and for the extraction of electricity from the network (TL), the tariff for the ancillary service and the regulated price for reactive electricity, charged by the Compania Naționala de Transport al Energiei Electrice "Transelectrica" – SA.

The price for the transmission and ancillary services valid from January 1, 2020 were those approved by ANRE Order no. 218/2019 for the extraction of electricity from the network (TL), the 8 ancillary service tariff and the regulated price for electricity, charged by the Compania Naționala de Transport al Energiei Electrice "Transelectrica" – SA.

#### **Competitive wholesale or retail market:**

Wholesale centralized markets operate on the basis of the following regulations:

- Order 25/2004 Commercial Code of the wholesale electricity market, amended by Orders 68/2015 and 82/2014;

- Order 13/2005 Participation of electricity producers in the competitive market – valid for 1.04.2005-31.12.2006;
- Order 61/2005 with the subsequent completions of Order 17/2006 regarding the Functioning Framework of the wholesale energy market, modified by Order 31/2018, amended in its turn by Order 178/2019;
- Order 17/2006 on the acquisition of technological services;
- Order 21/2010 on the amendment of the Methodology for monitoring the wholesale electricity market in order to assess the level of competition on the market and prevent the abuse of a dominant position, modified by Order 37/2019, ;
- Order 60/2013 on approving the establishment of rules on the balancing market, amended by Order 31/2018, amended in its turn by Order 178/2019;
- Order 61/2013 for the approval of the Regulation on the organization and functioning of the commission for resolving disputes on the wholesale and retail market between the participants in the electricity and natural gas market, amended by order 175/2018;
- Order 67/2013 for the approval of the Methodology for establishing the regulated tariff applied by the electricity market operator, modified by Orders 117/2014 and 87/2016 – currently repealed and replaced by Order 192/2019;
- Order 73/2013 on the approval of the Regulation on the organization and functioning of the intraday electricity market -repealed and replace by Order 202/2019;
- Order 7/2014 amending the annex to Order 88/2013 for approving the regulated tariff practiced by the electricity market operator - repealed - currently in force since 01.01.2020 is the Order 231/2019, Order 77/2014 on amending the Methodology monitoring of the wholesale electricity market in order to assess the level of competition on the market and prevent the abuse of a dominant position - repealed and replaced by Order 67/2018;
- Order 78/2014 for the approval of the Regulation on the modalities for concluding bilateral electricity contracts through extended tender and continuous negotiation and through processing contracts, repeals Order 6/2011 – repealed and replace by Order 50/2019 amended;
- Order 81/2014 amending Order 60/2013 on approving the establishment of rules on the balancing market - repealed by Order 31/2018, amended and supplemented by Order 93/2018 and 178/2019;
- Order 82/2014 Regulation on the organization and operation of the market for the next day of electricity in compliance with the mechanism of price coupling of markets and amendment of regulations governing the next day market for electricity, with the amended Annex of Order 68/2015 - amended and supplemented by Order 178/2019;
- Order 105/2014 The procedure regarding the change of the electricity supplier by the final customer and for the modification of the annex to Order no. 35/2010 for the establishment of some rules regarding the electricity balancing market - repealed and replaced by Order 234/2019;
- Order 115/2014 for the approval of the Rules on the monthly settlement of payment obligations in the balancing market and of the imbalances of the parties responsible for balancing - repealed by Order 93/2018, amended and supplemented by Order 71/2019;
- Order 117/2014 for the modification and completion of the Methodology for establishing the regulated tariff practiced by the electricity market operator, approved by Order 67/2013 – repealed and replaced by Order 192/2019;
- Order 1/2015 on the establishment of the National Register of participants in the wholesale energy market and the approval of the Procedure for registration of participants in the wholesale energy market;
- Order 68/2015 on amending the Annex to Order 60/2013 for approving the establishment of rules on the balancing market and the Annex to Order 82/2014 on approving the Regulation on the organization and operation of the next day market for electricity in compliance with the coupling mechanism by market price Annex Repealed and replaced by Order 31/2018, modified and horn 93/2018 and 178/2019;



