

# **E-DISTRIBUTIE MUNTENIA**

## **FINANCIAL STATEMENTS**

**Prepared according to Order of the Minister of  
Public Finances no. 1802/2014 with further amendments,  
on and for the financial exercise ended on December 31, 2021**

E-DISTRIBUTIE MUNTENIA SA

FINANCIAL STATEMENT on and for the financial exercise ended on December 31, 2021

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

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Name of issue		Row no.	Note No.	Current balance on	
				01.01.2021	31.12.2021
	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		30,350,700	34,303,872
	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>	<b>07</b>	<b>3</b>	<b>30,350,700</b>	<b>34,303,872</b>
	<b>II. TANGIBLE ASSETS</b>				
	1. Land and buildings (acct. 211 + 212 - 2811 - 2812 - 2912 - 2911)	08		2,213,163,268	2,405,557,147
	2. Technical and machinery installations (acct. 213 + 223 - 2813 - 2913)	09		1,156,761,958	1,226,215,456
	3. Other installations, machinery, and furniture (acct. 214 + 224 - 2814 - 2914)	10		4,202,194	4,977,516
	4. Real estate investment (acct.215-2815-2915)	11		-	-
	5. Tangible assets in progress (acct. 235-2935)	12		317,502,616	342,170,348
	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		1,011,098	-
	<b>TOTAL: (row 08 to 16)</b>	<b>17</b>	<b>3</b>	<b>3,692,641,134</b>	<b>3,978,920,467</b>
	<b>III. FINANCIAL ASSETS</b>	18			-
	1. Shares in subsidiaries (acct. 261-2961)	19			-
	2. Loans to group's entities (acct. 2671 + 2672 -2964)	20			-
	3. Shares held by associated entities and jointly controlled entities (acct.262 + 263 - 2962)	21			-
	4. Loans to associates and jointly controlled entities (acct.2673 + 2674-2965)	22		-	-
	5. Other fixed assets (acct.265 - 2963)	23			-
	6. Other loans (2675 + 2676 + 2677 + 2678 + 2679 -2966-2968)	24	3	-	-
	<b>TOTAL (row 18 to 23)</b>				
	<b>FIXED ASSETS - TOTAL (row 7 + 17+ 24)</b>	<b>25</b>	<b>3</b>	<b>3,722,991,834</b>	<b>4,013,224,339</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		2,738,824	4,711,993

	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>4</b>	<b>2,738,824</b>	<b>4,711,993</b>
<b>II.</b>	<b>RECEIVABLES</b>				
	1. Commercial receivables (acct.2675+2676+2678+2679-2966- 2968+4092+411+411+413+418-4902-491)	31		132,466,995	171,166,089
	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		127,689,726	140,465,896
	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</b>	<b>260,156,721</b>	<b>311,631,985</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>6</b>	<b>913,920,542</b>	<b>645,830,817</b>
	<b>CURRENT ASSETS - TOTAL (rows 31 + 37 + 40 + 41)</b>	<b>42</b>		<b>1,176,816,087</b>	<b>962,174,795</b>
<b>C</b>	<b>DEFERRED EXPENSES (acct.471 + 474) (rows 44 + 45)</b>	<b>43</b>	<b>7</b>	<b>3,159,254</b>	<b>2,833,180</b>
	Amounts to be repaid within a period of up to one year (out of acct 471)	44		3,159,254	2,833,180
	Amounts to be repaid longer than a period of one year (out of 471*)	45			
	<b>TOTAL ASSETS</b>			<b>4,902,967,175</b>	<b>4,978,232,314</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		266,272,709	255,541,054
	4. Trade payables - suppliers (acct. 401 + 404 + 408)	49		294,592,297	401,125,677
	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		87,881,322	87,112,442
	<b>TOTAL (row 46 to 53)</b>	<b>54</b>	<b>8</b>	<b>648,746,328</b>	<b>743,779,173</b>
<b>E</b>	<b>NET CURRENT ACCOUNTS / NET CURRENT LIABILITIES (rows 42 + 44- 56- 741-74- 77)</b>	<b>55</b>		<b>466,942,691</b>	<b>151,901,886</b>

<b>F</b>	<b>TOTAL ASSETS MINUS CURRENT LIABILITIES (rows 25 + 45 +57)</b>	<b>56</b>		<b>4,189,934,525</b>	<b>4,165,126,225</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>-</b>	<b>-</b>
<b>H</b>	<b>PROVISIONS</b>				
	1. Provisions for employees' benefits (acct.1515+1517)	66		55,541,458	57,603,555
	2.Provisions for taxes (1516)	67		-	-
	3. Other provisions (1511 + 1512 + 1513 + 1514 + 1518)	68		32,211,701	37,522,334
	<b>TOTAL PROVISIONS (rows 66+67+68)</b>	<b>69</b>	<b>9</b>	<b>87,753,159</b>	<b>95,125,889</b>
<b>I</b>	<b>DEFERRED INCOME</b>				
	1. Investment grants (acct. 475) (row 71+72)	70		<b>3,672,759</b>	<b>3,451,187</b>
	Amounts to be repaid within a period of up to one year (out of acct.475 *)	71		364,924	368,759
	Amounts to be repaid over a period longer than one year (out of acct.475 *)	72		3,307,835	3,082,428
	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		<b>1,284,582,587</b>	<b>1,369,502,899</b>
	Amounts to be repaid within a period of up to one year (out of acct.478 *)	77		63,921,398	68,958,157
	Amounts to be repaid over a period longer than one year (out of acct. 478 *)	78		1,220,661,189	1,300,544,742
	Negative goodwill (acct.2075)	79			
	<b>TOTAL (rows 70+73+76+79)</b>	<b>80</b>	<b>10</b>	<b>1,288,255,346</b>	<b>1,372,954,086</b>
<b>J</b>	<b>CAPITAL AND RESERVES</b>				
	<b>I. CAPITAL</b>				
	1. Paid-in subscribed capital (acct. 1012)	81		<b>271,365,250</b>	<b>271,365,250</b>
	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>11</b>	<b>271,365,250</b>	<b>271,365,250</b>
	<b>II. CAPITAL's PREMIUMS (acct. 104)</b>	<b>87</b>			
	<b>III. RESERVE FROM REVALUATION (acct. 105)</b>	<b>88</b>	<b>11</b>	<b>804,716,843</b>	<b>796,857,335</b>

<b>IV. RESERVES</b>				
1. Legal reserves (acct. 1061)	89		54,273,050	54,273,050
2. Statutory or contractual reserves (acct. 1063)	90		-	-
3. Other reserves (acct. 1068)	91		1,443,826,292	1,443,826,292
<b>TOTAL (row 89 to 91)</b>	<b>92</b>		<b>1,498,099,342</b>	<b>1,498,099,342</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>208,047,304</b>	<b>144.225.977</b>
	Balance D	97		
<b>VII. PROFIT OR LOSS OF THE EXERCISE</b> (acct.121)	Balance C	98	<b>111,800,491</b>	<b>55.825.262</b>
	Balance D	99		
The distribution of profit (acct. 129)	100		15,816,888	
<b>OWN EQUITY – TOTAL (rows 86+87+88+92-93+94-95+96-97+98-99-100)</b>	101		<b>2,878,212,342</b>	<b>2,766,373,166</b>
Private patrimony (acct. 1016)	102			
Public patrimony (acct.1017)	103			
<b>EQUITY- TOTAL (rows 101+102+103)</b>	104	11	<b>2,878,212,342</b>	<b>2,766,373,166</b>
<b>TOTAL LIABILITIES</b>	105		<b>4,902,967,175</b>	<b>4,978,232,314</b>

March 15, 2022

General Manager  
Monica Hodor

Prepared by,  
Popescu Razvan Cristian  
Financial manager

E-DISTRIBUTIE MUNTENIA SA  
PROFIT AND LOSS ACCOUNT  
for the financial exercise ended on December 31, 2021  
(all amounts are in lei (RON) unless otherwise mentioned)

Name of issue		Row	Note	Financial exercise concluded on December 31	
				2020	2021
A		B		1	2
1	<b>Net turnover (rd. 02 + 03 - 04 + 05+06)</b>	<b>01</b>	<b>12</b>	<b>858,511,382</b>	<b>924,125,048</b>
	Production sold (acct.701 + 702 + 703 + 704 + 705 + 706 + 708)	02		840,859,642	909,881,322
	Income from the sale of goods (acct. 707	03		17,651,740	14,243,726
	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		32,464,416	41,007,789
4	Income from the revaluation of intangible assets (acct. 755)	09		-	-
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	<b>13</b>	77,247,960	73,604,834
	-revenue from investment grants (acct. 7584)	13		-	-
	-earnings on purchases under favorable conditions (acct. 7587)	14		71,909,242	67,231,654
	<b>OPERATING REVENUES – TOTAL (row 01+07+08+09+10+11+12+13)</b>	<b>15</b>		<b>968,223,758</b>	<b>1,038,737,671</b>
8	a) Expenditure on raw materials and consumables (acct. 601 + 602)	16	<b>14</b>	11,941,218	14,004,987
	Other material expenses (acct. 603+604+606+608)	17	<b>14</b>	301,676,206	433,041,392
	b) Other external expenditures (with energy and water) (acct.605)	18		3,505,361	7,222,089
	c) Expenditure on goods (acct. 607)	19		15,830,869	12,057,014
	Trade receipts received (acct.609)	20		491,372	-
9	Personnel costs (row 23+24), out of which:	21	<b>15</b>	123,350,901	142,801,557
	a) Salaries and allowances (acct. 641+642+643+644)	22		117,892,902	136,781,592
	b) Expenditure on insurance and social protection (acct.645)	23		5,457,999	6,019,965
10	a) Value adjustments on intangible assets, tangible assets (rows 26-27)	24		<b>211,500,619</b>	<b>180,669,263</b>
	a.1) Expenses (acct.6811 + 6813 + 6816 + 6817)	25		212,511,846	188,327,888
	a.2) Income (acct.7813 + 7816)	26		1,011,227	7,658,625
	b) Value adjustments for current assets (rows 26-27)	27		<b>6,831,448</b>	<b>10,708,962</b>
	b.1) Expenditure (acct.654 + 6814+6818)	28		8,774,455	17,791,639
	b.2) Revenues (acct.7813+7818)	29		1,943,007	7,082,677
11	Other operating expenses (row 32 to 38)	30	16	<b>182,769,792</b>	<b>183,575,398</b>
	11.1. Expenditure on external benefits (acct. 611 + 612 + 613 + 614 +615 + 621 + 622 + 623 + 624 + 625 + 626 + 627 + 628)	31		151,762,140	144,241,791

