ENGIE Romania S.A.
and its subsidiaries

Consolidated financial statements

FOR THE YEAR CONCLUDED ON
DECEMBER 31, 2018

Drawn up in accordance with Order no. 2844/2016 of the Ministry of Public Finance
on the approval of the Accounting regulations aligned to the
International Financial Reporting Standards

Contents

(The amounts are expressed in RON, unless otherwise provided)

Comprehensive income statement

For the fiscal year concluded on December 31, 2018

	Notes	2018 RON	2017 Restated* RON
Turnover			
Gas supply income		4,337,198,549	3,909,628,859
Gas distribution income		337,152,063	324,769,782
Electricity supply income		933,965,599	428,201,970
Income from green certificates		45,496,606	54,407,667
Other income	**5**	137,461,706	124,204,139
Total turnover		**5,791,274,523**	**4,841,202,417**
Other operating income	**6**	95,662,274	85,328,127
Gas purchase costs		(3,079,912,676)	(2,688,153,311)
Electricity purchase costs		(746,060,206)	(303.728.010)
Expenses with consumables		(99,385,707)	(74.390.565)
Gas transportation and storage costs		(425,275,164)	(579.788.284)
Gas distribution costs		(25,769,600)	(32.395.535)
Expenses with services related to electricity supply		(147,770,681)	(121.823.890)
Adjustments for green certificates		1,534,190	351.703
Expenses with employee benefits	**7**	(360,459,853)	(323.073.321)
Amortisation and depreciation costs	**11, 12**	(190,024,057)	(183.622.394)
Other expenses	**8**	(328,105,625)	(277.484.635)
Operating profit		**485,707,418**	**422.424.602**
Interest income	**9**	19,249,312	6.232.838
Interest expenses	**9**	(5,899)	(15.577.555)
Foreign exchange gains / (losses)		1,401,133	1.015.003
Other financial gains / (losses)	**9**	(9,901,515)	2.159.790
Net financial expenses		**10,743,031**	**(8,169.924)**
Share from the associates' profit / (loss)		(4,573,140)	(3.080.206)
Gross profit		**491,877,309**	**413.174.372**
Current corporate income tax costs	**10**	(73,813,141)	(53.092.595)
Deferred tax (costs) / credit	**10**	10,642,639	(17.520.807)
Net profit		**428,706,807**	**342.661.170**
Attributable to the parent company's shareholders		428,776,253	342.552.324
Attributable to non-controlling interests		(69,446)	6.846
Other comprehensive income elements – not to be subsequently reclassified under the profit and loss account			
Actuarial gains / (losses) from employee benefits		(5,409,186)	5.658.793
Deferred tax related to actuarial gains / (losses)		865,470	(905.407)
Revaluations of buildings and lands		-	-
Deferred tax pertaining to revaluations of buildings and lands		-	-
Other comprehensive income elements, net		**(4,543,716)**	**4.763.386**
Net comprehensive income		**424,163,091**	**347.314.668**
Attributable to the parent company's shareholders		*424,232,537*	*347.305.710*
Attributable to non-controlling interests		*(69,446)*	*8.846*

* The comparative data as at December 31, 2017 and January 1, 2017 were restated due to the application of the new IFRS 15 and IFRS 9 standards (Note w)).

The financial statements on pages 3 – 73 were approved by the Management Board and authorised for issuance on April 18, 2019.

Eric Stab
President – Chief Executive Officer
Signature: [illegible]

Anne-Marie Gestin
Director, Financial, Purchases and General Business Directorate
Signature: [illegible]

(The amounts are expressed in RON, unless otherwise provided)

Consolidated statement of financial position
As at December 31, 2018

	Notes	31.12.2018 RON	31.12.2017 Restated* RON	01.01.2017 Restated* RON
Assets				
Long-term assets				
Tangible assets	**11**	3,385,143,088	3,323,021,547	3,325,236,337
Intangible assets	**12**	30,621,722	27,485,322	33,117,669
Financial investments	**13.1**	476,166	478,166	476,165
Investments in associates	**13.2**	13,375,423	16,952,024	22,032,230
Other financial assets	**14.1**	520,793	696,855	507,657
Deferred tax receivables	**10**	49,044,517	42,070,183	40,009,307
Current assets				
Stocks	**15**	380,005,271	319,642,115	225,241,603
Trade receivables	**16**	1,583,989,201	1,141,529,660	1,189,499,334
Other receivables and current assets	**17**	22,988,277	25,011,858	33,714,012
Other current financial assets	**14.1**	-	2,154,179	-
Corporate income tax receivables		-	7,414,271	-
Cash and cash equivalents	**18**	1,110,975,709	982,591,265	982,737,803
TOTAL ASSETS		**6,577,140,167**	**5,891,045,446**	**5,832,572,337**
Own equity and debts				
Own equity				
Share capital, of which:		257,303,348	257,303,348	257,303,346
- Subscribed share capital	**19.1**	199,245,530	199,245,530	199,245,530
- Adjustment from share capital hyperinflation		58,057,818	58,057,818	58,057,616
Share premiums	**19.1**	653,633,485	653,633,485	653,633,465
Revaluation reserves	**19.3**	156,967,337	166,454,767	175,114,431
Legal reserve	**19.2**	47,702,078	47,702,078	47,702,078
Other reserves	**19.3**	215,786,903	219,176,997	213,814,630
Balance carried forward		3,402,957,796	3,133,350,382	2,893,076,837
Total own equity attributable to the parent company's shareholders		**4,734,350,947**	**4,477,621,087**	**4,240,646,009**
Non-controlling interests		456	69,903	61,056
TOTAL CAPITAL		**4,734,351,403**	**4,477,690,960**	**4,240,706,085**
Long-term liabilities				
Long-term provisions	**20**	126,578,350	116,219,613	108,763,585
Long-term employee benefits	**21**	90,749,440	68,646,757	69,505,328
Subsidies		12,187	12,186	16,688
Deferred tax debts	**10**	174,015,131	178,546,906	158,062,016
Current debts				
Trade payables to suppliers	**23**	1,098,420,908	825,524,674	755,677,654
Short-term loans and the current portion of long-term bank loans	**14.3**	-	-	3,134,722
Debenture loans	**14.3**	-	-	250,000,000
Other current financial debts	**14.2**	6,635,239	-	-
Short-term provisions	**20**	18,920,974	16,661,737	38,233,166
Short-term employee benefits	**21**	33,162,930	39,162,939	38,600,161
Current corporate income tax debts		19,488,864	-	14,354,468
Other debts	**22**	274,804,741	166,375,673	155,496,266
TOTAL DEBTS AND OWN EQUITY		**6,577,140,167**	**5,691,045,445**	**5,632,672,337**

* The comparative data as at December 31, 2017 and January 1, 2017 were restated due to the application of the new IFRS 15 and IFRS 9 standards (Note w)).
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Signature: [illegible]

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(The amounts are expressed in RON, unless otherwise provided)