- Order 91/2015 on the approval of the Procedure for confirming the right to participate in the Romanian electricity markets of foreign legal entities having their registered office in a Member State of the European Union – amended by Order 3/2019;
- Order 151/2015 on amending Order 49/2013 for the approval of the Regulation on the organized trading framework on the centralized market with continuous double negotiation of bilateral electricity contracts;
- Order 51/2016 for amending and supplementing Orders 32/2013, 60/2013 and 115/2014) amended by order 93/2018;
- Order 87/2016 for the amendment and completion of the Methodology for establishing the regulated tariff of the electricity market operator, approved by Order 67/2013 – repealed and replace by Order 192/2019;
- Order 106/2016 for the approval of the regulated tariff practiced by the electricity market operator, currently repealed and replace by Order 231/2019;
- Order 25/2017 on the approval of the Regulation for the organization and conduct of the investigation activity in the field of energy regarding the functioning of the wholesale energy market – amended by Order 168/2019;
- Order 167/2018 on the approval of the Methodology for monitoring the retail electricity market.

**On the competitive retail market:**

- Order 22/2010 amending the Methodology for monitoring the retail electricity market, approved by Order 60/2008, amended by Order 76/2014 – repealed and replaced by Order 167/2019;
- Order 55/2012 - Regulation on the organized framework for contracting electricity for large final customers;
- Order 64/2014 - Regulation for the supply of electricity to final customers with the amendment of art. 80 by Order 121/2015, repealed and replaced by Order 235/2019;
- Order 76/2014 for the modification of the Methodology for monitoring the retail electricity market, approved by Order 60/2008 – repealed by Order 167/2019;
- Order 121/2015 for the approval of the Procedure regarding the determination of the electricity consumption in case of erroneous registration and in lump system and for the modification of art. 80 of the Regulation on supply to final customers, approved by Order 64/2014 – amended by Order 235/2019;
- Order 42/2016 on the approval of the Methodology for monitoring the regulated electricity market, repealing Order 68/2016, repealed and replaced by Order 205/2018;
- Order 50/2017 regarding the amendment of Annex no. 1 to the Order of the President of the National Energy Regulatory Authority no. 176/2015 for the approval of regulated electricity tariffs applied by suppliers of last resort to household customers who have not exercised their right of eligibility as well as the conditions of application of regulated tariffs and tariffs on the competitive market component - repealed and replaced by Order 102/2018;
- Order 167/2019 on the approval of the Methodology for monitoring the retail electricity market;
- Order 235/2019 for the approval of the Regulation on the supply of electricity to final customers.

### **Fiscal legislative environment**

Since 2007, the amendment of the tax legislation has experienced a special dynamic due to the need to align the provisions of the internal legislation with the fiscal requirements provided by the European Union directives.

For 2019, the legislative environment is presented below, including the novelties that came into force during the year. The changes implemented in 2018 remain in force in 2019 as well.

**Income tax** - The deductibility of financing expenses starting with January 1, 2019.

The deductible annual ceiling on the excess costs of borrowing is increased from the RON equivalent of euro 200,000 to euro 1,000,000.

The difference between the excess borrowing costs and the deductible ceiling mentioned above will be additionally deductible, limited to the level of 30% of the specific calculation basis (i.e. the accounting profit adjusted with the elements specified in the Fiscal Code), increasing from 10% applicable to December 31, 2018.

It has been introduced the provision according to which, in case a taxpayer which has carried forward excess debt expenses ceases to exist as a result of a merger / division operation, those deferred expenses should be transferred to the newly established taxpayers or entities taking over the patrimony, proportionally with the value of the transferred assets.

### **Foreign controlled companies**

The exception of the application of the provisions for the consolidation of the incomes registered by the foreign controlled companies and their taxation at the level of the Romanian taxpayers paying profit tax will be made in case the controlled foreign company cumulatively fulfils the following conditions:

- The foreign controlled company is resident for tax purposes in an EU Member State or a third State which is a party to the EEA Agreement;
- Carries out a significant economic activity, supported by personnel, equipment, assets and premises as evidenced by the relevant facts and circumstances.