	11.2. Expenses with other fees, taxes, and similar charges (acct. 635 + 6586)*	32		12,084,521	13,903,698
	11.3. Environment protection expenditures (acct.652)	33		166,813	145,024
	11.4. . Expenses from revaluation of intangible assets (acct. 655)	34		-	-
	11.5 Expenditure on calamities and other similar events (acct.6587	35		-	-
	16.9. Other expenses (acct.651 + 6581 + 6582 + 6583 +6588)	36		18,756,318	25,284,885
	Adjustments for provisions (rows 40-41)	<b>37</b>		<b>8,581,526</b>	<b>7,372,730</b>
	- Expenditure (acct. 6812)	38		19,865,674	25,778,263
	- Income (7812)	39		11,284,148	18,405,533
	<b>OPERATING EXPENDITURE - TOTAL (row 17 to 20 20-21+22+25+28+31+39)</b>	<b>40</b>		<b>865,496,568</b>	<b>991,453,392</b>
	-Profit (row 16-42)	<b>41</b>		<b>102,727,190</b>	<b>47.284.279</b>
	- Loss (row 42-16)	<b>42</b>		-	-
12	Income from shares in associated entities and controlled jointly entities (acct.7611+7612+7613)	43 44			
13	Interest income (acct.766 *)	45		13,875,603	10.588.788
	- 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		4,046,098	1,151,716
	-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>17</b>	<b>17,921,701</b>	<b>11,740,504</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		6,205,718	3,484,576
	<b>FINANCIAL EXPENDITURE - TOTAL (rows 53+56+58)</b>	<b>57</b>		<b>6,205,718</b>	<b>3,484,576</b>
	<b>PROFIT OR FINANCIAL LOSS:</b>				
	- Profit (row 61 - 70)	58		<b>11,715,983</b>	<b>8,255,928</b>
	- Loss (rows 70- 61)	59		-	-
	<b>TOTAL INCOME (rows 16+52)</b>	<b>60</b>		<b>986,145,459</b>	<b>1,050,478,175</b>
	<b>TOTAL EXPENDITURE (rows 42+59)</b>	<b>61</b>		<b>871,702,286</b>	<b>994,937,968</b>
18	<b>GROSS PROFIT OR LOSS:</b>				
	- Profit (rows 62-63)	<b>62</b>		<b>114,443,173</b>	<b>55,540,207</b>
	- Loss (rows 63-62)	<b>63</b>		-	-
19	Income tax (acc, 691)	<b>64</b>	<b>18</b>	<b>2,642,682</b>	<b>(285,055)</b>
20	Tax-specific activities (acct, 695)	<b>65</b>			
21	Other taxes not shown at the above items (acct,698)	66		-	-
22	<b>NET PROFIT OR LOSS OF FINANCIAL EXERCISE:</b>				
	- Profit (rows <b>64-65-66-67-68</b> )	<b>67</b>		111,800,491	55,825,262
	- Loss (rows <b>65+66+67+68-64</b> )	<b>68</b>		-	-



E-DISTRIBUTIE MUNTENIA SA  
SITUATION OF CHANGES IN EQUITY  
for the financial exercise ended on December 31, 2021  
(all amounts are in lei (RON) unless otherwise mentioned)

**2021**

ITEM		Balance on January 1, 2010	Increase		Decrease		Balance on December 31 2021
			Total, of which:	By transfer	Total, of which:	By transfer	
Subscribed capital		271,365,250	-	-	-	-	271,365,250
Capital premium		804,716,843	-	-	7,859,508	7,859,508	796,857,335
Revaluation reserves		54,273,050	-	-	-	-	54,273,050
Legal reserves		1,443,826,292	-	-	-	-	1,443,826,292
Other reserves		136,366,469	7,859,508	7,859,508	-	-	144,225,977
Reserves representing the surplus realized from revaluation reserves		-	-	-	-	-	-
The result carried forward represents the undistributed profit or the uncovered loss	Balance C	71,680,835	95,983,603	95,983,603	167,664,438		
	Balance D	-					
Profit or loss for the financial year	Balance C	111,800,491	55,825,262	-	111,800,491	111,800,491	55,825,262
	Balance D	-					
Distribution of profit		(15,816,888)			(15,816,888)	(15,816,888)	
<b>Total equity</b>							

**2020**

ITEM		Balance on January 1, 2020	Increase		Decrease		Balance on December 31, 2020
			Total, of which:	By transfer	Total, of which:	By transfer	
Subscribed capital		271,365,250	-	-	-	-	271,365,250
Revaluation reserves		815,451,100	-	-	10,734,257	10,734,257	804,716,843
Legal reserves		54,273,050	-	-	-	-	54,273,050
Other reserves		1,428,009,404	15,816,888	15,816,888	-	-	1,443,826,292
Reserves representing the surplus realized from revaluation reserves	Balance C	125,632,212	10,734,257	10,734,257	-	-	136,366,469
	Balance D	-	-	-	-	-	-
The result carried forward represents the undistributed profit or the uncovered loss	Balance C	1,566,336,058	71,680,835	71,680,835	1,566,336,058		71,680,835
	Balance D	-	-	-	-	-	-
Profit or loss for the financial year	Balance C	96,670,617	111,800,491	-	96,670,617	96,670,617	111,800,491
	Balance D	-	-	-	-	-	-
Distribution of profit		(24,989,782)	(15,816,888)	(15,816,888)	(24,989,782)	(24,989,782)	(15,816,888)
<b>Total equity</b>		<b>4,332,747,909</b>	<b>194,215,583</b>	<b>82,415,092</b>	<b>1,648,751,150</b>	<b>82,415,092</b>	<b>2,878,212,342</b>

General manager  
Monica Hodor

Prepared by,  
Popescu Razvan Cristian  
Financial manager

**INDIRECT METHOD**

ITEM	Financial exercise concluded on December 31	
	2020	2021
A	1	2
<b>Cash flows from operating activity</b>		
Profit / (loss) before income tax	114,443,173	55,540,206
<b>Adjustments for non-monetary items:</b>		
Depreciation related to tangible and intangible assets, net	204,853,222	182,722,368
Impairment adjustments, net	6,647,398	(2,053,105)
Value adjustments related to trade and other receivables, net	6,403,227	12,271,416
Stock value adjustments, net	428,221	(1,459,130)
Provisions, net	8,581,526	7,372,730
Loss (profit) from the sale / disposal of tangible assets	4,712,832	8,105,021
Revenue of customer-financed assets (connection fee)	(71,909,242)	(67,231,654)
Unrealized losses due to exchange rate differences	1,892,013	1,622,586
Interest income	(13,875,603)	(10,588,788)
<b>Operating income before changes in working capital</b>	<b>262,176,766</b>	<b>186,301,650</b>
<b>Changes in net working capital in:</b>		
Decrease / (Increase) of stocks	(324,301)	(514,038)
Decrease / (Increase) in trade and other receivables and other claims	60,768,219	(67,515,076)
Decrease / (Increase) of deferred expenses	(658,116)	326,074
(Decrease) / Increase in trade and other payables	2,364,498	138,705,829
(Decrease) / Increase in other debts	4,642,415	3,286,470
Connection fee collected from customers	171,076,847	143,698,021
<b>Changes in working capital</b>	<b>237,869,562</b>	<b>217,987,280</b>
Profit tax paid	(2,599,491)	(3,770,297)
<b>Net cash flow from operating activities</b>	<b>497,446,836</b>	<b>400,518,633</b>
<b>Cash flow from investment activity</b>		
Payments for acquisitions of tangible and intangible assets	(462,552,574)	(513,394,333)
Proceeds from the sale of tangible assets	23,109	592,510
Interest received	12,829,003	11,857,903
<b>Net cash flow used in investment activity</b>	<b>(449,700,462)</b>	<b>(500,943,920)</b>
<b>Cash flow from financial activity</b>		
Dividends paid	(1,566,336,058)	(167,664,438)
<b>Net cash flow from / (used in) financial activity</b>	<b>(1,566,336,058)</b>	<b>(167,664,438)</b>
<b>Net increase / (decrease) of availabilities and assimilated elements</b>	<b>(1,518,589,685)</b>	<b>(268,089,725)</b>
<b>Availability and assimilated elements at the beginning of the year</b>	<b>2,432,510,227</b>	<b>913,920,542</b>
The effect of exchange rate changes		
<b>Availability and assimilated elements at the end of the year</b>	<b>913,920,542</b>	<b>645,830,817</b>

General manager  
 Monica Hodor

Prepared by,  
 Popescu Razvan Cristian  
 Financial manager

## **NOTE 1: INFORMATION REGARDING THE COMPANY**

E-Distributie Muntenia S.A. ("The Company") is a joint stock company established in 2002, with registered office in Bucharest, Sector 3, 30 Mircea Vodă Blvd., Romania. The company is registered at the Trade Register Office under number J40 / 1859/2002, fiscal registration number 14507322.

The company's main object of activity represents the distribution of electricity in the Bucharest area and in Ilfov and Giurgiu counties.

The company is controlled by Enel SpA, Italy, the ultimate shareholder of the Group. Enel SpA, a company organized under Italian law and the ultimate beneficial owner of the Enel Group, and prepares consolidated IFRS financial statements (which are public and can be obtained from the Group's official website).

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

### **Regulatory environment in the energy sector**

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 the subsequent amendments and completions and which has the mission to create and apply the regulatory system necessary for the functioning of electricity and natural gas sector and market, in conditions of efficiency, competition, transparency, and protection of consumers.

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:

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

In July 2012, the Electricity and Natural Gas Law 123/2012 was approved, and published in the Official Gazette 485 / 16.07.2012, repealing the Electricity Law 13/2007 and the Gas Law no. 351/2004. Following the effective date, Law 123/2012 was completed and amended by other normative acts.

### **Electricity distribution**

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

The specific rates for the electricity distribution and the prices for the reactive energy are established by ANRE Orders.

The current Methodology for establishing the price for the electricity distribution was approved by Order no. 169/2018, suffering significant changes on important aspects of the distribution activity and the way in which they reflect in the calculation of the applied rates.

According to the Methodology for establishing the price for the electricity distribution, the price is established taking into account the following elements: controllable and uncontrollable operating and maintenance costs; the cost of electricity purchased for own technological consumption (losses in the distribution grid); regulated depreciation expense; profitability of the regulated assets' base; revenues related to reactive energy and revenues from other activities, as well as corrections from previous periods. The regulated distribution rates applied by the Company in 2021 are presented in Note 12. The regulated distribution rates applicable in 2022 are the following:

1 January - 31 December 2022		
High voltage	Medium voltage	Low voltage
11,37	39,43	119,07

The distribution rate is applied according to the voltage level related to the delimitation point between the distribution operator and the user, by summing the specific rate related to the respective voltage level with the specific rate related to the higher voltage levels, in compliance with the regulations in force.

High voltage customer pays high voltage distribution rate, medium voltage customer pays high voltage distribution rate + medium voltage distribution rate, low voltage customer pays high voltage distribution rate + medium voltage distribution rate + low voltage distribution rate.

### **Regulated assets base (RAB)**

In accordance with the legislation in force, the price is determined by distribution rates, among others, on the regulated assets' base.

The regulated assets base at the beginning of the first regulatory period (January 1, 2005) (initial RAB) included the net value of tangible and intangible assets recognized by ANRE and used for the regulated distribution of electricity. The RAB calculated subsequently includes, in addition to the initial RAB, as net value, also the net value of the tangible and intangible assets subsequently acquired through investments approved by ANRE. RAB does not include fixed assets financed by donations, development fee received or other non-reimbursable funds, including connection fee received from new users of the electricity grid.

### ***Regulated Rate of Return (RRR)***

During 2020, the regulated rate of return had the following values:

- For the period January 1, 2020 - April 29, 2020: 6.9%;
- For the period April 30, 2020 - May 12, 2020: 5.66% plus a 1% incentive for new investments;
- For the period May 13, 2020 - December 31, 2020: 6.39% plus a 1% incentive for new investments;
- For the period after February 1, 2021, an additional 1% incentive is granted for the amounts of money invested by OD in projects co-financed from European funds.