Consolidated statement of changes in own equity

for the fiscal year concluded on December 31, 2018

	Share capital RON	Share premiums RON	Legal reserves RON	Revaluation reserves RON	Other reserves RON	Balance carried forward RON	Attributable to the parent company's shareholders RON	Non-controlling interests RON	Capital total RON
As at January 1, 2018	**257,303,348**	**653,633,485**	**47,702,078**	**166,454,767**	**219,176,997**	**3,133,350,382**	**4,477,621,057**	**69,903**	**4,477,690,960**
Period profit	-	-	-	-	-	428,776,253	428,776,253	(69,446)	428,706,807
Actuarial gains / (losses), net of deferred tax	-	-	-	-	(4,543,716)	-	(4,543,716)	**-**	(4,543,716)
Total comprehensive income	-	-	-	-	**(4,543,716)**	**428,776,253**	**424,232,537**	**(69,446)**	**424,163,091**
Transfer of revaluation surplus	-	-	-	(9,487,430)	-	9,487,430	-	-	-
Share-based payments	-	-	-	-	1,153,622	-	1,153,622	-	1,153,622
Paid dividends						(168,656,269)	(168.656,269)	-	(168,656,269)
As at December 31, 2018	**257,303,348**	**653,633,485**	**47,702,078**	**156,967,337**	**215,786,903**	**3,402,957,796**	**4,734,350,947**	**456**	**4,734,351,403**

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Consolidated statement of changes in own equity

for the fiscal year concluded on December 31, 2017

	Share capital	Share premiums	Legal reserves	Revaluation reserves	Other reserves	Balance carried forward	Attributable to the parent company's shareholders	Non-controlling interests	Capital total
	RON	RON	RON	RON	RON	RON	RON	RON	RON
As at January 1, 2017, carried forward	**257,303,348**	**653,633,485**	**47,702,078**	**175,114,431**	**213,814,830**	**2,942,386,985**	**4,289,955,157**	**61,056**	**4,290,016,213**
Effects of adopting the new standards						(49,310,148)	(49,310,148)		(49,310,148)
As at January 1, 2017, restated*	**257,303,348**	**653,633,485**	**47,702,078**	**175,114,431**	**213,814,830**	**2,893,076,837**	**4,240,645,009**	**61,056**	**4,240,706,065**
Period profit, restated	-	-	-	-	-	342,552,324	342,552,324	8,846	342,561,170
Actuarial gains / (losses), net of deferred tax	-	-	-	-	4,753,386	-	4,753,386	**-**	4,753,386
Total comprehensive income	-	-	-	-	**4,753,386**	**342,552,324**	**347,305,710**	**8,846**	**347,314,556**
Transfer of revaluation surplus	-	-	-	(9,808,435)	-	9,808,435	-	-	-
Related deferred tax				1,148,772	-	(1,148,772)	-	-	-
Share-based payments	-	-	-	-	608,781	-	608,781	-	608,781
Paid dividends						(168,656,269)	(110,938,443)	-	(110,938,443)
As at December 31, 2017	**257,303,348**	**653,633,485**	**47,702,078**	**166,454,767**	**219,176,997**	**3,133,350,382**	**4,477,621,057**	**69,903**	**4,477,690,960**

* The comparative data as at December 31, 2017 and January 1, 2017 were restated due to the application of the new IFRS 15 and IFRS 9 standards (Note w)).

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Consolidated statement of cash flows

	Notes	2018 RON	2017 Restated* RON
Operational activities			
Profit before tax		491,877,309	413.174.372
Net outturn components which do not generate cash flows pertaining to the operational activity:			
Expenses with amortisations and depreciations of tangible assets	11	181,404,245	174.828.713
Expenses with amortisations and depreciations of intangible assets	12	8,619,812	8.793.681
Expenses with share-based payments		1,153,622	608.781
Gains from the purchase/revaluation of Wirom Gas shares			(2.154.179)
Unrealised value decreases / (increases) of financial instruments		8,783,519	(1.715.087)
Loss from disposals of tangible assets	8	(469,760)	15.577.555
Financial expenses	9	5,899	(6.232.838)
Interest income		(19,249,312)	3.080.206
Share in the associates' (profit) / loss		4,573,140	1.211.132
(Gains) / losses from receivables	16	5,457,736	(10.232.505)
Variation of value adjustments, provisions and post-employment benefits		52,730,235	174.828.713
Provision related to additional gains from the natural gas purchase price	3	-	(32.060.894)
Working balance (working capital) variation:			
(Increase) / Decrease of trade and other receivables		(477,130,002)	70.623.905
(Increase) / Decrease of stocks		(60,747,623)	(93.840.521)
Increase) / Decrease of trade and other payables		395,698,812	94.727.975
		592,707,632	**638.390.298**
Corporate income tax paid		(46,910,006)	(74.861.354)
Net cash flow (used in)/generated from operational activities		**545,797,626**	**561.528.942**
Investment activities			
Receipts from sales of tangible assets		1,669,857	2.075.224
Purchases of tangible assets	11	(274,585,851)	(206.262.110)
Purchases of intangible assets	12	(11,756,213)	(3.161.314)
Receipts of subsidies		15,662,522	19.090.602
Dividends collected from associates		1,003,460	
Net cash flow (used in)/generated from investment activities		**(268,006,225)**	**(188.257.598)**
Financing activities			
Payments on loans	14	-	(250.000.000)
Interest paid		-	(18.712.277)
Interest received		19,249,312	6.232.838
Dividends paid	23	(168,656,269)	(110.938.443)
Net cash flow (used in)/generated from financing activities		**(149,406,957)**	(373.417.882)
Net variation of cash and cash equivalents		128,384,444	(148.538)
Cash and cash equivalents in the beginning of the year		982,591,265	982.737.803
Cash and cash equivalents at the end of the year	18	**1,110,975,709**	**982.591.265**

* The comparative data as at December 31, 2017 and January 1, 2017 were restated due to the application of the new IFRS 15 and IFRS 9 standards (Note w)).

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Anne-Marie Gestin
Director, Financial, Purchases and General Business Directorate
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1. INFORMATION ABOUT THE GROUP

ENGIE Romania SA is a joint-stock company whose scope of business consists in the supply of natural gas across the southern part of Romania's territory. The company was created pursuant to Government Decision no. 491/1998, implemented as of August 31, 1998, and its name was changed in April 2009 from S.C. DGN DISTRIGAZ SUD S.A. to S.C. GDF SUEZ Energy Romania S.A. On March 21, 2016, the Company's business name was changed from GDF SUEZ Energy Romania SA to ENGIE Romania SA. The Company's headquarters are at 4-6 Mărășești Blvd., district 4, Bucharest, Romania.

ENGIE Romania SA is part of ENGIE Group. ENGIE Group's annual consolidated financial statements are drawn up for the parent company on the whole – ENGIE, having its registered office at 1, place Samuel de Champlain 92930, Paris la Defense, France. These annual consolidated financial statements are publicly available by accessing the following web address: http://www.ENGIE.com.

The consolidated companies comprised under ENGIE Romania Group are: ENGIE Romania SA (the Parent company) and Distrigaz Sud Rețele SRL, ENGIE Servicii SRL, Brăila Winds SRL, Alizeu Eolian SA and ENGIE Building Solutions SRL subsidiaries. At the end of 2015, according to Civil Case Sentence no. 798/14.12.2015, Congaz SA subsidiary underwent a partition process and its assets and worth, namely its rights and obligations, assets and liabilities, were transferred to ENGIE Romania SA and to Distrigaz Sud Rețele SRL.

Distrigaz Sud Rețele SRL was set up in March 2008 following the process of legal and accounting separation of the natural gas supply and distribution activities, and the related services from the activities of ENGIE Energy Romania SA. The Company took over, by way of transfer, a part of the parent company's assets, and became the holder of the concession contracts concluded for the natural gas distribution service and of the distribution licence.
Distrigaz Sud Retele is a limited liability company. As at December 31, 2016, following the partition and integration process undergone by Congaz in 2015, ENGIE Romania holds 99.9722% of the equity shares (2015: 99.9722%). The Company is coordinated by the Shareholders' General Assembly, the executive body of which is a Management Board.