### **Reclassification of transactions**

When determining the amount of a tax, fee or compulsory social security contribution, the tax authorities may disregard a non-economic transaction, adjusting its tax effects, or may reclassify the form of a transaction / activity to reflect the economic content of the transaction / activity. The fiscal body is obliged to motivate the tax decision issued in these situations, by indicating the relevant elements related to the purpose and content of the transaction that is the object of non-consideration / reclassification, as well as all the means of proof considered for it. The provisions on artificial transactions have been removed.

## **VAT**

The simplification measures regarding VAT, namely the reverse charge on energy deliveries, green certificates, computers, and laptops have been extended until June 30, 2022.

The broken-down VAT payment mechanism, the so-called "VAT split", will be repealed on February 1, 2020, as it was decided by the government in December last year. The measure has been requested by the European Union in 2018 by letter of formal notice addressed to Romania, stating that this mechanism violates European Union legislation.

## **VAT group**

Enel's VAT group, implemented on March 1, 2012, is still in force. As of July 2014, the group includes 8 companies: Enel Distributie Muntenia, Enel Distributie Banat, Enel Distributie Dobrogea, Enel Energie, Enel Energie Muntenia, Enel Servicii Comune, Enel Green Power Romania, Enel Trade Romania. The group leader is Enel Distributie Muntenia. Enel Romania was not included in the group because it is not managed by the same tax authority as the other members. The VAT group offers a faster recovery of the amounts to be reimbursed by eliminating the controls for reimbursement for companies with a VAT position to be reimbursed. The VAT group has a positive effect on the cash flow of each company.

## **Monopoly tax**

Furthermore, the taxation of natural monopoly activities in the electricity and natural gas sector applies in 2018 and 2019. Ordinance 5/2013 was amended by Ordinance 114/2018, by extending the application period until December 31, 2019.

## **Micro-enterprise income tax**

The tax regime for micro-enterprises has been changed by raising the income threshold to Euro 1,000,000 and cancelling all exceptions.

The current exceptions under which some companies are not considered micro-enterprises have been cancelled. Thus, all companies, including companies that obtain at least 20% of their revenues from management and consulting activities, companies with a share capital of more than RON 45,000 or companies that operate in certain sectors of activity (e.g. banking, insurance and reinsurance, capital markets, gambling, exploration, development, oil and gas exploitation) are considered micro-enterprises if their income as on December 31 of the previous year does not exceed the RON equivalent of Euro 1,000,000.

## **Local taxes**

- The possibility for local authorities to increase local taxes and fees by up to 50% is maintained.
- The method of calculating the building tax is maintained by differentiating between residential and non-residential buildings:
  1. residential buildings - the share between 0.08% and 0.2% (applicable to the taxable value determined tabular for individuals, and the value resulting from the valuation report for legal entities);
  2. non-residential buildings - share between 0.2% and 1.3%; in the case of buildings used in the agricultural field, the applicable share is 0.4%.

Starting with 2019, the constructions representing the support towers of the wind turbines are included in the definition of the building, being subject to local taxes.

## **Salary tax**

Subscriptions for paid medical services by employees may be deducted together with the amounts representing the health insurance policies when calculating the salary tax, up to an annual ceiling of EUR 400. The treatment also extends in the case of subscriptions paid by the employer for his employees within the limits of the same value ceiling.

The tax rate has been reduced from 16% to 10% for most types of tax.

## **Employee contributions**

The change introduced in 2013 regarding the calculation basis of employee contributions (income tax and social contributions) was also maintained during 2019, which was increased by including the value of travel allowances exceeding the limit of 2.5 times the limit established for budget institutions.

The maximum ceilings on the calculation of pension and health contributions have been cancelled in terms of income from salaries, investments, and other sources.

Starting January 1, 2018 the social contributions due by the employees were increased to 35% and the social contributions for normal working conditions due by the employers decreased to 2.25%. In addition, employers owe a social contribution of 4% for unusual working conditions and 8% for special working conditions.

As of February 1, 2019, the minimum gross salary in the economy is RON 2,080 per month (2018: 1,900).

## **Legislative amendments introduced by Emergency Ordinance 114/2018, with effect in 2019**

### *Annual contribution to ANRE*

The annual contribution of energy operators will increase from 0.1% to 2% of the turnover of these companies.