During 2021, the regulated rate of return of BAR remained at the value of 6.39%

### ***Concession of the electricity distribution***

The company (as grantee) has concluded in 2005 a concession contract with the Ministry of Energy (as grantor), updated by addenda in 2015, 2016 and 2017, concession contract which has as object the concession of the distribution service of electricity in the determined territory (Bucharest, Ilfov and Giurgiu counties), at the risk and responsibility of the concessionaire and in compliance with the technical regulations applicable for the operation, modernization, rehabilitation, and development of electricity distribution grid provided in the Energy Law, terms and conditions of the distribution license of electricity and regulations issued by ANRE. The concession contract is concluded for a period of 49 years, with the possibility of extension for a period equal to at most half of this period. As price for the concession, the Company pays an annual royalty recognized in the distribution rate of 1/1000 of the revenues from the distribution of electricity. To perform the electricity distribution service, the company uses the assets representing the distribution grid owned, located in the territory mentioned above. According to the concession contract, the grantor will buy at the end of the concession contract the property rights over the "relevant goods", namely the electricity distribution grid, at a price equal to the regulated assets base as established by the regulatory authority (ANRE).

### ***Connection to the electrical distribution network***

Until the amendments to the Regulation of connection provided in ANRE Order 59/2013 updated by ANRE Orders 160/2020, 16/2021 became valid in March 2021 of, respectively of the Procedure for connecting prosumers subject of ANRE Order no. 15/2021 and of the Procedure of connection of household and non-household consumers subject of ANRE Order no. 17/2021 the value of new connections to the electricity network was invoiced to consumers as connection rate and recognized as advances from customers until the beginning of works, when it is transferred to deferred income.

The connections thus made became the property of the Company, and the deferred income is resumed as income as the related tangible assets are depreciated.

Commencing March 2021, the connections made for:

- Non-household consumers with connection installations less than 2,500 meters from an already existing installation, household consumers and prosumers with an installed power of less than 100 KW are financed by the distribution operator or by users, if they choose this, being later redeemed by the distribution operator by returning to the user in equal annual installments, within a maximum of 5 years from the commissioning of the installation. The connections thus financed become the property of the Company and are recognized as fixed assets.

Subsequently, following the publication of GEO no. 143/2021 issued on December 30, 2021, the previous provisions regarding the connection were modified, and the object of ANRE Order no. 15/2021 and ANRE Order no. 17/2021 regarding non-household consumers with installations less than 2,500 meters from an already existing installation, household consumers and prosumers with an installed power of less than 100 KW have become inapplicable, being contrary to the provisions of Energy Law no. 123/2012, following the amendments that entered into force on 31.12.2021. Thus, for these cases the provisions of the Energy Law no. 123/2012, with subsequent amendments and completions, until the date on which ANRE will adapt the secondary regulatory framework specific to the connections.

- After December 31, 2021, for household users connecting to the network, the distribution operator will bear the cost of connection up to the level of the cost of a standard connection whose value will be established by ANRE. For non-household consumers the cost of connecting to the network will be borne by them, and the distribution operator takes them into operation based on an agreement concluded with the user at the time of putting the connections into operation. According to OMFP 410/2017, the connections thus financed are recognized in off-balance sheet accounts during the period of operation by the distribution operator;
- The developers are financed by the developer, and the distribution operator takes them into operation based on an agreement concluded with the developer at the time of commissioning the connections. According to OMFP 410/2017, the connections thus financed are recognized in off-balance sheet accounts during the period of operation by the distribution operator. After the developer fulfills the condition of alienation (sale) of 80% of the consumption places, the distribution operator returns the efficiency quota to the developer (part of the costs incurred by him for the connection), and the connections are recognized by the distribution operator as fixed assets.

## **NOTE 2: ACCOUNTING PRINCIPLES, POLICIES AND METHODS**

### **2.1 Basics for preparing the financial statements**

These are the individual financial statements of E-Distributie MUNTENIA S.A. for the financial year ended 31 December 2021 drawn up in accordance with:

- Accounting law no. 82/1991 (republished);
- The provisions of the Order of the Minister of Public Finance no. 1802/2014 with subsequent amendments ("OMFP 1802/2014").

The accounting principles and policies adopted for the preparation and presentation of the financial statements are in accordance with the accounting principles and policies provided by OMFP 1802/2014.

The accounting records on the basis of 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 financial statements refer only to E-Distributie MUNTENIA S.A. The company does not have subsidiaries that require consolidation.

The financial statements are not intended to present the financial position, the result of operations, cash flows and a complete set of notes to the financial statements in accordance with regulations and accounting principles accepted in countries and jurisdictions other than Romania. Therefore, the financial statements are not prepared for the use of persons who do not know the accounting and legal regulations in Romania, including the Order of the Minister of Public Finance no. 1802/2014 with subsequent amendments.

## **2.2 Significant accounting principles**

The financial statements have been prepared in accordance with the following accounting principles:

### The principle of continuity of activity

The company will continue to operate normally without going into liquidation or facing significant reduction of activity.

### The principle of permanence of methods

The company consistently applies accounting policies and evaluation methods from one financial year to another.

### The principle of prudence

When preparing the annual financial statements, the recognition and evaluation was performed mainly on:

- a) only the profit realized at the balance sheet's date was included in the profit and loss account;
- b) the debts incurred during the current financial year or of a previous financial year, have been recognized even if they become obvious only between the balance sheet's date and the date of preparation;
- c) impairments have been recognized, regardless of whether the result of the financial year is a loss or a profit.

### 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.

All income and expenses for the year were taken into account, regardless of the date of collection or payment.

The incomes and expenses that resulted directly and simultaneous from the same transaction were recognized simultaneously in the accounting, by direct association between the expenses and the incomes, by highlighting these incomes and expenses.

#### The principle of intangibility

The opening balance sheet of the financial year corresponds to the closing balance sheet of the previous financial year.

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

In order to establish the value corresponding to a position in the balance sheet, the value of each component of the assets and liabilities items was determined separately.

#### 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.

#### Accounting and presentation of the elements from the financial statements taking into account the economic fund of the transaction or commitment in question

The registration in accounting and the presentation in the financial statements of the economic-financial operations reflect their economic reality, highlighting the rights and obligations, as well as the risks associated with these operations.

#### The principle of evaluation

The items presented in the financial statements have been valued based on the principle of acquisition cost or production cost, except for tangible assets, which are measured using the revaluation method.

#### Significance threshold principle

The entity may deviate from the requirements contained in the applicable accounting regulations regarding the presentation of information and publication when the effects of their observance are insignificant.

### **2.3 Reporting period**

The accounting is prepared in Romanian language and in the national currency ("RON"). The accounting of the operations performed in foreign currency is kept both in the national currency and in foreign currency. The elements included in these situations are presented in Romanian currency.

### **2.4 Comparative situations**

The financial statements prepared on December 31, 2021 present comparability with the financial statements of the previous financial year.

### **2.5 Use of accounting estimates**

The preparation of financial statements in accordance with OMF 1802/2014, with subsequent amendments, implies that the management should make estimates and assumptions that influence the reported values of assets and liabilities and the presentation of contingent assets and liabilities at the date



of the financial statements, as well as income and expenses from the reporting period. Actual results may differ from the estimated ones. These estimates are reviewed periodically and, if adjustments are required, they are registered in the income statement as they become available.

## 2.6 Continuity of activity

These financial statements have been prepared based on the principle of business continuity, which assumes that the Company will continue its business in the foreseeable future. To assess the applicability of this presumption, the management analyzes forecasts of future cash inflows and outflows. Based on these analyzes, the management considers that the Company will be able to continue its activity in the foreseeable future and therefore the application of the principle of continuity of activity in the preparation of the financial statements is justified.

## 2.7 Currency conversions

Transactions made in foreign currency are initially registered at the exchange rate communicated by the National Bank of Romania on the date of the transaction.

At the balance sheet's date, monetary items denominated in foreign currency, receivables and payables denominated in *lei* whose settlement is based on the exchange rate of a currency are valued and presented in the annual financial statements at the exchange rate communicated by the National Bank of Romania valid at the end of the financial year.

Profit and losses on exchange rate differences, realized and unrealized, between the exchange rate of the foreign exchange market communicated by the National Bank of Romania on the date of registration of receivables or liabilities in foreign currency and those in RON whose settlement depends on the exchange rate of a currency, or the exchange rate at which they are registered in the accounting and the exchange rate on the date at the end of the financial year, are registered in the profit and loss account of the respective financial year.

Non-monetary items purchased in foreign currency and registered at historical cost (intangible assets, inventories) are presented in the annual financial statements using the exchange rate on the date of the transaction. Non-monetary items purchased with payment in foreign currency and registered at fair value (e.g. revalued tangible assets) are presented in the annual financial statements at this value.

The exchange rates RON / USD and RON / EUR communicated by the National Bank of Romania on December 31, 2020 and December 31, 2020, were as follows:

Currency	December 31, 2021	December 31, 2020
RON/USD	4.3707	3.9660
RON/EURO	4.9481	4.8694

## 2.8 Significant accounting policies

### 2.8.1. Intangible assets

Intangible assets are valued at cost less accumulated depreciation and accumulated impairment losses.

*Concessions, patents, licenses, trademarks, rights, and similar assets*

They mainly include licenses and are amortized using the straight-line amortization method over the useful life period (usually 3 years).

*Other intangible assets*

They mainly include dedicated computer programs. The costs related to the acquisition of computer programs are capitalized and amortized based on the linear method for a lifetime of 5 years (SAP system, software related to smart electric meters).

**2.8.2. Tangible assets**

*Recognition and evaluation*

Tangible assets are initially recognized at cost. The initial cost of tangible assets consists of the purchase price, including irrecoverable import duties or taxes, transportation, handling, commissions, notary fees, authorization expenses and other non-recoverable expenses directly attributable to tangible assets and any direct attributable costs for bringing the asset to the proper place and in operating conditions.

Tangible assets in progress represent unfinished investments made in operations by oneself or in enterprise. They are valued at production cost or acquisition cost, as appropriate. They are not amortized over a period of time until the relevant assets are completed and put into operation.

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 statement in the period in which they occurred. Where it can be demonstrated that these expenses have resulted in an increase in future economic benefits expected to be derived from the use of a fixed asset over the initially assessed performance standards, the expense is capitalized as an additional cost in the value of the asset.

In cases where the costs incurred only serve to maintain the efficiency of the installation or the initial capacity and productivity, these are considered as expenses for repairs and maintenance and are recognized as expenses of the period in which they were incurred.

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

In order to recognize tangible assets, it is necessary to use professional reasoning when applying the recognition criteria for the specific circumstances of the entity. In some cases, it may be appropriate to aggregate the insignificant elements individually, such as molds, measuring and control equipment, tools, and the like, and to apply the criteria for recognizing their aggregate value.

Important spare parts and safety equipment are considered tangible assets when they are expected to be used for more than one year.

Subsequent to initial recognition, tangible assets are measured periodically at revalued amount, less any accumulated depreciation and any impairment losses since the most recent revaluation.

Items in a range of tangible assets are revalued simultaneously to avoid selective revaluation and reporting in annual financial statements of values that are a combination of costs and values calculated at different dates. If a fixed asset is revalued, all other assets in the group to which it belongs are revalued.

Revaluations of tangible assets are made with enough 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.

When revaluing a tangible asset, the accumulated depreciation at the revaluation date is removed from the gross carrying amount of the asset, and the difference between the net carrying amount of the asset and the revalued amount represents the value adjustment of the asset.

The revaluation surplus included in the revaluation reserve is capitalized by direct transfer to retained earnings (account 1175 "Retained earnings representing the surplus realized from revaluation reserves"), when this surplus represents a realized profit. The company considers the revaluation surplus realized when removing the asset from the records for which the revaluation reserve was established.

#### *Depreciation*

Depreciation of the value of fixed assets with limited periods of economic use represents the systematic allocation of the depreciable value of an asset over the entire period of economic use. The depreciable amount is the cost or other value that replaces the cost (e.g. the revalued amount).