The Company's scope of business is primarily the regulated activity of natural gas distribution. In addition to this, the Company carries out other non-regulated activities such as access to the distribution system. From a territorial standpoint, it is organised into four Regional Directorates (not registered as legal entities) and 51 places of business registered with the Trade Register.

The Company's registered office is at 4-6 Mărășești Blvd., building B, District 4, Bucharest and is registered with the Trade Register under number J40/2728, having Tax Identification Number 23308833.

ENGIE Servicii SRL was established on July 1, 2009, following the approval of the new technical rules for natural gas distribution, which allowed technical inspections and verifications of operating equipment and facilities for household consumers to be conducted by other companies outside distribution operators, as well. Furthermore, as per Order ANRE (Regulatory Authority for Energy) 7/2009, the validity requirements for the distribution licence underwent changes that allowed outsourcing the technical inspections and verifications of operating equipment and facilities.

The company's actual activity commenced on October 1, 2009, via a business transfer from Distrigaz Sud Retele.

ENGIE Servicii is a limited liability company. 99.99% of the total equity chares is held by ENGIE Romania SA. The Company is coordinated by the Shareholders' General Assembly, the executive body of which is a Management Board. The company's current business name as of March 21, 2016 was changed from Distrigaz Confort to ENGIE Servicii.

The Company's scope of business is primarily technical inspections and verifications of operating equipment and facilities and related services. Country-wise, it is organised into three regions (not registered as legal entities) and 18 agencies.

The Company's registered office is at 38 Gramont str., 7th floor, Bucharest and is registered with the Trade Register under number J40/7422, having Tax Identification Number 25724432.

1. INFORMATION ABOUT THE GROUP (continued)

Braila Winds SRL is a limited liability company established in 2009 and purchased 99.995% by ENGIE Romania SA in December 2011.

Its scope of business is wind-based electricity production.

The Company's registered office is at 4-6 Mărășești Blvd., District 4, Bucharest and is registered with the Trade Register under number J40/12230/16.09.2016, having Tax Identification Number 26308340.

Alizeu Eolian SA is a public limited company, set up in 2010 and purchased 99.995% by ENGIE Romania SA in December 2012.

Its scope of business is wind-based electricity production.

The Company's registered office is at 4-6 Mărășești Blvd., District 4, Bucharest and is registered with the Trade Register under number J40/11634/02.09.2016, having Tax Identification Number 27214294.

ENGIE Building Solutions SRL is a Company the core business of which is the performance of plumbing, heating and air conditioning works, as well as the provision of technical services for industrial customers. It became a subsidiary on November 1, 2016, following the purchase of 100% of its equity shares by ENGIE Servicii SRL from Cofely Holding GmbH and from Cofely GEBÄUDETECHNIK GmbH. The company's name was changed following the purchase, from Cofely Building Services and Maintenance SRL to ENGIE Building Solutions SRL.

The Company's registered office is at 38 Gramont str., District 3, Bucharest and is registered with the Trade Register under number J40/724/2001, having Tax Identification Number 13660947.

These financial statements of ENGIE Romania Group, for the year concluded on December 31, 2018, are authorised for issuance as per the administrators' decision from April 18, 2019.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

2.1 Fundamentals for drawing up financial statements

Statement of compliance

The Group's financial statements were drawn up in accordance with the provisions of Order no. 2844/2016 on the approval of the Accounting regulations aligned to the International Financial Reporting Standards, applicable to trading companies the immovable property of which are admitted to trading on a regulated market, as subsequently amended and clarified. These provisions are in compliance with the provisions of the International Financial Reporting Standards adopted by the European Union, except for the provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates* in relation to the functional currency, except for the provisions of IAS 20 *Accounting for Government Grants* in relation to the acknowledgement of revenues from green certificates, and except for IFRS 15 *Revenue from Contracts with Customers* in relation to revenues from distribution network connection fees. For the purpose of drawing up these financial statements, in line with the legislative provisions in Romania, the Company's functional currency is set forth as the Romanian Leu (RON).

OMFP 2844/2016 replaced OMFP 1286/2012 starting with the 2016 financial statements. The changes introduced by OMFP 2844/2016 did not have a significant impact upon the Company's 2016 financial statements.

For all the periods concluded from December 31, 2008 to, and including, December 31, 2011, the Group drew up the financial statements in accordance with the Romanian accounting standards (OMFP 3055/2009 and, beforehand, OMFP 1752/2005). The financial statements for the year concluded on December 31, 2012, in accordance with OMFP 1286/2012, were the first financial statements drawn up in line with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The present financial statements are drawn up according to the business continuity principle.

2.2 Consolidation fundamentals

The consolidated financial statements comprise the financial statements of the Parent company and those of its subsidiaries, as at December 31, 2018.

The subsidiaries are consolidated since the date they are acquired, namely, since they become controlled by the Group, and remain consolidated until this control ceases. The subsidiaries' financial statements are drawn up for the same reporting period as for the parent entity, using consistent accounting policies.

The Group controls an entity when it has exposure or rights over the variable results pursuant to its shareholding in the entity it has invested in, and is able to use its authority upon the entity it has invested in to influence the value of results. In general, control derives from owning the majority percentage of voting rights.

All the unrealised balances, transactions, gains and losses resulting from transactions within the Group, as well as the dividends within the Group, are eliminated in their entirety.

The comprehensive income within a subsidiary is attributed to the non-controlling interest even if this leads to a negative balance of that non-controlling interest.

Any changes in the equity interests of a subsidiary, without the loss of control, are accounted for as an equity transaction.

If the Group loses control over a subsidiary, it shall:

- Derecognise the subsidiary's assets (goodwill included) and liabilities
- Derecognise the book value of any non-controlling interests
- Derecognise the cumulated foreign exchange differences recorded under its own equity
- Recognise the fair value of the equivalent value received
- Recognise the fair value of any unappropriated investment
- Recognise under profit or loss any surplus or deficit
- Reclassify under profit or loss or balance carried forward, as the case may be, the portion belonging to the Parent company from the components previously recognised under other comprehensive income elements.

2.3 Main accounting policies

a) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of an acquisition is evaluated as the total value of the transferred equivalent value, the fair value measured on the purchase date and the value of any non-controlling interest in the acquired entity. For each business combination, the Group chooses whether it evaluates the non-controlling interest in the acquired entity at fair value or at the proportionate share of the net identifiable assets of the acquired entity. The costs of the purchase made are recorded under administrative expenses.

When the Group acquires an enterprise, it evaluates the undertaken financial assets and liabilities in order to classify or designate them accordingly based on contractual terms, the economic conditions, as well as on other pertinent conditions present on the acquisition date. This includes, where applicable, the acquired entity separating the derivatives embedded in the host contracts.

If the business combination is performed in stages, the previously held stake is revaluated at the fair value from the acquisition date and any gains or losses shall be recognised under profit or loss.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Any contingent consideration that has to be transferred by the acquirer is recognised at the fair value from the purchase date. A contingent consideration considered an asset or a liability, which stands as a financial instrument subject to IFRS 9 "*Financial Instruments*" is measured at fair value and its modification shall be recognised under profit or loss or as a change under other comprehensive income elements. If a contingent consideration is not subject to IFRS 9, it is measured in accordance with the corresponding IFRS standard. A contingent consideration classified as own equity shall not be revaluated and any subsequent settlements shall be recorded under own equity.

Goodwill is initially measured at cost, representing the value by which total between the transferred consideration and the recognised value of the non-controlling interests exceeds the net value of the identifiable assets purchased and of the liabilities undertaken. If the fair value of the acquired net assets exceeds the total value of the transferred consideration, the gains are recognised under profit or loss.