*The measures for the so-called taxes in the energy and resources sector will be extended until December 31, 2021:*

The term for application the tax on the monopoly in the energy and natural gas sector, regulated by Ordinance no. 5/2013 issued by the Romanian Government will be extended until December 31, 2021.

## **k. Contingencies**

### **Environmental issues**

During 2019, the Company continued to carry out programs related to waste management, monitoring environmental factors, reducing the level of pollution at the level of all installations, total environmental expenses amounting to approximately 2,438,825 (2018: 1,202,876) .

Mainly, the expenses were made in 2019 for:

- Collection, transport and disposal of urban and assimilated waste (sanitation) amounting to 163,965;
- Collection and transport of wastewater, stormwater drainage, sewerage network (canal, rainwater) amounting to 107,725;

- Specific environmental taxes (Environmental fund - 3% and 2% of waste recovery, tax for emissions from fixed sources - thermal power plants, approval fees) amounting to 37,243;
- Prevention of soil, subsoil, and water pollution in the amount of 1,256,909:
  - a) Maintenance of the ST IT Mociur platform separator - UO IT Resita, taking over water-oil emulsions ST IT Orăștie in value of 2,670;
  - b) Collection, transport and disposal of hazardous waste (collection and disposal of emulsions, sludge, soil and stones) in value of 119,426;
  - c) Analysis of mineral oil samples from EDB transformers in value of 8,400;
  - d) Rehabilitation / construction of 6 transformer retention tanks and 6 TFN / SA + BS tanks, in the IT stations Victoria, Bujac, Căprișoara and Musicescu in the amount of 1,126,377;
- Internal training on environmental protection in the amount of 110,050;
- Expenses with the personnel dedicated to the environmental protection activity amounting to 457,844;
- ISO 14001 SRAC audit expenses amounting to 9,897;
- Expenditure for biodiversity protection (installation of stork nest supports, installation of electrical insulating sheaths to avoid electric shock to birds) amounting to 295,192;

### **Lands used by the Company**

According to the Company's policy, the financial statements include only the value of the land for which ownership deeds were obtained at the date of preparing the financial statements.

According to Law no. 99/1999, in case the Company obtains the title of property for the land after the moment of privatization, the land will be considered as in-kind contribution of the state or of the local authorities. In this sense, the Company will increase the share capital with the value of the lands, and the beneficiaries of this increase will be the state or the local authorities.

Law no. 318/2003 and Law 13/2007 stipulate that the lands on which the transformer points are located, the electrical distribution networks existing at the entry into force of the respective laws (July 2003 / February 2007) are and remain in the public property of the state. At the same time, the licensees for the exploitation of the capacities for production, transmission or distribution of electricity acquire rights of use, easements of underground, surface or air passage and rights of access to public utilities, in connection with the lands, public or private property, located in the vicinity of energy capacity.

However, the law did not prevent the Company from obtaining title on the land on which the existing transformer points or electrical distribution networks are located.

The company is involved in lawsuits related to the existence of energy equipment on land owned by third parties, the lawsuits having as object their replacement or the conclusion of lease agreements for the occupied lands. The Company has established provisions for litigation that reflect management's best estimate of potential losses.

Currently, the Company is trying to resolve this issue amicably, by concluding a transaction contract with the Societatea de Administrare a Participatiilor si Societatea Energetica Electrica SA.

### Other issues

The company is and could become a party to certain legal disputes or other actions of public institutions before various courts and government agencies, resulting from the normal conduct of its business, and involving contractual issues, as well as value added tax, tax on profit, other taxes and conditionalities. The financial statements include the best estimate of losses incurred by the company's management in this regard.

### Compensatory payments

According to the collective labor contract concluded between the Company and the Trade Unions, upon termination of the individual employment contract of the employees at the Company's initiative, will be paid a severance grant in relation to seniority in work, as follows:

Seniority in work	Number of gross basic salaries - until 01.07.2019	Number of gross basic salaries - starting with 01.07.2019
1- 5 years	3	4
5- 10 years	4	6
10- 20 years	5	7
over 20 years	7	10

In case of collective dismissals, the Company will pay to the dismissed employees a dismissal fund in relation to the seniority in work, as follows:

Seniority in work	Number of gross basic salaries - until 01.07.2019	Number of gross basic salaries - starting with 01.07.2019
1- 3 years	3	4
3- 5 years	4	6
5-10 years	7	10
10- 20 years	11	15
over 20 years	15	20

### Legal claims

#### Cancellation of ANRE Order no. 112/2014

The company filed a request for ancillary voluntary intervention in support of the Fondul Proprietatea's request for annulment of ANRE Order no. 112/2014, citing reasons of illegality of the contested administrative act. ANRE Order no. 112/2014 modified the Methodology for establishing the specific electricity distribution tariffs, mainly, in the sense of introducing the possibility to modify the RRR value. The Court of Appeal admitted the request for summons and ordered the partial annulment of Order no. 112/2014 regarding article I points 2, 3, 8, 9,10 (including the article that allows the modification of the RRR value). ANRE appealed against the sentence of the Bucharest Court of Appeal.

The case is currently pending before the High Court of Cassation and Justice, with a trial date at the end of 2019.

### **Cancellation of Order no. 168/2018 regarding the RRR (5.66%)**

The distribution companies have made requests for the annulment of ANRE Order no. 168/2018, which established the value of the regulated rate of return (RRR) starting with January 1, 2019.

The files are pending before the Bucharest Court of Appeal, in the phase of drawing up the expert reports, with deadlines in February, March and April 2020.

### **Cancellation of Order no. 169/2018 regarding the Methodology for establishing the specific tariffs for electricity distribution**

The companies have formulated requests for the annulment of ANRE Order no. 169/2018, which approved the new Methodology for establishing the specific tariffs for electricity distribution.

The files are pending before the Bucharest Court of Appeal, on the merits, with deadlines in February, March and May, 2020.

The specific distribution tariffs for 2019 have not been challenged in court, and the opportunity of such a decision will be assessed depending on the solutions of the courts in the above-mentioned cases.

The Company's management considers that these disputes will not have a significant negative impact on the Company's operations and financial position.

### **Taxation**

The Romanian tax system is being consolidated and harmonized with European legislation and is undergoing very frequent changes, and there may be different interpretations of the authorities in relation to tax legislation, which may give rise to additional taxes, fees and penalties. If the state authorities discover violations of the legal provisions in Romania, they may determine, as the case may be: confiscation of the amounts in question, imposing additional tax obligations, application of fines, application of delay increases (applied to the remaining payment amounts). Therefore, tax penalties resulting from violations of legal provisions may lead to paying significant amounts to the State.

The company considers that it has paid on time and in full all the taxes, duties, penalties and penalty interest, as the case may be.

In Romania, the fiscal year remains open for control for a period of 5 years.

### **Transfer price**

In accordance with the relevant tax legislation, the tax assessment of a related party transaction is based on the market price concept for that transaction. Based on this concept, transfer prices should be adjusted to reflect market prices that would have been established between entities to which there is no affiliate relationship and that operate independently, based on "normal market conditions".

It is likely that checks on transfer pricing will be carried out in the future by the tax authorities to determine whether those prices comply with the "normal market conditions" principle and that the taxpayer base of the Romanian taxpayer is not distorted.

## FINANCIAL RISKS

### Interest rate risk

At present, the Company has not contracted medium and long-term loans and therefore is not exposed to the risk of interest for exchange rate changes.

### Risk of exchange rate fluctuations

The company has transactions in a currency other than the functional currency (RON) and these are naturally diminished and offset. The company did not reduce this risk by using derivative financial instruments in 2019 and 2018.

The management of the Company pays special attention to the monitoring of the current situation in the market and takes all the necessary measures for the continuation and development in good conditions of the Company's activity.

## I. Commitments and conditionalities

### I.2 Ongoing contracts

In 2020, the Company is engaged in the development of contracts signed in 2019, excluding the ongoing contracts related to the entities within the Enel group, both for investment and repair works and for the purchase of electricity for its own technological consumption.

Explanations	Value
Suppliers for investment, maintenance, services and various	338,146,000
Suppliers of energy	97,174,000

### I. 2 Guarantees and mortgages

As of December 31, 2019, the Company has registered contractual guarantees for services provided in the amount of 88,378 (2018: 8,894), as well as guarantees received in amount of 338,705 (2018: 561,513).