The period of economic use is the period in which an asset is expected to be available to be used by entity.

The Company registers the accounting depreciation based on the economic life established by the Company and which are registered in a catalog of the economic durations. The company uses the straight-line method. Lands are not depreciated.

Tax depreciation is calculated based on the tax durations in the Catalog on the classification of fixed assets according to GD 2139/2004 (see point 2.8.19).

The fiscal depreciation periods (in years) used for tangible assets which are presented as follows:

Category	Economic duration (years)	After January 1 2005
Buildings Administrative and industrial	35-70	24-40
Other constructions	10-48	10-32
Overhead power lines on wooden poles	40	10
Overhead power lines on concrete poles	40	32
Underground power lines	40	12
Energetic equipment	12-40	10-22
Transformers	30-40	16
HV equipment	4	4
Other equipment	4-25	2-10
Meters	10	10
Measuring and control devices	6-30	4-10
Means of transport	6-24	4-16
Stationary	5-35	2-16

The revision of the amortization period may be justified by a significant change in the conditions of use, as well as in the case of investments or repairs, other than those determined by current maintenance, or the obsolescence of a tangible asset. Also, if the tangible assets are preserved, their use being interrupted for a long period, the revision of the depreciation period may be justified. When the elements that formed the basis for the initial determination of the economic use period have changed, the Company establishes a new amortization period. The change in the duration of economic use represents a change in the accounting estimate.

#### *Assigning and annulment*

A tangible asset is derecognized on assigning or annulment when no future economic benefit is expected from its subsequent use.

For the purpose of presentation in the profit and loss account, the profit or losses obtained from the disposal or assigning of a tangible asset are determined as the difference between the income generated by the recognition and its unamortized value, including expenses incurred by it and are presented as net value, as income or expenses, as the case may be, under the item "Other operating income", respectively "Other operating expenses".

### **2.8.3. Impairment of fixed assets**

#### *Determining impairment losses*

The recoverable amount of tangible and intangible fixed assets is considered to be the higher of fair value less selling costs and value in use. Estimating the value in use of an asset involves updating estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time's value of money and the specific risks of the asset. In case of an asset that does not independently generate significant cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The carrying amount of the Company's fixed assets is analyzed at the balance sheet's 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 is greater than its recoverable amount, an adjustment for impairment losses is recognized in the income statement or, as the case may be, by decreasing the revaluation reserve (based on a revaluation report).

The value of intangible and tangible assets is corrected and brought to the recoverable amount, depending on the type of impairment, either by registering an additional depreciation, in case an irreversible depreciation is found, or by establishing or supplementing the impairment adjustments, if a reversible depreciation is found.

#### *Resumption of adjustments for impairment losses*

An adjustment for impairment of fixed assets is resumed if there is a change in the estimates used to determine the recoverable amount.

An adjustment for impairment may be resumed to the extent that the carrying amount of the asset does not exceed its recoverable amount, less depreciation, which would have been determined if the adjustment for impairment had not been recognized.

#### **2.8.4. Inventories**

Inventories are made up of consumables and other materials, consisting mainly of materials for the maintenance of the distribution network.

The cost of stocks includes all acquisition costs and other costs due to bringing stocks to the present place and situation.

Upon discharge, inventories are evaluated based on the weighted average cost method. Where appropriate, value adjustments are made for obsolete or defective stocks.

#### **2.8.5. Trade and other receivables**

Trade receivables include invoices issued until December 31 for electricity distribution, penalties for late payment, as well as estimated receivables related to electricity distributed until the end of the year, but invoiced in the period after the end of the year.

Trade receivables are initially recognized and registered at the value according to the invoices or according to the documents attesting the delivery of the goods, namely the provision of the services.

The valuation of the recoverable amount of receivables at the balance sheet's date is made at their probable collection value. The differences found in minus between the recoverable value and the accounting value of the receivables are registered in the accounting as value adjustments of the current assets. The Company's policy is to fully provision receivables older than one year, uncertain and bankrupt customers.

An impairment loss on a receivable is resumed if the subsequent increase of recoverable amount can be related to an event that occurred after the impairment loss was recognized.

#### **2.8.6. Cash and cash equivalents**

Cash availabilities are made up of cash, current accounts at banks, bank deposits for a maximum of three months if they are held in order to cover the need for short-term cash, checks and commercial bills in bank accounts.

#### **2.8.7. Trade payables**

Trade obligations are registered at cost, which represents the value of the obligation to be paid in the future for the goods and services received, regardless of whether or not they were invoiced to the Company, including invoices for deliveries of electricity, natural gas, supplies of goods, contracted works, and services.

### **2.8.8. Leasing contracts**

Leasing contract in which a significant portion of the risks and associated benefits of ownership are retained by the lessor should be classified as operating leases.

Payments related to an operating lease are recognized as expenses in the profit and loss account, on a straight-line basis over the term of the lease. Incentives received for concluding a new or renewed operational leasing contract are recognized as an integral part of the net value of the consideration for using the asset in lease, no matter the value of the incentive, type of payment, reducing the costs with the lease during the lease agreement, on straight-line basis.

### **2.8.9. Provisions**

Provisions are recognized when the Company has a current obligation (legal or implied) generated by a previous event, it is likely that an outflow of resources will be required to meet the obligation, and the debt can be estimated reliably.

The amount recognized as a provision represents the costs necessary to settle the current obligation of the best estimate at the balance sheet's date. The best estimate of the costs necessary to settle the current debt is the amount that the Company would rationally pay for settling the obligation at the balance sheet's date or for its transfer to a third party at that time.

If the effect of the time-value of money is significant, the value of the provision represents the updated present value of the estimated expenses necessary to settle the obligation. The discount rate used reflects current market assessments of the time-value of money and debt-specific risks.

Profit from the expected disposal of assets is not taken into account in assessing a provision.

If it is estimated that some or all of the expenses related to a provision will be reimbursed by a third party, the reimbursement is recognized only when there is clear evidence that the reimbursement will be received. Repayment is considered a separate asset. The amount that is recognized as a refund does not exceed the value of the provision.

Provisions are reviewed at each balance sheet's date and adjusted to reflect the current best estimate. If an outflow of resources is no longer probable for settling an obligation, the provision is canceled by resumption of income.

### **2.8.10. Contingent liabilities**

A contingent liability is:

- a potential obligation, arising as a result of past events, prior to the balance sheet's date and whose existence will be confirmed only after the occurrence or non-occurrence of one or more uncertain future events, which cannot be fully under the company's control;
- a current obligation that arose as a result of past events prior to the balance sheet's date, but which is not recognized because:
  - o it is not certain that outflows of resources will be needed to settle this debt;
  - o the amount of the debt cannot be measured credible enough.

Contingent liabilities are not recognized in the financial statements. They are presented unless the possibility of an outflow of resources with economic benefits is ruled out.

A contingent asset is not recognized in the financial statements, it is presented when is probable an entry of future economic benefits.

#### **2.8.11. Deferred income**

Deferred income includes connection fee, development fee, donations, and inventory surpluses.

##### *Connection fee*

In accordance with the Connection regulation provided in ANRE Order no. 59/2013 applicable prior to the changes that occurred during 2021 (see Note 1) the value of the new connections to the electricity network is invoiced to the users of the distribution network through the connection rate. The receipts from the connection fee were registered as deferred income and are resumed at income as the tangible assets are depreciated.

#### **2.8.12. Share capital**

The share capital made 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.

The company recognizes the changes to the share capital after being approved by the General Meeting of Shareholders and registered at the Trade Register's Office.

#### **2.8.13. Legal reserves**

Represents the 5% quota of the gross profit at the end of the year until the total legal reserves reach 20% of the paid-in share capital, in accordance with the legal provisions.

#### **2.8.14. Reported result**

The remaining accounting profit after the distribution of the legal reserve quota is taken over within the result carried forward at the beginning of the financial exercise of the year following the one for which the annual financial statements are prepared, from where it will be distributed to the other legal destinations.

The highlighting of the accounting profit is performed in the following year after the general meeting of shareholders had approved the distribution of profit, by registering the amounts representing dividends due to shareholders, reserves, and other destinations, according to the law.

#### **2.8.15. Dividends**

Dividends are recognized as a liability in the period in which their distribution is approved. The distribution of dividends is made after the approval of the financial statements.

#### **2.8.16. Pensions and other post-retirement benefits**

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

In addition, the Company provides cash benefits based on length of service for current employees and in-kind benefits (free energy) to retirees of the Company (see Provision Note). These benefits were estimated by an authorized expert in actuarial calculations and registered as Provisions for employees' benefits under OMFP 1802.

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

#### **2.8.17. Revenues**

##### Revenues from electricity's distribution

Revenues from electricity's distribution are recognized based on electricity consumption made by consumers based on meter readings and based on estimated consumption for which no readings have been made. The invoicing of the electricity distribution service related to the consumption of the final consumers is performed monthly by the energy suppliers. Electricity distributed to final consumers which has not been read is estimated based on average consuming between the last two readings for economic agents and based on an average between two readings from a similar period of the previous year updated with macroeconomic and seasonal indices.

##### Revenues from the provision of services

Revenues from the provision of services are recognized in the period in which they were provided and in correspondence with the execution stage. The provision of services includes the execution of works and any other operations that cannot be considered deliveries of goods.

##### Rental income

Income from rents and / or rights to use assets is recognized based on accrual accounting, according to the contract.

#### **2.8.18. Financial income and expenses**

Financial income includes interest income and income from exchange rate differences. Financial expenses include expenses from exchange rate differences.

Financial income and expenses are recognized on an accrual basis.

#### **2.8.19. Taxes and fees**

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



Tax depreciation is calculated based on the tax durations in the Catalog of classification for fixed assets according to GD 2139/2004 (see point 2.8.2)

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.

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 based on depreciation of fixed assets and the removal of assets.

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

In accordance with the new regulations on the calculation of tax depreciation, starting with January 1, 2007, to determine the tax value of land, namely the tax value not depreciated in the case of depreciable fixed assets will be taken into account also 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. Accounting revaluations performed after January 1, 2004 on depreciable fixed assets that no longer have an unamortized tax value at the date of revaluation are not recovered through tax depreciation. Reserves from the revaluation of fixed assets, including land, made after January 1, 2004, which are deducted for the calculation of taxable profit through tax depreciation or expenses on assigned and / or disposed assets, are taxed at the same time as the tax depreciation deduction, on the moment of discharging these fixed assets according to GEO 34/2009.

Therefore, 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, 31.12.2017 and 31.12.2019 which were highlighted in the accounting for all depreciable assets that at the respective dates had an unamortized tax value.

### **2.8.20. Accounting errors**

The accounting errors can refer either to the current financial year or to the previous financial years; errors in previous periods also include incorrect presentation of information in the annual financial statements.

Corrections of errors are made on the date of their finding. Errors in prior periods are omissions and misstatements contained in the entity's financial statements for one or more prior periods resulting from the error of using or not using credible information that:

- a) were available at the time the financial statements for those periods were approved for issue;
- b) could have been reasonably obtained and taken into account in the preparation and presentation of those annual financial statements.

The correction of the errors related to the current financial year is made in the profit and loss account. The correction of significant errors related to previous financial years is made in the result of the carried forward account. Insignificant errors related to previous financial years are corrected in the profit and loss account.

The correction of significant errors related to previous financial years does not change the financial statements of those years. In case of errors related to 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 carried forward result during the year.

#### **2.8.21. Related parties**

A related party is a person or entity that is related to the entity that prepares the financial statements, hereinafter referred to as the reporting entity.