After the initial recognition, goodwill is measured at cost minus any accrued impairment losses. In order to perform impairment tests, the goodwill acquired from a business combination is allocated, from the acquisition date, to each of the Group's cash-generating unit believed to be benefitting from said combination, whether or not other assets or liabilities of the acquired entity are allocated to those units.

b) Investments in associated entities

The Group's investments in an associated entity are accounted for by applying the equity method. An associated entity is an entity upon which the Group has a significant influence.

According to the equity method, the investment is initially recognised under cost. The book value of the investment is adjusted to include the post-acquisition changes to the Group's share in the net assets of the associated entity. The goodwill corresponding to the associated entity is included in the book value of the investment and shall be neither harmonised, nor impairment-tested separately.

The profit and loss account reflects the Group's share in the associated entity's results. Where there is a modification directly recognised under the associated entity's own equity, the Group recognises the share corresponding to any changes and presents it, if necessary, in the statement of changes in own equity. The unrealised gains and losses from transactions between the Group and the associated entity are eliminated proportionate to the stake in the associated entity.

The Group's share to the profit or loss of an associated entity is presented in the profit and loss account and represents the profit or loss after tax and the non-controlling interests in the associated entity's subsidiaries.

The associated entity's financial statements are drawn up for the same period as for the Group. If necessary, adjustments are made to align the accounting policies to those of the Group.

After applying the equity method, the Group determines whether it is necessary to recognise an impairment loss in relation to its investment in the associated entity. As at each reporting date, Group determines whether there is proof that the investment in the associated entity is impaired. If such proof exists, the Group calculates the impairment value as the difference between the associated entity's recoverable value and book value and recognises the amount in the profit and loss account under "Share in the losses of an associated entity".

Upon losing the relevant influence upon an associated entity, the Group measures and recognises any investment kept in the respective entity at fair value. Any difference between the associated entity's book value as at the date of losing the relevant influence and the fair value of the kept investment, plus the receipts from disposal, are recognised under profit or loss.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

c) Currency conversions

The Group's financial statements are presented in RON, which is also the Group's functional currency, set forth in accordance with the requirements of IAS 21.

The transactions in foreign currencies are converted into RON using the foreign exchange rate valid on the transaction date. The monetary assets and liabilities expressed in foreign currencies at the end of the period are evaluated in RON using the foreign exchange rate valid on the fiscal year end date. The realised or unrealised gains and losses are recorded in the profit and loss account. The RON - USD and RON - EUR foreign exchange rates as at December 31, 2020 and December 31, 2019 were:

	December 31, 2018	December 31, 2017
RON – USD	4.0736	3.8915
RON – EUR	4.6639	4.6597

The foreign exchange differences, whether favourable or unfavourable, between the rate as at the date when the receivables or debts in foreign currencies were recorded or the rate used to report them in the previous financial statements and the foreign exchange rate as at the fiscal year end date are recorded under financial income or expenses, as the case may be.

d) Acknowledgement of revenues

- **Revenues from customer contracts**

Revenues from customer contracts include the supply of gas and electricity, as well as other services provided to third parties or affiliated parties.

In accordance with IFRS 15, revenues are recognised when a customer gains control over the goods or services rendered, and these are evaluated at the level of the consideration the Company is expected to be entitled to in exchange, not including the amounts collected on behalf of third parties. Depending on the nature of the goods or services, revenues can be recognised in time or at a specific time.

Revenues are recognised over time provided that:
- the customer simultaneously receives and consumes the benefits generated through the provision of the goods and services as the Group fulfils its obligation
- the fulfilment by the Group creates or improves an asset which the customers controls as the asset is created or improved;
- the fulfilment by the Group does not create an asset with an alternative use for the Group.

All the other revenues which do not meet the criteria above are recognised at a specific time.

The revenues are evaluated at the fair value of the consideration received or to be received, taking into account the contractual payment terms and excluding any taxes and duties.

The Group concluded that it acts in the capacity of principal in the context of all its revenue commitments. The recognition criteria detailed below have to be met as at the revenue recognition date.

Revenues from the sale of goods

The revenues from the sale of commodities/goods are recognised at the time of transferring to the buyer the significant risks and benefits associated to the right of ownership over the goods, usually upon the delivery of those goods.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Therefore, the Group calculated and recorded the revenues pertaining to the gas that was delivered in December 2020 and will be invoiced in January 2019 (“metered gas”).

The revenues pertaining to these contracts are recognised at a specific time, based on actual quantities, at the prices set forth in the concluded contracts or at the tariffs set forth by the regulatory authority, as the case may be.

Revenues from services rendered

The revenues from the provision of services are recognised in the period when they were rendered and in accordance with the completion stage. The Group records revenues from gas distribution and from other services rendered.

Variable consideration

Certain customer contracts entail volume-related discounts, financial discounts or commercial price reductions. In accordance with IFRS 15, the variable consideration needs to be estimated at the start of the contract. The revenues are recognised as it becomes likely that a significant reversal of the value of the cumulated recognised revenues will not take place. Therefore, in the case of contracts for which the Company is unable to reasonably estimate the discounts, the revenues shall be recognised earlier than when a reasonable estimation can be done. In order to estimate the variable consideration that it would later on be entitled to, the Group applied the Expected value method.

Assets pertaining to customer contracts

Assets pertaining to customer contracts represent the Company’s right to receive consideration in exchange for the goods or services transferred to a customer, and are different from trade receivables.

Debts from customer contracts

Debts from customer contracts are amounts collected from customers, as per the contractual clauses, for goods and services that are to be delivered and rendered, respectively, over the following period. These amounts shall be recognised under revenues when the said goods or services have been supplied.

- **Interest income**

For all the financial instruments measured at amortised cost and the interest-bearing financial assets classified as available for sale, the interest-related revenues or expenses are recorded using the effective interest method, which is the rate that accurately updates the future cash payments and receipts throughout the projected operating life of the financial instrument or, where necessary, over a shorter duration, at the net book value of the financial asset or financial liability. Interest income is included in the profit and loss account under financial income.

- **Dividend-based income**

The income is recognised upon the issuance of the Group’s right to receive payment, generally when the shareholder has approved the dividend.

e) Government subsidies

Government subsidies are recognised when there are reasonable assurances that the subsidy will be received and all the related requirements will be fulfilled. If the subsidy concerns an expenditure element, it is recognised as income on a systematic basis, over the period when the costs it is designed to offset are recorded under expenses. If the subsidy concerns a tangible asset, it shall be deducted from the value of that asset as at its commissioning date.

If the loans or similar types of aid are provided by the Government or similar institutions at an interest rate below the applicable market rate, the effect of this favourable interest is considered a government subsidy.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Throughout 2018 and the previous years, pursuant to GD 1043/2004 for the approval of "the Regulation on access to the national natural gas transmission system and the Regulation on access to the natural gas distribution system", branchings were carried out and pipelines were built by way of co-financing with the beneficiaries, for which subsidy accounting is similarly applied.

Green certificates

Green certificates constitute a subsidy regulated by the Romanian Government for producers of energy from renewable sources. Renewable energy producers are entitled to receive green certificates that can be traded on a regulated market and for which producers receive cash by means of trading them. Green certificates are issued on a monthly basis by the transmission operator, Transelectrica, based on the electricity quantities produces and delivered throughout the network.

For each 1 MWh of wind power produced, the Group was entitled to receive 2 green certificates until the end of 2018. Green certificates are recognised when the Group is entitled to receive them. The Group is entitled to receive green certificates when it produces electricity that is registered in the power grid by Transelectrica SA.