As the Company does not have mortgages at the balance sheet date, no information related to them has been presented in the Financial Statements.



**m. Inventories**

	Raw materials and consumables
<b>Current</b>	<b>1,331,402</b>
Cost	1,766,684
Impairment adjustments: impaired and slow-moving stocks	(435,282)
<b>Previous</b>	<b>2,499,387</b>
Cost	2,637,794
Impairment adjustments: impaired and slow-moving stocks	(138,407)

The amount of inventories recognized in the profit and loss account is 10,422,244 (2018: 11,484,593) and was included in the cost of goods sold.

**n. Cash and bank accounts**

	31 December 2018	31 December 2019
Bank account in RON	1,287,475,609	1,263,100,709
Bank accounts in foreign currency	105,814	47,360
Amounts to be settled	80,495	37,486
<b>Total</b>	<b>1,287,661,918</b>	<b>1,263,185,555</b>

As of December 31, 2019, the Company benefits from a multi-optional committed credit facility with a maximum amount of EUR 12,000,000 which is granted until September 26, 2020 and which can be used as:

- Credit line (overdraft), use in RON, in maximum amount of 12,000,000 EUR (unused on December 31, 2019) or
- Ceiling for issuing letters of guarantee, use in RON, in a maximum amount of 12,000,000 EUR.

As of December 31, 2019, from the credit facility presented above, the Company had issued letters of guarantee in the amount of 38,376,754 (2018: 37,714,686) in favor of various energy suppliers and the Energy Market Operator (OPCOM).

The line of current accounts for money in RON includes the letters of guarantee issued in favor of some energy producers in the total amount of 0 (2018: RON 6,356,531).

The company, as on December 31, 2019, has made deposits in RON, for a period of 1 week amounting to 55,643,076 (2018: RON 15,000,000), compared to 2018, when deposits were made for a term of 3 months in value of 1,115,000,000, and at the end of this year no more deposits were made within 3 months.

As of December 31, 2019, respectively December 31, 2018, the Company has no deposits in EURO.

**o. Other operating expenses**

The following table details other operating expenses by their nature:

	Financial year ended December 31, 2018	Financial year ended December 31, 2019
Expenses for the transport of goods and personnel	79,739	78,582
Expenses with royalties, management locations and rents	3,765,851	721,533
Expenses with banking and similar services	151,517	192,271
Expenses with insurance premiums	1,069,503	976,822
Expenses with professional training	192,369	378,716
Expenses with commissions and fees	634,376	459,172
Maintenance and repair expenses	24,021,425	35,190,464
Expenses with postal fees and telecommunication	9,194,764	7,185,338
Expenditures on studies and research	73,836	66,004
Travel and transfer expenses	1,306,982	1,480,116
Protocol, advertising, and publicity expenses	730,673	576,889
Other expenses with services performed by third parties	52,727,952	67,422,205
Expenses with taxes, fees and similar payments	7,616,807	7,631,867
Expenses on environmental protection	241,060	330,605
Expenses on revaluation of tangible assets	-	68,501,842
Other operating expenses	9,070,899	16,486,166
<b>Total</b>	<b>110,877,752</b>	<b>207,678,590</b>

Other main expenses are included the operating expenses, including expenses with assigned assets amounting to 11,837,041 (2018: 910,207), compensations, fines and penalties amounting to 2,818,344 (2018: 6,283,065).

Other expenses for services performed by third parties include:

Services performed by third parties	Financial year ended December 31, 2018	Financial year ended December 31, 2019
Services provided by other entities within Enel group	30,194,444	33,881,275
Meter reading services	4,256,914	4,306,059
Other personnel connected costs	2,732,333	1,913,480
Security and cleaning services	9,992,694	9,105,404
IT services	2,280,896	6,085,476
Consulting and audit	210,717	554,492
ANRE contribution	485,706	9,080,857
Other	2,574,248	2,495,162
<b>Total</b>	<b>52,727,952</b>	<b>67,422,205</b>

Financial situations from page 3 to page 71 were signed on April 8, 2020 by:

General Manager  
 Gino Celentano

Prepared by,  
 Maurizio Rastelli  
 Financial Manger