A person or a close member of that person's family is related to an entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has a significant influence on the reporting entity; or
- (iii) is a member of the key staff of the management of the reporting entity or parent-company reporting entity.

An entity is bound to a reporting entity if meets any of the following conditions:

- (i) the entity and the reporting entity are members of the same group (meaning that each parent company and subsidiary in the same group is related to the others);
- (ii) an entity is an associate or jointly controlled entity of the other entity (or an associated entity or jointly controlled entity of a member of the group to which the other entity belongs);
- (iii) both entities are jointly controlled entities of the same third party;
- (iv) an entity is a jointly controlled entity of a third entity and the other is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of the reporting entity or an entity related to the reporting entity. If the reporting entity itself represents such a plan, the sponsoring employers are also bound to the reporting entity;
- (vi) the entity is controlled or jointly controlled by a person or a close family member of that person who has control or joint control over the reporting entity, has significant influence on the reporting entity; or is a member of the key staff of the management of the reporting entity or the parent company of the reporting entity.
- (vii) a person or a close family member of that person who has control or joint control over the reporting entity significantly influences the entity or is a key member of the management of the entity (or the parent company of the entity);
- (viii) the entity or any member of a group to which it belongs provides services to key personnel in the management of the reporting entity or the parent company of the reporting entity.

The key management personnel represent those persons who have the authority and responsibility to plan, manage and control the activities of the entity, directly or indirectly, including any manager (executive or otherwise) of the entity.

Close members of a person's family are those family members who can be expected to influence or be influenced by that person in their relationship with the entity and include:

- a) the children and the wife or life partner of the respective person;
- b) the children of the wife or of the life partner of the respective person; and
- c) the dependent person of the respective person or of the wife or of the life partner of this person.

d) in accordance with OMF 1802/2014, affiliated entities mean two or more entities within the framework of the same group.

**2.8.22. Subsequent events**

Subsequent events to the balance sheet's date that provide additional information about the Company's position at the balance sheet's date (events leading to the adjustment of the financial statements) are reflected in the financial statements. Subsequent events to the balance sheet's date that do not lead to the adjustment of the financial statements are presented in the notes if they are significant.

### NOTE 3: INTANGIBLE ASSETS

Item	Balance on 31 December 2021	Increase	Transfer	Decrease	Balance on 31 December 2021
	1	2	3	5	6=1+2+3+4-5
<b>Intangible assets</b>					
Licenses, software and other intangible assets	106,780,807	12,799,127	139,289	6,571,996	113,147,227
<b>Total Intangible assets</b>	<b>106,780,807</b>	<b>12,799,127</b>	<b>139,289</b>	<b>6,571,996</b>	<b>113,147,227</b>
<b>Tangible assets</b>					
Lands	177,934,931	-	-	-	177,934,931
Constructions	2,124,855,685		274,805,004	1,636,333	2,398,024,356
Technical plants and machines	1,262,380,431	65,124	166,127,604	4,155,423	1,424,417,736
Other installations, equipment, furniture	4,762,743		1,408,720		6,171,463
Ongoing tangible assets	321,236,350	466,744,915	(442,480,617)	2,716,617	342,784,031
Advances for tangible assets	1,011,098			1,011,098	
<b>Total tangible assets</b>	<b>3,892,181,238</b>	<b>466,810,039</b>	<b>(139,289)</b>	<b>9,519,471</b>	<b>4,349,332,517</b>
<b>Total assets</b>	<b>3,998,962,045</b>	<b>479,609,166</b>		<b>16,091,467</b>	<b>4,462,479,744</b>
<b>Impairment - amortization</b>		<b>Balance on 31 December 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance on 31 December 2021</b>
		7	8	10	11=7+8+9-10
<b>Intangible assets</b>					
Licenses, software and other intangible assets		74,700,177	8,985,243	4,842,065	78,843,355
<b>Total Intangible assets</b>		<b>74,700,177</b>	<b>8,985,243</b>	<b>4,842,065</b>	<b>78,843,355</b>
<b>Tangible assets</b>					
Constructions		88,708,013	80,803,379	209,333	169,302,059
Technical plants and machines		104,342,842	92,300,348	2,332,667	194,310,523
Other plant, equipment and furniture		560,554	633,398	-	1,193,952
<b>Total tangible assets</b>		<b>193,611,409</b>	<b>173,737,125</b>	<b>2,542,000</b>	<b>364,806,534</b>
<b>Total assets</b>		<b>268,311,586</b>	<b>182,722,368</b>	<b>7,384,065</b>	<b>443,649,889</b>

Depreciation - value adjustments	Balance on 31 December 2021	Increase	Decrease	Balance on 31 December 2021
	12	13	15	16=12+13+14-15
<b>Intangible assets</b>				
Licenses, software and other intangible assets	1,729,930		1,729,930	
<b>Total Intangible assets</b>	<b>1,729,930</b>		<b>1,729,930</b>	
<b>Tangible assets</b>				
Constructions	919,335	1,100,081	919,335	1,100,081
Technical plants and machines	1,275,631	3,891,758	1,275,631	3,891,758
Advances and tangible fixed assets in progress	3,733,729	613,677	3,733,729	613,677
<b>Total tangible assets</b>	<b>5,928,695</b>	<b>5,605,516</b>	<b>5,928,695</b>	<b>5,605,516</b>
<b>Total intangible assets</b>	<b>7,658,625</b>	<b>5,605,516</b>	<b>7,658,625</b>	<b>5,605,516</b>

E-DISTRIBUTIE MUNTENIA SA  
 NOTE TO FINANCIAL STATEMENTS  
 for the financial exercise ended on December 31, 2021  
 (all amounts are in lei (RON) unless otherwise mentioned)

Net value		
Asset item	Balance on 31 December 2021	Balance on 31 December 2021
	14=1-6-10	15=5-9-13
<b>Intangible assets</b>		
Licenses, software and other intangible assets	30,350,700	34,303,872
<b>Total Intangible assets</b>	<b>30,350,700</b>	<b>34,303,872</b>
<b>Tangible assets</b>		
Lands	177,934,931	177,934,931
Constructions	2,035,228,337	2,227,622,216
Technical plants and machines	1,156,761,958	1,226,215,456
Other plant, equipment and furniture	4,202,194	4,977,516
Advances and tangible fixed assets in progress	318,513,714	342,170,348
<b>Total tangible assets</b>	<b>3,692,641,134</b>	<b>3,978,920,467</b>
<b>Intangible assets</b>	<b>3,722,991,834</b>	<b>4,013,224,339</b>

### **3.1. Intangible assets**

Intangible assets are mainly licenses and software and ongoing intangible assets. Licenses are amortized over a period of 3 years (Windows and similar licenses) and software for a period of 5 years (SAP system, smart meter software).

### **3.2. Tangible assets**

The constructions include both administrative buildings and special buildings, stations and constructions related to the electricity distribution grids, as well as the 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 price.

#### Revaluation of tangible assets

On December 31, 2019, the revaluation of tangible assets was performed by an authorized independent appraiser.

On December 31, 2021 and 2020, the Company analyzed future cash flows to determine whether the carrying amount of tangible assets would differ substantially from the fair value at that date. Following this exercise, the Company concluded that the carrying amount of tangible assets does not differ substantially from the fair value on December 31, 2021 and 2020.

#### Assets held in financial lease or acquired in installments

As of December 31, 2021, and December 31, 2020, respectively, the Company has no assets leased or acquired in installments.

#### Tangible assets sold and rented to third parties

During 2021 and 2020, the Company did not sell or subsequently rented tangible assets.

Company rented office space for the companies within the group, the poles of overhead power line for LV and MV distribution as supports for telecommunication networks, fiber optics, billboards.

#### Assets encumbered / mortgaged by collateral

As on December 31, 2021 and December 31, 2020, the Company has no encumbered or mortgaged assets.

#### Other information

The gross accounting value of fully depreciated tangible assets as of December 31, 2021 is 55,264,403 (2020:30,476,699).

During 2021, the Company undertook internal development works for some tangible and intangible assets. These are included in the "Increases" column of the table with the movements of fixed assets and have an accounting value of RON 41,007,789 (2020: 32,464,416), representing the capitalization of salary expenses.

The accounting value of fixed assets realized from the connection fee is 1,065,611,024 (2020: 959,489,249) while their net accounting value is RON 950,088,681 (2020: RON 898,827,668), and for the assets realized from the developer tax, the gross value is RON 304,655,010 (2020: RON 232,194,171), and their net accounting value is RON 291,651,534 (2020: RON 226,261,655).

The company classifies in current assets materials and spare parts in the amount of RON 110,309,402 (2020: RON 106,703,099), as they will later be capitalized in the value of high, medium, and low voltage distribution networks, thus being included in the definition of tangible assets.

#### NOTE 4: INVENTORIES

	31 DECEMBER 2020			31 DECEMBER 2021		
	Cost	Adjustment for depreciation	Total	Cost	Adjustment for depreciation	Total
Raw materials and consumables	1,726,899	(44,413)	1,682,486	1,170,866	-	1,170,866
Packaging	110,687	(3,694)	106,993	128,682	-	128,682
Third party stocks	2,713,083	(1,763,738)	949,345	3,765,159	(352,714)	3,412,445
<b>Total</b>	<b>4,550,669</b>	<b>(1,811,845)</b>	<b>2,738,824</b>	<b>5,064,707</b>	<b>(352,714)</b>	<b>4,711,993</b>

The amount of inventories recognized in the profit and loss account is 26,062,001 (2020: 27,772,087).

#### NOTE 5: RECEIVABLES

Receivables	Balance on 31 December 2020	Balance on 31 December 2021	Liquidity term	
			Under 1 year	Over 1 year
	1	1	2	3
Trade receivables from affiliated parties	73,685,097	117,238,884	117,238,884	-
Trade receivables from third parties, gross value	84,634,019	91,437,956	91,437,956	-
Adjustment for trade receivables	(25,852,121)	(37,510,751)	(37,510,751)	-
<b>Total Receivables</b>	<b>132,466,995</b>	<b>171,166,089</b>	<b>171,166,089</b>	-
Various debtors, gross carrying amount	91,466,096	83,432,152	83,432,152	-
Adjustment for various uncertain debtors	(26,186,819)	(23,480,428)	(23,480,428)	-
Other receivables	58,703,000	71,666,492	71,666,492	-
Various debtors, representing other receivables receivable from affiliated parties	3,707,449	8,847,680	8,847,680	-
<b>Total other receivables, net</b>	<b>127,689,726</b>	<b>140,465,896</b>	<b>140,465,896</b>	-
<b>Total Receivables</b>	<b>260,156,721</b>	<b>311,631,985</b>	<b>311,631,985</b>	-

For amounts receivable from related / legal parties, see Note 19.

Trade receivables include mainly receivables from electricity distribution, which are subject to penalties and generally have a collection period of 45 days.

The balance of gross trade receivables as on December 31, 2021 in amount of 208,676,840 (2020: 158,319,116) consists of:

- customers from the basic activity, representing the invoicing of the distribution rate in the amount of 56,574,026 (2020: 17,311,997);
- clients from other activities in the amount of 15,897,462 (2020: 13,390,636);
- customers' invoices to be drawn up from the distribution activity in the amount of 95,902,971 (2020: 102,771,773);
- other fixed receivables mainly representing guarantees in the amount of 125,016 (2020: 125,016)
- uncertain customers from the basic activity in the amount of 6,347,151 (2020: 6,347,151);
- uncertain customers from other activities and bankrupt customers in the amount of 10,928,735 (2020: 10,945,999);
- clients declared insolvent in the amount of 19,282,976 (2020: 7,276,440);
- advances in the amount of 3,618,503 (2020: 180,104)

The value adjustments for trade receivables established by the Company as of December 31, 2021 in the amount of 37,510,751 (2020: 25,852,121) refer to:

- outstanding receivables older than 365 days in the amount of 927,497 (2020: 15,467),
- outstanding receivables of less than 365 days but with a risk of non-collection in the amount of 24,392 (2020: 0),
- receivables in dispute in the amount of 15,586,365 (2020: 15,603,629);
- receivables from bankrupt clients, in the amount of 1,689,521 (2020: 1,689,521);
- receivables from insolvent clients, in the amount of 19,282,976 (2020: 7,276,440); and
- receivables from other activities in the amount of 0 (2020: 1,267,065).