As of July 1, 2013, the Romanian Government changed the mechanism of assistance for renewable energy producers. For the Group as a wind power producer, the effect was that, despite being entitled, as before, to receive 2 green certificates for each 1 MWh that entered Romania's power grid, one of the 2 green certificates was suspended from trading as of July 1, 2013. The green certificates suspended from trading ("postponed green certificates") could be traded as of January 1, 2018 over a period of 8 years (from the balance of postponed green certificates pertaining to the July 2013 – February 2017 interval, an equal number of green certificates is allocated for trading purposes).

Until OMFP 895/2017 came into effect, green certificates were recognised at fair value when the Group was entitled to receive them. In the case of both green certificates that can be traded at once and postponed green certificates, the fair value relies on the average trading price as at the date when they were received. At regular intervals and at least at the fiscal year closure, the Group would update the green certificates of the balance at fair value. To that end, the Group would take into account the current and the projected trading prices. The accounting treatment of green certificates was changed once OMFP 895/2017 came into effect, pursuant to which green certificates are recorded into an off-balance sheet account and recognised under revenues only when they have actually been traded.

f) Taxes

Current corporate income tax

The receivables and debts related to the current corporate income tax for the current period are measured at the value that is expected to be recovered from, or paid to, the fiscal authorities. The tax rates and the fiscal laws used to calculate the amounts are those adopted, or largely adopted, as at the reporting date, by the Romanian legislation.

The current corporate income tax pertaining to the elements directly recognised under own equity is directly recognised under own equity, and not in the profit and loss account. The management regularly assess the positions presented in the financial statements in regard to cases where the applicable regulations on taxation are subject to interpretation, and set up provisions where necessary.

The taxation rate is applied to the taxable profit and is 16%. The fiscal loss can be reported over a period not exceeding 7 fiscal years.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Deferred tax

The deferred tax is presented by applying the accrual accounting method to the temporary differences between the tax bases of assets and liabilities and the book value of these items, to draw up financial reports as at the reporting date.

The deferred tax debts are recognised for all the taxable temporary differences, except for the cases where:

- ► the deferred tax debt results from the initial recognition of goodwill or of an asset or of a net debt within a transaction that is not a business combination and which, as at the transaction date, does not affect the accounting profit or the taxable profit or loss, or
- ► the taxable temporary differences are associated to investments in subsidiaries, associated enterprises, as well as to equity interests in joint ventures, when the parent company, the investor or the associate is able to control the time of carrying over the temporary difference and there is a possibility that the temporary difference will not be carried over in the near future.

The deferred tax receivables are recognised for all the deductible temporary differences, for the deferral of unused tax credits and for any unused fiscal losses, to the extent to which a taxable profit (including taxable temporary differences) is likely to exist and in relation to which one could use the deductible temporary differences and the deferral of unused tax credits and any unused fiscal losses, except for the case where the deferred tax receivable pertaining to the deductible temporary differences originates from the initial recognition of an asset or a liability within a transaction which is not a business combination and which, as at the transaction date, does not affect the accounting profit or the taxable profit or loss. The deductible temporary differences associated to investments in subsidiaries, associated enterprises, as well as to equity interests in joint ventures are recognised only when it is likely to have the temporary differences reversed in the foreseeable/near future and there will be a future taxable profit (including taxable temporary differences) in relation to which deductible temporary differences could be used.

The book value of the deferred tax receivables is revised as at each reporting date and lowered to the extent to which it is no longer likely to have enough taxable profit to allow using the benefit of a portion of the deferred tax receivable or of the entire receivable. The unrecognised deferred tax receivables are revaluated as at each reporting date and are recognised insofar as it has become likely that the future taxable profit will allow the unrecognised deferred tax receivable to be recovered.

The deferred tax receivables and debts are evaluated at the tax rates projected to be applied for the period in which the asset is achieved or the debt is settled, based on the taxation rates (and the fiscal regulations) that were adopted, or largely adopted, by the reporting date.

The deferred tax on elements recognised outside profit and loss is recognised outside profit and loss. The deferred tax elements are recognised in correlation with the support transaction under other comprehensive income elements or directly under own equity. The deferred tax receivables and debts are offset is there is a legal right to offset the current tax receivables with the current corporate income tax debts and the deferred taxes concern the same taxable entity and the same fiscal authority.

Value added tax

The revenues, expenses and assets are recognised at their value net of VAT, with the exception of:

- ► The case where the sales tax applicable to a purchase of assets or services cannot be recovered from the fiscal authority, in which case the sales tax is recognised as part of the asset purchase cost or as part of the expenditure element, as the case may be;
- ► The receivables and debts presented at a value that includes the sales tax.

The net value of the sales tax recoverable from, or payable to, the fiscal authority is included as part of receivables or debts in the statement of financial position.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

g) Tangible assets

Initial evaluation

Tangible assets are presented at cost, net of the accumulated amortisation and/or the accumulated losses from depreciation, as the case may be. This cost includes the cost of replacing the respective tangible asset, on the date of replacement, and the cost of debt for the long-term construction projects, provided that the recognition criteria are met.

When significant parts of tangible assets need to be replaced at certain intervals, the Group recognises the respective parts as individual assets with a specific useful life and amortises them accordingly. Furthermore, when a general inspection takes place, its cost is recognised in the book value of that tangible asset as a replacement, provided that the recognition criteria are met. All the other repair and maintenance costs are recognised in the profit and loss account when such works are performed. The present value of the costs projected for scrapping the asset after use is included in the cost of the respective asset provided that the recognition criteria of a provision are met.

The cost of a tangible asset comprises:
(a) its purchase price, including the customs duties and the non-reimbursable purchase taxes, after the deduction of commercial discounts and rebates.
(b) any costs that can be directly attributed to bringing the asset to the location and to the state required for it to operate in the manner intended by the management.
(c) the initial estimate of the costs required to dismantle and move the item and to rehabilitate the location where it is placed, provided that the Group has this obligation.

The assets in progress include the cost of construction, of the tangible assets and any other direct expenses. These shall not be amortised over a certain period until the relevant assets have been completed and commissioned.

Deemed cost as at the date of transitioning to IFRS (January 1, 2011)

The Group used as at the transition date, as deemed costs, the values recorded after the revaluation from December 31, 2007, registered in accordance with the previously applicable accounting provisions (OMFP 3055/2009 and OMFP 1752/2005), for all the tangible assets, with the exception of lands and buildings.

Subsequent evaluation

The Group chose the revaluation model as the method to subsequently evaluate the lands and the buildings, and the cost model for the other tangible assets.

The cost-based model entails presenting tangible assets at cost, minus the cumulated amortisation and the depreciation losses, whereas the revaluation model entails tangible assets being accounted for at a revaluated value, this being the fair value as at the revaluation date minus any amortisation accumulated afterwards and any depreciation losses.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Amortisation of assets

Economic service life is the time period over which the asset is expected to be used by the Group. The amortisation is calculated by applying the linear method over the entire operating life of the asset. Lands are not amortised.

Type	Accounting operating life (years)
Buildings	50
Building premises with metallic structure (wind turbine metallic tower)	20
Light constructions (hutting, sheds)	10
Steel distribution pipelines	30
Polyethylene distribution pipelines	40
Wind engines (wind turbine without components)	20
Other constructions, technological equipment, machines and machinery	10
Meters	8-15
Convectors, other metering, control and adjustment devices	10
Means of transportation and other assets	5
IT equipment	3

The operating life and the amortisation method are regularly revised and, as the case may be, prospectively adjusted so that there should be a correlation with the expectations on the economic benefits brought by the respective assets.

In cases where the book value increased following revaluation, the increase is directly recorded under own equity, as a revaluation surplus. When the book value is reduced following revaluation, the reduction is recorded as expenditure, insofar as it does not decrease a previously recorded revaluation surplus.