Receivables representing miscellaneous debtors and other receivables, including from related parties, in the amount of 163,946,325 (2020: 153,876,545) include:

- debtors from related parties representing VAT to be recovered from companies within the VAT group and other amounts from related parties in the amount of 71,666,492 (2020: 58,601,759);
- debtors from the connection fee in the amount of 28,069,178 (2020: 30,639,010);
- debtors regarding thefts of electricity in the amount of 13,133,826 (2020: 12,877,579);
- other miscellaneous debtors in the amount of 38,851,927 (2020: 43,826,253) representing mainly the amount imposed by ANAF through RIF F-MC 94/2020 and the tax decision F-MC 209/2020 and paid by the Company in the amount of 31,671,326; Based on the information and consultations available to the Company at this time, the management estimates favorably Company's position before the tax authorities for most of the tax debt and, consequently, registered value adjustments for the amount of 5,891,670- (2020: 5,891,670);
- debtors for whom penalties were calculated for non-payment on time of receivables from other activities 3,074,726 (2020: 3,959,772);
- debtors for whom penalties were calculated for non-payment on time of receivables from the distribution of electricity in the amount of 302,496 (2020: 264,722).



As on December 31, 2021, the category of “Other receivables” in the amount of 8,847,680 (2020: 3,707,449) mainly includes:

- interest receivable in the amount of 5,789 (2020: 1,274,904);
- Company's contribution to the Single National Health Insurance Fund in the amount of 1,776,867 (2020: 1,669,965),
- profit tax recoverable 4,012,161 (2020: 0),
- non-chargeable VAT in the amount of 2,967,533 (2020: 0), and
- other receivables in the amount of 85,330 (2020: 762,580).

The value adjustments for various debtors constituted by the Company on December 31, 2021 in the amount of 23,480,429 (2020: 26,186,819) refer to:

- receivables from debtors regarding thefts of electricity in the amount of 13,133,759 (2020: 12,877,512),
- receivables from other debtors in the amount of 2,525,007 (2020: 3,639,532),
- receivables representing penalties for non-payment on time of other receivables older than 365 days in the amount of 1,665,108 (2020: 3,513,220);
- receivables representing penalties for non-payment in time of receivables from energy distribution in the amount of 264,885 (2020: 264,885); and
- value adjustment for the paid VAT disputed to ANAF in the amount of 5,891,670 (2020: 5,891,670).

The movements in the adjustments for impairment of receivables and miscellaneous debtors were as follows:

	Balance on January 1, 2020	Balance on December 31, 2021
<b>Balance on January 1</b>	<b>45,635,713</b>	<b>52,038,940</b>
Increases during the year	7,534,306	14,125,882
Cassation (loss of receivables)	-	(3,319,177)
Refunds during the year	(1,131,079)	(1,854,465)
<b>Balance on December 31</b>	<b>52,038,940</b>	<b>60,991,180</b>

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#### NOTE 6: CASH AND BANK ACCOUNTS

	Balance on January 1, 2021	Balance on December 31, 2021
Bank accounts in RON	46,130,008	639,115,199
Bank accounts in foreign currency	1,242,783	1,219,118
Bank deposits for a maximum of 3 months	866,427,305	5,427,305
Amounts under settlement	120,446	69,195
<b>Total</b>	<b>913,920,542</b>	<b>645,830,817</b>

As on December 31, 2021, the Company benefits from a multi-optional committed credit facility with a maximum amount of EUR 19,000,000 which is granted until September 25, 2022 and which can be used as:

- Credit line (overdraft), used in RON, in maximum amount of EUR 19,000,000 (not used on December 31, 2021) and / or
- Ceiling for issuing letters of guarantee in a maximum amount of EUR 19,000,000;

As on December 31, 2021, from the credit facility presented above, the Company had issued letters of guarantee in the amount of RON 70,476,815 and EUR 2,750,000, equivalent of RON 13,610,437 (2020: RON 66,883,586) in favor of various energy suppliers and the Energy Market Operator (OPCOM).

As on December 31, 2020, the Company has made deposits in RON within 1 week in the amount of 0 RON (2020: RON 45,000,000), within 1 month in the amount of RON 5,427,305 (2020: 5,427,305).

#### NOTE 7: PREPAYMENTS

	Balance on January 1, 2021	Balance on December 31, 2021	Amounts on December 31, 2021 to be resumed in	
			<1 year	>1 year
Rents	450,046	830,131	830,131	-
Insurance	350,586	86,363	86,363	-
OPCOM	1,175,366	1,601,020	1,601,020	-
IT	89,490	107,933	107,933	-
Other expenses incurred in advance	1,093,767	207,733	207,733	-
<b>Total</b>	<b>3,159,254</b>	<b>2,833,180</b>	<b>2,833,180</b>	<b>-</b>

#### NOTE 8: LIABILITIES

As on December 31, 2021, December 31, 2020, the Company's debts are as follows:

LIABILITIES	Balance on December 31, 2020	Balance on December 31, 2021	Exigibility term		
			under 1 year	over 1 year	over 5 year
	1	2	3	4	5
Suppliers - affiliated parties	98,181,090	114,635,862	114,635,862	-	-
Other suppliers	45,212,325	48,129,232	48,129,232	-	-
Fixed asset suppliers - related parties	4,113,178	4,652,840	4,652,840	-	-
Other fixed assets suppliers	38,210,103	77,886,533	77,886,533	-	-
Suppliers - invoices receivable - affiliated parties	36,319,038	20,917,634	20,917,634	-	-
Suppliers - invoices receivable - others	72,556,563	134,903,576	134,903,576	-	-
<b>Total commercial debts - suppliers</b>	<b>294,592,297</b>	<b>401,125,677</b>	<b>401,125,677</b>	<b>-</b>	<b>-</b>
Advances received on account of the connection fee	266,047,709	255,541,054	255,541,054	-	-
Other advances from customers	225,000	-	-	-	-
<b>Total advances</b>	<b>266,272,709</b>	<b>255,541,054</b>	<b>255,541,054</b>	<b>-</b>	<b>-</b>
Advances and guarantees - others	505,912	446,441	446,441	-	-
Salaries and other employee rights	3,819,036	5,177,726	5,177,726	-	-
Social insurance and other taxes related to salaries	4,784,751	5,702,498	5,702,498	-	-
Other debts to the state budget and to local budgets	60,800,475	42,941,801	42,941,801	-	-
Other liabilities - to related parties	4,414,985	17,709,759	17,709,759	-	-
Other liabilities - various	13,556,163	15,134,219	15,134,219	-	-
<b>Total other liabilities, including tax and other social security liabilities</b>	<b>87,881,322</b>	<b>87,112,443</b>	<b>87,112,443</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>648,746,328</b>	<b>743,779,174</b>	<b>743,779,174</b>	<b>-</b>	<b>-</b>

As on December 31, 2021, the debts to other suppliers in the amount of 260,919,341 (2020: 155,978,990) refer to the purchase of electricity for own technological consumption in the amount of 57,165,372 (2020: 31,649,420), acquisitions of goods and services in the amount of 85,015,076 (2020: 60,344,449) and acquisitions of fixed assets in the amount of 118,738,893 (2020: 63,985,121).

As on December 31, 2021, trade and other payables to related parties in the amount of 157,916,095 (2020: 143,028,291) refer to the purchase of electricity for own technological consumption amounting to 2,310,792 (2020: 704,560), purchases of goods and other services in the amount of 133,242,704 (2020: 131,856,347), acquisitions of fixed assets in the amount of 4,652,840 (2020: 6,052,400) and other amounts due to related parties 17,709,759 (2020: 4,414,985).

For the amounts due to related parties see Note 19.

The debts to the state budget and local budgets as on December 31, 2021 in the amount of 42,941,801 (2020: 60,800,475) come mainly from:

- a) VAT payable as a VAT Group Representative in the amount of 40,632,425 (2020: 55,538,467);
- b) debt regarding the income tax from salaries related to December 2021, in the amount of 1,014,796 (2020: 843,064);
- c) debt regarding the concession fee related to the electricity distribution service, related to the year 2021, in the amount of 824,509 (2020: 764,414);
- d) monopoly tax in the amount of 469,383 (2020: 462,409);
- e) excise duty in the amount of 688 (2020: 801);
- f) VAT not payable 0 (2020: 3,148,129);
- g) income tax 0 (2020: 43,191)
- g) withholding tax 0 (2019: 140);
- h) income tax 43,191 (2019: 0).

In the category of other debts, including to affiliates, the Company registered on December 31, 2021, mainly, the following:

- a) Debts to miscellaneous creditors in the amount of 15,134,219 (2020: 13,556,163), of which 9,410,213 (2020: 9,720,908) for connection fee
- b) VAT due to the affiliated companies from the VAT group in the amount of 17,539,855 (2020: 4,251,268) and other debts to affiliated parties in the amount of 169,904 (2020: 163,717).

**NOTE 9: PROVISIONS**

Name of the provision	Balance on January 1, 2021	Transfer to account	Transfer from account	Balance on December 31,2021
Provisions for pensions and other similar obligations	55,541,458	5,233,320	3,171,223	57,603,555
Provisions for terminating the employment contract	298,122		298,122	
Provision from taxes	-	12,888,268	4,290,061	8,598,207
Provisions for litigation	25,748,958	1,641,820	4,481,506	22,909,272
Other provisions	6,164,621	6,014,855	6,164,621	6,014,855
<b>Total</b>	<b>87,753,159</b>	<b>25,778,263</b>	<b>18,405,533</b>	<b>95,125,889</b>

Provisions for pensions and other similar obligations

As on December 31, 2021, the Company has established provisions for pensions and similar obligations in the amount of 57,603,555 (2020: 55,541,458) which refer to:

- provisions for in-kind benefits (free electricity) granted to employees and retirees in the amount of 38,895,068 (2020: 33,661,748);
- provisions for jubilee premiums in the amount of 15,265,744 (2020: 16,346,127);
- provisions for pensions in the amount of 3,442,743 (2020: 5,533,583).

As of January 1, 2019, the 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 - 1 gross monthly basic salary;
  - at 25 - 1.5 gross monthly basic salaries;
  - at 30 - 2 gross monthly basic salaries;
  - at 35 - 3 gross monthly basic salaries;
  - at 40 - 4 gross monthly basic salaries;
  - at 45 - 5 gross monthly basic salaries;
- c) retirement awards, 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 basic gross monthly salary;
  - between 10-25 years - 2 gross monthly basic salaries;
  - over 25 seniority - 3 gross monthly basic salaries.

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

### Provisions for litigation

As on December 31, 2021, the Company has provisions for litigation in the amount of 22,909,272 (2020: 25,748,958), which consist mainly of:

- 7,880,000 represents a provision established for the litigation with Ivan Laura / Ivan Cornel / Ivan Vladimir, having as object the compensation of employee death (2020: 7,880,000);
- 1,910,956 represents the provision established for litigations with ANL, with the mention that the plaintiffs are the owners of the residential complex developed by ANL (2020: 4,471,193);
- 5,283,043 represents the provision established for the dispute with Servicii Energetice Muntenia, having as object penalties Beny Alex (2020: 5,283,043);
- 903,000 represents the provision having as object labor litigation claims;
- 3,566,587 represents the provision established for the dispute with KDF Energy, having as object the claims resulting from the contract of sale - purchase of electricity (2020: 3,566,587)
- 417,270 represents the provision established for the dispute with Morale Trabajo SRL, having as object claims for decommissioning and relocation of the network (2020: 417,270);

Part of the provision for litigation was resumed in 2021 as a result of the settlement of some ongoing processes during last year, mainly:

- 349,020 representing the provision established for the litigation with the plaintiff, natural person, having as object the connection to the electricity network, electricity supply, settled in favor of the Company;
- 981,494 representing the provision established for the litigations with ANL, provision reversed following the settlement of the litigations in favor of the Company, with the mention that the plaintiffs are the owners of the residential complex developed by ANL.

### Provisions for the termination of the employment contract.

On December 31, 2021, the Company made provisions for the termination of the employment contract in the amount of 0 (2019: 289,122), representing benefits as additional salaries depending on the seniority registered within the company and the number of years remaining until retirement. The Company will pay compensatory salaries depending on the period remaining until retirement and seniority in the Company to the eligible persons according to the agreement.

### Other provisions

As on December 31, 2021, the Company has other provisions for risks and expenses in the amount of 6,014,855 (2020: 6,164,621). Their value refers mainly to:

- 3,938,346 (2021: 4,844,404), representing bonuses that will be granted to employees;
- 2,076,509 (2021: 1,319,817), representing unpaid leave.

**NOTE 10: DEFERRED INCOME**

Deferred income	Balance on January 1, 2021	Balance on December 31, 2021	Amounts on December 31, 2021 to be resumed in	
			<1 year	>1 year
Investment grants	3,672,759	3,451,187	368,759	3,082,428
Deferred income related to assets received by transfer from customers (connection fee)	1,284,582,587	1,369,502,899	68,958,157	1,300,544,742
<b>Total</b>	<b>1,288,255,346</b>	<b>1,372,954,086</b>	<b>69,326,916</b>	<b>1,303,627,170</b>

**NOTE 11: CAPITAL AND RESERVES**

**Subscribed share capital**

	Balance on January 1, 2020	Balance on December 31, 2020
Subscribed capital - number of ordinary shares	27,136,525	27,136,525
Nominal value per ordinary share - RON per share	10	10
Value of subscribed share capital - RON	271,365,250	271,365,250

The Company's share capital is fully paid on December 31, 2020 and on December 31, 2021.

**Shareholding structure**

	December 31, 2020	%	December 31, 2021	%
ENEL SpA	211,664,770	78%	211,664,770	78%
Societatea de Administrare a Participatiilor in Energie (SAPE)	27,136,520	10%	27,136,520	10%
"FONDUL PROPRIETATEA" S.A.	32,563,960	12%	32,563,960	12%
<b>Total</b>	<b>271,365,250</b>	<b>100%</b>	<b>271,365,250</b>	<b>100%</b>

**Revaluation reserves**

In 2021, the Company registered a decrease in the revaluation reserve in the amount of 7,859,508(2019: 10,734,257) by transferring to the category "Retained earnings representing the revaluation surplus realized from revaluation reserves", the revaluation reserve related to fixed assets discharged during the year.

**The result of the exercise and the distribution of the profit**

Distribution of the profit	2020	2021
<b>Result carried forward at the beginning of the financial year</b>	<b>1,763,649,105</b>	<b>304,030,907</b>
Surplus realized from revaluation reserves	10,734,257	7,859,508
Net profit to be distributed	111,800,491	55,825,262
Dividends	(1,566,336,058)	(167,664,438)
Distribution to other reserves (of reinvested profit)	(15,816,888)	-
<b>Undistributed profit, retained undistributed result at the end of the financial year</b>	<b>304,030,907</b>	<b>200,051,239</b>

At the Ordinary General Meeting of Shareholders on May 12, 2021, the distribution of dividends to the Company's shareholders was approved in the total amount of RON 167,664,438, according to the quota in the share capital. The dividends were paid on July 21, 2021.

The profit for the financial year ended December 31, 2020 in the amount of RON 111,800,491 was distributed as follows: the amount of RON 15,816,888 in *Other reserves* representing the reinvested profit facility and the amount of RON 95,983,603 at the result carried forward according to the Ordinary General Meeting of Shareholders from dated May 12, 2021.

The financial statements of the Company for the financial year ended December 31, 2021 will be approved by the Ordinary General Meeting of Shareholders to be held in May 2022 when it will be decided how to distribute the profit for the financial year ended December 31, 2021.

**NOTE 12: NET TURNOVER**

**Sales by geographical areas:**

	Sales in 2020	Sales in 2021
Domestic sales	858,511,382	924,125,048
<b>Total sales</b>	<b>858,511,382</b>	<b>924,125,048</b>

**Sales in types of activity**

In 2021, the Company achieved a turnover of 924,125,048 (2020: 858,511,382), of which:

- revenues from the distribution of active electricity 824,509,063 (2020: 764,414,058);
- revenues from reactive energy distribution 22,585,658 (2020: 23,910,415);
- revenues from transactions on the balancing market 27,864,002 (2020: 10,232,861);
- revenues from the connection fee, the approval fee and the reception of works 6,063,420 (2020: 6,621,123);
- revenues from rental income 20,940,494 (2020: 24,231,664);
- revenues from the sale of energy on the next day's market 564,088 (2020: 2,797,248);
- income from thefts 1,764,855 (2020: 2,351,597); and
- and other income 19,833,467 (2020: 23,952,416) (sale of goods, other income).

The company distributed electricity to 1.415 million consumers in the current year (2020: 1,377), the total amount of electricity distributed to final consumers being 7,666,698 Mwh (2020: 7,253,648 Mwh). The average rate for electricity distributed for the whole year 2021 was 107.5 RON / MWh (2020: 105.4 RON / MWh).

The distribution price regulated by ANRE order are the following:

January 1 – December 31, 2021		
High voltage	Medium voltage	Low voltage
10.41	34.55	112.22

The distribution rate is applied according to the voltage level related to the delimitation point between the distribution operator and the user, by summing the specific rate related to the respective voltage level with the specific rate and to the higher voltage levels, in compliance with the regulations in force.

**NOTE 13: OTHER OPERATING INCOME**

Other operating income in the amount of 73,604,834 (2020: 77,247,960) includes the resumption of deferred income representing the connection fee collected from customers in the amount of 67,231,654 (2020: 71,909,242), income from compensation, fines 3,134 .632 (2020: 2,431,079) and other income in the amount of 3,238,548 (2020: 2,907,639).

**NOTE 14: EXPENDITURE ON RAW MATERIALS, CONSUMABLE MATERIALS AND OTHER EXPENDITURE**

In order to accurately reflect the nature of the activity carried out by the Company in these financial statements, the Company presented clearly in the profit and loss account the turnover of account 722, respectively of account 602 from the trial balance with the amount of RON 80,520,685(2019; 62,653,767). 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.

Other expenses mainly include expenses with electricity purchased to cover own technological consumption, in the amount of 429,052,046(2019; 293,918,808).

**NOTE 15: PERSONNEL EXPENDITURE AND INFORMATION REGARDING EMPLOYEES, MEMBERS OF ADMINISTRATIVE AND MANAGEMENT BODIES**

**Directors**

During 2020, the Company paid the following allowances to the members of the Board of Directors ("BD") and the executive management:

	<b>2020</b>	<b>2021</b>
Members of the Board	82,712	82,712
Director	1,088,467	1,088,467
<b>Total</b>	<b>1,171,179</b>	<b>1,171,179</b>

At the end of the financial year, there were no advances or loans granted to management. The Company had no obligation to pay pensions to former members of the Board and executive management.



## Employees

The average number of employees evolved as follows:

	2020	2021
Management	81	96
Administrative	431	479
Staff representing workers and foremen	474	466
<b>Total</b>	<b>986</b>	<b>1,041</b>

The expenses with salaries and related taxes registered during 2020 and 2021 are the following:

	2020	2021
Salary expenses	114,586,242	132,267,412
Expenses with vouchers granted to employees	3,306,660	4,514,180
Social security expenses	5,457,999	6,019,965
<b>Total</b>	<b>123,350,901</b>	<b>142,801,557</b>

## NOTE 16: OTHER OPERATING EXPENDITURE

The table below details other operating expenses by their nature:

		2020	2021
1	Expenses for the transport of goods and personnel	172,722	186,853
2	Expenses with royalties, management locations	4,370,079	7,078,480
3	Expenses with banking and similar services	184,044	204,794
4	Expenses with insurance premiums	1,400,866	1,936,566
5	Expenses with commissions and fees	1,429,664	945,511
6	Expenses with professional training	340,749	360,504
7	Expenditures on studies and research	114,822	687,259
8	Maintenance and repair expenses	54,930,468	62,924,047
9	Postal and telecommunications charges	5,738,259	2,224,841
10	Travel and transfer expenses	531,164	553,902
11	Protocol, advertising, and publicity expenses	243,080	81,799
12	Other expenses with services performed by third	82,306,223	67,057,235
<b>13 (row 1-12)</b>	<b>Expenses on external services - total</b>	<b>151,762,140</b>	<b>144,241,791</b>
<b>14</b>	<b>Expenses with taxes, fees and similar payments</b>	<b>12,084,521</b>	<b>13,903,698</b>
<b>15</b>	<b>Expenses on environmental protection</b>	<b>166,813</b>	<b>145,024</b>
<b>16</b>	<b>Other expenses</b>	<b>18,756,315</b>	<b>25,284,885</b>
<b>17 (row 13-16)</b>	<b>Total</b>	<b>182,769,789</b>	<b>183,575,398</b>

Other expenses for services performed by third parties (row 12 in the table above) include:

	2020	2021
Services provided by other entities within Enel group	45,820,041	32,210,566
Meter reading services	5,243,206	4,906,595
Other personnel connected costs	9,623,632	8,705,377
Security and cleaning services	5,951,284	5,297,177
IT services	5,587,672	7,747,605
Consulting and audit	1,163,854	1,480,778
ANRE contribution	2,665,645	1,660,375
Other	6,250,889	5,048,763
<b>Total</b>	<b>82,306,223</b>	<b>67,057,235</b>

Other expenses (row 16 in the table above) mainly include expenses with compensations, fines, and penalties in the amount of 11,637,214 (2020: 7,528,413), net loss from the sale of fixed assets of 8,105,021 (2020: 4,712,832), sponsorship expenses 651,221 (2020: 1,474,774) and other operating expenses 4,891,430 (2020: 5,040,296).

The fees charged by statutory auditors for statutory audit services and services other than audit for the financial year ended December 31, 2020 and December 31, 2021 are in accordance with the contracts.