The revaluation surplus included in own equity is transferred directly under balance carried forward when the surplus is achieved as the asset in question is amortised, shelved or sold.

Derecognition

A tangible asset element is recognised upon disposal or when no future economic benefit is expected anymore from its use or disposal. Any gain or loss resulting from the derecognition of an asset (calculated) as the difference between the net receipts upon disposal and the book value of the element) is included in the profit and loss account when the asset is derecognised.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

h) Lease contracts

The extent to which a commitment is or comprises a lease contract is determined based on the goodwill of the commitment as at its commencement date. The commitment is assessed in order to determine whether the fulfilment of that commitment depends on the use of a particular asset or assets or whether the commitment grants the right to use the asset or assets, even if the respective right is not explicitly mentioned in the commitment.

The Group as a lessee

Financial leases, which transfer to the Group, to a significant extent, all the risks and benefits pertaining to the right of ownership over the element subject to the lease, are capitalised in the early stages of the lease contract, at the fair value of the element subject to the lease or, if this value is lower, at the discount rate of the minimum lease payments. The lease payments are divided into financing expenses and leasing debt reduction, so that a constant interest rate on the outstanding debt balance should be obtained. The financing expenses are acknowledged as financing costs under the profit and loss account.

An asset under lease is amortised throughout its useful life. However, if there is no reasonable certainty that the Group will acquire the right of ownership until the end of the lease contract term, the asset shall be amortised throughout the shorter time period between the lease contract term and the estimated useful life of the asset.

Operating lease payments are straight-line recognised as operating expenses in the profit and loss account throughout the lease contract term.

i) Debt costs

Debt costs directly attributable to the purchase, construction or production of an asset that mandatorily entails a substantial period of time to be ready for is intended use or for sale are capitalised as part of that asset's cost. All the other debt costs are recorded under expenditure during the period when they are incurred. The debt costs represent interest and other costs incurred by the Group in order to borrow funds. The Group did not have, throughout 2018 and 2017, any debt costs directly attributable to the purchase, construction or production of an asset.

j) Intangible assets

Intangible assets individually acquired are measured, upon initial recognition, at cost. After the initial recognition, intangible assets are accounted for at cost, minus any accumulated amortisation and any accrued depreciation losses, if any. Internally generated intangible assets, excluding the capitalised development costs, are not capitalised, whereas the expense is reflected in the profit and loss account when the expense is incurred.

The useful lives of intangible assets are assessed as definite or indefinite.

Intangible assets with a definite useful life are amortised throughout their economic service life and depreciation assessed whenever there are indications of intangible asset depreciation. The amortisation period and the amortisation method for an intangible asset with a definite useful life are revised at least at the end of each reporting period. The changes in projected useful lives or in the projected consumption pace for the future economic benefits embedded in the assets are accounted for by altering the amortisation method or period, as the case may be, and are treated as changes of accounting estimates.

The gains or losses resulting from the derecognition of an intangible asset are calculated as the difference between the net receipts from disposal and the book value of the element and are recognised in the profit and loss account when the asset is derecognised.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The Group's intangible assets are primarily represented by software and licences. The software items are straight-line amortised over a period not exceeding 3 years, whereas licences are amortised throughout their validity period. Additionally, the intangibles generated following the purchase of subsidiaries are amortised throughout the operating life of their assets.

Goodwill

The goodwill generated from the purchase of a new entity is initially measured at cost and represents the difference between the purchase cost and the fair value of the purchased percentage of the entity's identifiable assets, liabilities and contingent liabilities. Goodwill is not subject to amortisation, but is tested for impairment on a yearly basis. Once it has been impaired, it can no longer be appreciated.

k) Financial instruments – initial recognition and subsequent evaluation

Initial recognition and evaluation

A financial instrument is any contract that gives birth to a financial asset for one entity, and a financial debt or an equity instrument for another entity. The Group's financial assets comprise cash and cash equivalents, trade and other receivables (including loans to affiliated entities) and financial investments. The Group's financial debts comprise trade and other payables.

Initial and subsequent evaluation

Financial assets and liabilities are initially recognised at fair value. The transaction costs that are directly attributable to the purchase or issuance of financial assets and liabilities (different from financial assets and financial liabilities at fair value via profit or loss) are added to the initial recognition or deducted from the fair value of the financial assets or financial liabilities, as the case may be.

Financial assets are classified, at the time of their initial recognition, depending on the method of subsequent evaluation, at amortised cost, at fair value by means of other comprehensive income elements or at fair value through profit or loss.

The classification of financial assets, at the time of their initial recognition, depends on the contractual cash flows of the financial asset and on the Group's business model employed to manage them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset that is not measured at fair value through profit or loss, the transaction costs. Trade receivables that do not contain a significant financing element are measured at the transaction price, determined in accordance with IFRS 15 (the fair value).

For a financial asset to be classified and measured at amortised cost or at fair value via other comprehensive income elements, it has to generate cash flows that are exclusively payments of the principal and of the interest associated to the outstanding principal value.

The Group's business model employed to manage financial assets concerns the way in which it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The purchases or sales of financial assets that require the delivery of assets during the time period set forth according to market regulations or agreements (regular transactions) are recognised on the transaction date, meaning the date when the Group undertakes to purchase or sell that asset.

Financial debts shall be classified as subsequently measured at amortised cost, with the exception of (a) *financial liabilities at their fair value through profit or loss*, (b) *financial liabilities* occurring when a transfer of a financial asset fails to meet the derecognition requirements, (c) *financial guarantee contracts*, which are subsequently measured at the higher between *the value of the adjustment for losses* and *the initially recognised value*, (d) *commitments on granting a loan* at an interest rate below the market rate, which are subsequently measured at the higher between *the value of the adjustment for losses* and *the initially recognised value*, (e) *the offset for the contingency recognised by a purchasing entity part of a business combination*, an offset that has to be subsequently measured at fair value, with an impact upon profit or loss.

Subsequent evaluation

For subsequent evaluation purposes, the financial assets and liabilities specific to the Group are classified into three categories:
- Financial assets measured at amortised cost (receivables and granted loans) and Trade and other payables;
- Financial assets measured at fair value by means of other comprehensive income elements;
- Derivatives and hedge accounting.

Receivables and loans

This category is the most relevant to the Company. Receivables and loans are non-derivative financial assets, with fixed or determinable payments and which are not listed on active market. Upon their initial recognition, these financial assets are subsequently measured at amortised cost using the effective interest method, minus depreciation. The amortised cost is calculated taking into account any purchase discount or premium and any fees and costs that are an integral part of the effective interest rate. Amortisation based on the effective interest rate is included in the profit and loss account under financial income. The losses originating from depreciation are recognised in the profit and loss account under the cost related to goods sold or under other operating expenses in relation to receivables.

Trade and other payables

Trade and other payables are subsequently measured at amortised cost, using the effective interest method. The effective interest method is a method to calculate the amortised cost of a financial payable and to allocate interest expenses from the relevant period. The effective interest rate is the rate which accurately updates the future cash payments estimated over the projected lifetime of the financial liability (including all the fees paid or received, which are an integral part of the effective interest rate, the transaction costs and other premiums or discounts) or (where applicable) over a shorter period, at the net book value from the initial recognition date.

Derecognition

Basically, a financial asset is de recognised when:

- The rights to receive cash flows produced by the asset have expired,
  or
- The Group has transferred its rights to receive cash flows produced by the asset or undertaken an obligation to pay in full the received cash flows, without significant delay, to a third party, pursuant to a commitment with identical flows (“pass-through”); and either (a) the Group has largely transferred all the risks and rewards related to its asset, or (b) the Group has not largely transferred or kept all the risks and rewards related to its asset, but has transferred control over that asset.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

In the case where the Group has transferred its rights to receive the cash flows produced by an asset or has made a commitment with identical flows, it determines whether, and the extent to which, it has kept the risks and rewards pertaining to the right of ownership. In the case where it has neither transferred, nor kept, to a significant extent, all the risks and rewards pertaining to the asset, and has likewise not transferred control over the asset, the Group will continue to recognise the transferred asset to an extent that is proportionate to the Group's continuous involvement. In this case, the Group will recognise an associated debt, as well. The transferred asset and the associated debt are evaluated on a basis that would reflect the rights and obligations the Group has kept.

A financial liability is derecognised when the obligation related to that liability is extinguished, cancelled or expires. In the case where a financial liability is replaced by another liability originating from the same lender, under substantially different conditions, or where the terms of an existing liability are substantially altered, this substitution or alteration is stated as a derecognition of the initial liability and a recognition of the new liability. The difference between the related book values is recognised in the profit and loss account.

Offsets of financial instruments

Financial assets and financial liabilities are offset, and the net value is reported in the statement of financial position, if there currently is a legal right to offset the recognised amounts and there is an intention to settle on a net basis, to simultaneously capitalise on the assets and settle the liabilities.

Impairments of financial assets

The Group recognises a loss of value in terms of the credit risk projected for all the financial assets which are not measured at fair value through the profit and loss account. The projected credit risk relies on the difference between the contractual cash flows and all the cash flows that the Group expects to receive, updated at an initial effective interest rate.

For trade receivables and contractual assets, the Group applies a simplified method to calculate credit risk. As a result, the Group does not target credit risk variation, but recognises a value loss throughout the lifetime of those receivables, based on the credit risk as at the date of each reporting period. The Group drew up an impairment matrix using historical data on unearned receivables, adjusted with specific factors specific to the debtors and the economic environment.

The Group places a financial asset in a default situation when the contractual payments have exceeded by 90 days their due dates. Nevertheless, in certain cases, the Group may deem a financial asset unearnable when internal or external information indicate the fact that the Group is unlikely to receive in full the outstanding contractual amounts prior to taking into consideration any guarantee instruments the Company might hold. A financial asset is derecognised when there is no reasonable forecast on the recovery of its contractual cash flows.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Fair value of financial instruments

The fair value of the financial instruments that are traded on active markets, as at each reporting date, is determined by reference to the listed market prices or the prices set forth by the dealer (for the long term, the price is subject to a tender, whereas for the short term the demanded price is paid), without any deduction of transaction costs. In order to estimate the fair value of financial instruments that are not traded on active markets adequate measurement models shall be used.

l) Derivatives and hedge accounting

Initial recognition and subsequent evaluation

Derivatives, such as currency forward contract, interest rate swaps and forward contracts for commodities, are employed in order to cover currency risks, interest rate risks and price risks regarding commodities, respectively. These derivatives are initially recognised at fair value on the date when a contract with derivatives is concluded, and subsequently measured at fair value. Derivatives are accounted for as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

The Group applies a hedging method (forward and spot USD purchases) to counter the foreign exchange variation between the payment date and the date when a natural gas import invoice is entered in the accounting records.

Any gains or losses stemming from altering the fair value of derivatives are recorded directly in the profit and loss account, except for the effective part of cash flow hedging, which is recognised under other comprehensive income elements.

In order to implement hedge accounting, the Group classifies hedges as follows:
- ► Fair value hedges, employed in order to hedge against exposure to changes in the fair value of a recognised asset or liability or in the fair value of an unrecognised firm commitment.
- ► Cash flow hedges, employed in order to hedge against exposure to cash flow variation, which can be attributed to a specific risk associated to a recognised asset or liability or to a very likely projected transaction or to the currency risk of an unrecognised firm commitment.

Upon setting up a hedging relationship, the Group officially designates and documents the hedging relationship for which it wishes to apply hedging accounting, as well as the risk management objective and strategy, required to implement the hedge. These hedges are projected as highly effective in the process of offsetting changes in fair value or in cash flows, and are permanently evaluated in order to determine whether they have actually had high effectiveness levels throughout the financial reporting periods to which they were designated.

Hedges that strictly meet the hedge accounting criteria are accounted for as follows:

Fair value hedging operations

A modification in the fair value of the fair value hedging derivative is recognised, under financing costs, in the profit and loss account. A modification in the fair value of the hedged element, that can be attributed to the hedged risk, is recorded as a portion of the book value of the hedged element and is similarly recognised in the profit and loss account.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

In the case of hedging the fair value against risks in relation to elements accounted for at amortised cost, the fair value adjustment is amortised through the profit and loss account, over the period remaining until the maturity date. Amortisation at the effective interest rate may commence as soon as there is an adjustment and must not commence later than the date when the hedged element stops being adjusted for changes in its fair value, changes that can be attributed to the hedged risk.

If the hedged element is derecognised, the unamortised fair value is promptly recognised in the profit and loss account.

When a firm commitment is designated as a hedged element, the subsequent cumulated alteration in the fair value of the firm commitment, that can be attributed to the hedged risk, is recognised as an asset or a liability, whereas the corresponding gains or losses are recognised in the profit and loss account.

Cash flow hedging operations

The effective portion of the gains or losses pertaining to a hedging instrument is recognised directly under other comprehensive income elements, in the cash flow hedging reserve, whereas the ineffective portion is promptly recognised in the profit and loss account.

The amounts recognised as other comprehensive income elements are transferred to the profit and loss account if the hedged transaction affects the profit or the loss. When the hedged element represents the cost of a non-financial asset or of a non-financial liability, the amounts recognised under other comprehensive income elements are transferred at the initial book value of the non-financial asset or liability.

If forecasts indicate that the projected transaction or the firm commitment will no longer take place or effect, the accrued gains or losses previously recognised under own equity shall be transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacing or converting a hedging instrument into a different hedging instrument, or if its designation as a hedge is revoked, any accrued gains or losses previously recognised under other comprehensive income elements shall remain under other comprehensive income elements until the projected transaction or the firm commitment affects profit or loss.

Classification as current / long-term

Derivatives which are not designated as effective hedging instruments are classified as either current or long-term (or are separated into current and long-term parts) based on an assessment of the facts and circumstances (e.g.: supporting cash flows).

m) Stocks

The value of the gas stock comprises the value of purchased gas, as well as the customs duties and customs clearance fees. The gas purchased from abroad is evaluated at the foreign exchange rate in the customs import declaration.
In cases where no customs import declarations were present, the foreign exchange rate employed was the one at the end of the month during which the transaction took place.

The value of the natural gas stock only includes the gas molecule value, whereas the related services, such as storage and transportation, are directly recorded in the comprehensive income statement.

The net achievable value is estimated based on the selling price pertaining to normal business, less the estimated selling costs.

As at December 31, 2018, the Group found no indications that might suggest a gas stock depreciation: on the regulated market, these costs are recognised in the final selling price of gas, as per the ANRE regulations, whereas on the free market the pricing mechanism entirely covers these costs.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The stock evaluation method is the weighted average cost.

Inventory items are recorded in the balance carried forward account at the time of their commissioning and monitored off-balance sheet throughout their operating life (3 ani).

n) Depreciation of non-financial assets

The Group assesses whether there are, as at each reporting date, any indications that an asset might be depreciated. If there are such indications or if an annual testing for the depreciation of a particular asset is necessary, the Group will estimate the recoverable value of that asset. The recoverable value of an asset is the higher between the fair value of an asset or a cash-generating unit minus the costs associated to the sale and its value in use. The recoverable value is determined for an individual asset, except for the case where the asset does not generate cash receipts that are largely independent of those of other assets or groups of assets. When the book value of an asset or a cash-generating unit exceeds its recoverable value, the asset is considered depreciated and its book value is decreased up to its recoverable value.