#### NOTE 17: FINANCIAL INCOME AND EXPENDITURE

		2020	2021
<b>Financial revenues</b>			
1	Interest income - deposits	13,875,603	10,588,788
2	Income from exchange rate differences	4,046,098	1,151,716
	<b>Other financial income, total</b>	<b>4,046,098</b>	<b>1,151,716</b>
	<b>Financial revenues, total</b>	<b>17,921,701</b>	<b>11,740,504</b>

		2020	2021
<b>Financial expenditures</b>			
1	Expenses from exchange rate differences	6,205,718	3,484,576
	<b>Financial expenditures, total</b>	<b>6,205,718</b>	<b>3,484,576</b>

#### NOTE 18: INCOME TAX

	2020	2021
<b>Net accounting result</b>	<b>111,800,491</b>	<b>55,825,262</b>
Effect of non-deductible expenses (including income tax)	54,520,891	72,897,545
Other fiscal influences	-	-
Items similar to income	29,244,145	10,802,521
Effect of non-taxable income	(14,238,081)	(33,043,511)
Accounting depreciation	204,853,225	182,722,371
Tax depreciation	(349,983,418)	(330,861,742)
<b>Fiscal result</b>	<b>36,197,253</b>	<b>(41,657,554)</b>
<b>Income tax expense before adjustments (16%)</b>	<b>5,791,560</b>	-
Fiscal credit related to the reinvested profit	(2,530,702)	-

E-DISTRIBUTIE MUNTENIA SA  
 NOTE TO FINANCIAL STATEMENTS  
 for the financial exercise ended on December 31, 2021  
 (all amounts are in lei (RON) unless otherwise mentioned)

	2020	2021
Correction of profit tax 2020	-	(285,055)
Sponsorship expenses	(652,172)	-
Profit tax established RIF	33,996	-
<b>Total profit tax expense</b>	<b>2,642,682</b>	<b>(285,055)</b>

	2020	2021
<b>Income tax to be paid at the beginning of the year</b>	-	<b>43,191</b>
Expenditure with the income tax during year	2,642,682	(285,055)
Payments	(2,599,492)	(3,770,297)
<b>Income tax to be paid / (surplus) at the end of the year</b>	<b>43,191</b>	<b>(4,012,161)</b>

Non-deductible expenses include expenses with provisions and value adjustments, expenses with own technological consumption that exceed the established norm.

Non-taxable income includes income from provisions and value adjustments.

Items similar to income represent revaluation reserves taxed as reserves are amortized in accordance with the provisions of OG34 / 2009.

**NOTE 19: INFORMATION ON RELATIONS TO RELATED PARTIES**

**19.1 The nature of transactions with affiliated entities and other related parties**

Company	Related party	Activity	Main relations with the Company
Enel Energie Muntenia, Romania	Under joint control (part of the Enel Group)	Electricity trading in the geographical area of South Muntenia	Sale of electricity distribution services; energy purchases
E-Distribuție Banat, Romania	Under joint control (part of the Enel Group)	Electricity distribution in the geographical area of Banat	Purchases of smart meters and materials
E-Distribuție Dobrogea, Romania	Under joint control (part of the Enel Group)	Electricity distribution in the geographical area of Dobrogea	Purchases of smart meters and materials
Enel Energie, Romania	Under joint control (part of the Enel Group)	Electricity sales in Dobrogea area and Banat area Support services for the distribution operator	Sale of electricity distribution services; energy purchases
Enel Romania	Under joint control (part of the Enel Group)	Management and consulting services	Procurement of support, assistance, and consulting services
Enel Servicii Comune, Romania	Under joint control (part of the Enel Group)	Management and consulting services	Procurement of support, assistance, and consulting services
Enel Trade Romania	Sub control comun (parte din Grupul Enel)	Electricity trading	Procurement of support, assistance, and consulting services
E-Distribuzione, Italia	Under joint control (part of the Enel Group)	Distribution of electricity and sale of electricity to captive customers in Italy	Procurement of support, assistance, and consulting services
Enel Italia	Under joint control (part of the Enel Group)	Accounting and computer services	Procurement of support, assistance, and consulting services
Enel Spa, Italia	Majority shareholder	Management services	Procurement of support, assistance, and consulting services
Enel Energia, Italia	Under joint control (part of the Enel Group)	Energy supply on the free market	Procurement of support, assistance, and consulting services
Enel Green Power, Romania	Under joint control (part of the Enel Group)	Electricity production	Procurement of energy
Enel Global Inf and Netw SRL, Italia	Under joint control (part of the Enel Group)	Management and consulting services	Procurement of support, assistance, and consulting services
Enel Iberia, Spania	Under joint control (part of the Enel Group)	Management services	Procurement of support, assistance, and consulting services
Enel X	Under joint control (part of the Enel Group)	Management services	Acquisitions of electric car charging services services
Enel Global Services	Under joint control (part of the Enel Group)	Management services	Procurement of support, assistance, and consulting services

## 19.2. Amounts due and receivable from related parties

	Balance receivables from		Balance liabilities	
	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021
Enel Energie Muntenia	92,834,124	139,410,522	1,726,489	1,145,788
E-Distributie Banat	1,499,245	2,305,839	349,253	8,977,012
E-Distributie Dobrogea	2,827,886	1,232,793	173,990	5,360,649
Enel Energie	27,568,297	39,317,988	859,569	1,382,217
Enel Romania	429,783	1,450,311	1,959,872	5,206,746
Enel Servicii Comune	711,770	74,812	2,721,394	3,059,051
E-Distribuzione	2,492,816	950,155	29,743,429	27,566,605
Enel Italia	96,367	96,367	9,182,928	3,102,346
Enel Spa	1,061,245	1,078,397	41,355,956	43,503,429
Empresa	489,350	667,231	-	-
Ampla Energia E Servicios	-	-	1,082,997	-
Enel X	-	-	1,924	1,447
Enel Global Services	-	-	13,706,542	14,902,736
Enel Green Power Romania	195,453	128,292	4,251,156	7,435,117
Enel Global Inf.and Network SRL	2,181,761	2,192,669	34,493,408	34,498,341
Enel Iberia	-	-	1,419,384	1,774,611
<b>Total</b>	<b>132,388,097</b>	<b>188,905,376</b>	<b>143,028,291</b>	<b>157,916,095</b>

The receivables from Enel Energie Muntenia come mainly from amounts for the value of the electricity distribution service.

Debts to ENEL companies include debts related to assistance, consulting, and support services contracts, as well as the equivalent value of the acquisition of equipment and computer programs.

## 19.3 Sales of goods and services and / or fixed assets and Purchases of goods and services

	Sales 2020	Sales 2021	Acquisitions 2020	Acquisitions 2021
Enel Energie Muntenia	535,719,425	558,027,975	677,728	10,663,107
E-Distributie Banat	7,255,980	8,937,171	981,856	3,322,913
E-Distributie Dobrogea	5,615,424	2,904,889	3,169,837	4,531,232
Enel Energie	1,937,777	2,419,753	7,000,182	12,220,998
Enel Romania	374,048	42,727	7,014,957	8,678,705
Enel Servicii Comune	268,406	20,985	8,382,370	6,409,217
E-Distribuzione	1,657,131	699,132	24,540,114	29,413,079
Enel Italia	-	-	11,719,759	15,417
Enel Spa	-	-	5,870,307	2,932,124
Empresa	340,842	177,882	-	-
Ampla Energia E Servicios	-	-	767,563	(1,073,811)
Enel X	-	-	1,617	39,919
Enel Global Services	-	-	-70,723	1,057,887
Enel Trade Romania	-	-	-	-
Enel Green Power Romania	164,246	-	574,777	164,680
Enel Global Inf.and Network SRL	772,242	(708)	21,193,710	16,327,161
Enel Iberia	-	-	722,127	329,387
<b>Total</b>	<b>554,105,521</b>	<b>573,229,806</b>	<b>92,546,181</b>	<b>95,032,015</b>

## NOTE 20: CONTINGENCES

### 20.1 Taxation

The Romanian tax system is being consolidated and under constant changing, and there may be different interpretations of the authorities in relation to the tax legislation, which may give rise to additional taxes, fees, and penalties. If the state's authorities discover violations of the legal provisions in Romania, they may determine, as the case may be: to confiscate the amounts in question, imposing additional tax obligations, application of fines, application of delay increases (applied to the remaining payment amounts). Therefore, the fiscal sanctions resulting from violations of the legal provisions can reach important amounts to be paid to the State.

The Company considers that it has paid on time and in full all taxes, penalties, insofar as the case may be.

The Romanian tax authorities have carried out inspections regarding the calculation of the tax that are presented in the list below:

Controlled periods	Obligation category
Until 2017, inclusive	Income tax
Until 2017, inclusive	VAT

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

### 20.2 Transfer price

In accordance with the relevant tax legislation, a transaction's tax assessment of a related party is based on the market price concept for those transactions. Based on this concept, transfer prices must be adjusted to reflect market prices that 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 transfer pricing will be performed in the future by the tax authorities, to determine whether those prices comply with the principle of "normal market conditions" and that the taxable base of the Romanian taxpayer is not distorted.

### 20.3 Legal claims / Disputes

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

## **20.4 Environmental issues**

During 2021, the Company continued to carry out programs related to waste management, monitoring of environmental factors, reducing the level of pollution in all installations, the total environmental expenses amounting to approximately RON 1,505,790 (2020: 1,489,870).

## **NOTE 21 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 2021 and 2020.

### **Credit risk**

The company carries out commercial relations only with recognized third parties, which justifies the financing on credit. The Company's policy is that all significant customers who wish to conduct business relationships on credit terms are subject to verification procedures. Moreover, receivables balances are constantly monitored, resulting in an insignificant exposure of the Company to the risk of uncollectible receivables.

## **NOTE 22 COMMITMENTS**

### **22.1 Endorsements and guarantees granted to third parties**

As on December 31, 2021, from the credit facility presented above, the Company had issued letters of guarantee in the amount of RON 70,476,815 and EUR 2,750,000, the equivalent of RON 13,610,437 (2020: RON 66,883,586) in favor various energy suppliers and the Energy Market Operator (OPCOM).

### **22.2 Commitments on future rent and lease payments**

In 2021, the Company registered an expense of RON 3,497,000 (2020: RON 4,370,079) related to the rents paid in connection with the operational leasing contracts. The estimated present value of the future rental costs related to the significant operating leasing contracts for the Company as of December 31, 2021, is RON 41,975,049 (2020: RON 44,324,908).

### **22.3 Ongoing contracts**

In 2021, the Company is engaged in the development of contracts signed in the previous years, 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	870,120,000
Suppliers of energy	217,990,000

#### 22.4 Compensation payments

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

Seniority	Number of gross salaries
1- 5 years	4
5- 10 years	6
10- 20 years	7
over 20 years	10

In the case of collective redundancies, the Company will pay redundancy aid to dismissed employees in relation to seniority, thus:

Seniority	Number of gross salaries 2021
1- 3 years	4
3- 5 years	6
5- 10 years	10
10- 20 years	15
over 20 years	20

#### NOTE 23: OTHER INFORMATION

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

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

In the case filed by E-Distributie Dobrogea (a company within Enel), the Bucharest Court of Appeal partially admitted the action, the decision not being drafted, the other two cases initiated by the Company and E-Distributie Banat were suspended until the final settlement of the case of E-Distributie Dobrogea.

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

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

Requests for waiver were filed and registered by the Companies, being resolved in February, March and April 2021, the court taking note of the waiver requests.



**NOTE 24: SUBSEQUENT EVENTS**

At the end of February 2022, the Ministry of Energy launched for public debate the draft GEO on measures applicable to final customers in the electricity and natural gas market between April 1, 2022 - March 31, 2023. The document proposes to establish temporary measures so that prices for electricity and natural gas paid by final customers should not aggravate the level of energy poverty. The draft GEO provides, among other things, the maintenance at the current level of regulated rates for electricity transmission and distribution services and distribution of natural gas during the application of the provisions of the ordinance and the recognition in the regulated rates the financial expenses occasioned by bank loans contracted between 2022-2023, to cover the expenses for the acquisition of electricity and natural gas, generated by the increase of prices on the wholesale market and to cover the technological consumption.

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