When evaluating value in use, the estimated future cash flows are updated to their revised value using a pre-tax rate that would reflect current market valuations on the time value of money and the asset-specific risks. When determining the fair value minus the sale costs, recent transactions on the market, if any, are taken into consideration. If such transactions cannot be identified, an adequate valuation model shall be used. These calculations are corroborated by means of valuation multiples, listed prices of shares for listed subsidiaries or other available fair value indicators.

Losses from impairments of ongoing business, including the depreciation of stocks, are recognised under the profit and loss account, except for lands or buildings that were previously revaluated and such revaluation was accounted for under other comprehensive income elements. In this case, too, the depreciation is recognised under other comprehensive income elements up to the value of any previous revaluation.

At the end of each reporting period, an assessment is conducted in order to determine whether there are any indications that previously recognised impairment losses are no longer present or have decreased. If such indications exist, the Group will estimate the recoverable value of the asset or cash-generating unit. A previously recognised impairment loss will be reversed only if a change has occurred in the assumptions used to determine the recoverable value of the asset. The reversal is limited, so that the book value of the asset should not exceed the recoverable value that asset would have had if it hadn't previously been subject to impairment. Such a reversal is recognised in the profit and loss account, save for the case where the asset was revaluated, in which case the reversal being treated as a revaluation increase.

o) Cash and cash equivalents

Cash and cash equivalents include petty cash, current accounts and bank deposits with initial maturity below 3 months. Foreign currency deposits are revaluated at the foreign exchange rate at the end of the reporting period. The overdraft is deducted from the cash balance when drawing up the statement of cash flows.

p) Distribution of dividends

The Company recognises as a debt the distributions of dividends to its shareholders when the distribution is authorised and no longer at the Company's discretion.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

q) Provisions

General

Provisions are recognised when the Group has a current (legal or constructive) obligation generated by a previous event, settling the obligation will likely require a disposal of resources integrating economic benefits, and the value of that obligation can be reliably estimated. The expense related to each provision appears in the profit and loss account.

Provisions are revised at the end of each reporting period and adjusted to reflect the management's best current estimate in this respect. If, in order to settle an obligation, a disposal of resources is no longer likely, the provision shall be cancelled through carry-over under revenues.

If risk-generating events should occur, the Group shall recognise a provision for the entire probable value known at the time.

Contingent liabilities are not to be recorded in the financial statements. They are only presented, save for the case where the likelihood of resource disposals representing economic benefits is low. A contingent asset will not be recorded in the financial statements, but will be presented when a receipt of economic benefits is likely to occur.

Restructuring provisions

Restructuring provisions are only recognised when the general criteria on the recognition of provisions, together with the criteria below, are cumulatively met:

- the Group implements a detailed official plan comprising: the activity, or part of the respective activity, subject to restructuring, the location and number of concerned employees, a detailed estimate of the related costs and a corresponding timescale.

- the Group built expectations on the performance of such restructuring, beginning to implement the plan in question or communicating its main characteristics to the people concerned. The Group has a constructive obligation, once there is an official detailed plan designed to identify the affected parties, the locations, the number of employees, to make a detailed estimate of the associated costs and to plan accordingly. Moreover, the employees affected by restructuring have been informed in that respect.

Restructuring provisions only include direct costs related to the restructuring, meaning those that are necessarily generated by the restructuring and are not associated to the entity's ongoing business.

Provisions for litigations

Provisions for litigations are recognised when the management estimate that cash disposals will be required as a result of litigations with unfavourable results.

r) Pensions and other long-term employee benefits

Both the Group and its salaried employees are legally bound to pay determined contributions (included in the social security contributions) to the National Pension Fund, administered by the National House of Pensions and Social Insurance (a plan established on the "pay-as-you-go" principle"). As such, the Group has no legal or constructive obligation to pay additional future contributions. Its obligation is strictly to pay contributions when they become due. The Group's contributions to a determined contributions plan are recorded as expenses in the year to which they apply.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

In accordance with Collective Labour Agreement no. 231/20.06.2018, each of the Group's employees is entitled to receive a retirement benefit, depending on their length of service within the Group, as follows:

- Less than 10 years - 5 gross salaries;
- Between 10 and 20 years - 6 gross salaries;
- Between 20 and 30 years - 7 gross salaries;
- Between 30 and 40 years - 8 gross salaries;
- More than 40 years - 9 gross salaries.

The Group uses the actuarial valuation method to evaluate post-employment benefits and the cost of current related services. This entails the use of demographic assumptions on the current employees and on former employees that can receive benefits (mortality rate, retirement age, etc.), as well as financial assumptions (inflation rate, salary increase rate). If adjustments to key assumptions are necessary, the amounts of post-employment benefits can be significantly affected.

The actuarial gains and losses related to long-term benefit plans are fully recognised in period when they occur, under other comprehensive income elements.

The social commitments stipulated in the Collective Labour Agreement, for which provisions are set up, are:

- Retirement benefit (detailed above);
- Illness benefits for pensioners;
- Other benefits for pensioners;
- Compensations related to restructuring plans;
- Merit salary bonuses for salaried employees;
- Company performance bonus.

s) Share-based payment

According to the plan approved across ENGIE Group, the Group employees in Romania receive shares from the parent company, ENGIE (France), for no consideration, provided that they are employees of Group companies on the date when such shares are received (as a rule, two years after being granted the right to receive these shares).

According to IFRS 2, the Group accounts for share-based payments under expenses with employee benefits, in compensation for an increase in own equity (other reserves), as a contribution from the parent company.

The fair value of bonuses granted as shares is estimated by reference to the price of the shares as at the granting date, keeping in mind the fact that no dividends are paid until ownership takes effect and by relying on the turnover rate of the staff in question. The fair value calculation also takes into account the period over which the instruments cannot be transferred.

t) Affiliated parties

Parties are deemed affiliated when one of them has the capacity to control/significantly influence the other party, by way of ownership, contractual rights, family relations or by other means. Affiliated parties include both other entities and natural persons, such as shareholders who control or have a significant influence, Group key staff members and immediate members of their families.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

u) Balance carried forward and legal reserve

The legal reserve is created in accordance with the provisions of Companies Law, pursuant to which 5% of the annual accounting profit is transferred to the legal reserves, until their balance reaches 20% of the Group's share capital. If this reserve is used in full or in part to cover losses or to distribute under any form (such as the issuance of new shares in line with the Companies Law), it shall become taxable.

The Group management do not estimate they will use the legal reserve in such a way as to render it taxable (except for the case stipulated in the Fiscal Code, where the reserve set up by legal entities that supply utilities to trading companies undergoing a restructuring, reorganising or privatisation process may be used to cover impairments of the stake obtained following the receivable conversion procedure, whereas the amounts intended for the subsequent replenishment of the reserve are deductible as part of the taxable profit calculation).

The accounting profit left after allocating the share of achieved legal reserve, within the limit of 20% of the share capital, shall be taken over under the balance carried forward in the beginning of the fiscal year following the one for which the annual financial statements are drawn up, a balance from which it will be distributed across the other legal avenues.

The appropriation of profit is, therefore, carried out during the following fiscal year, once the appropriation has been approved by the SGA (*Shareholders' General Assembly*).

v) Measurement at fair value

Fair value is the price that could be received following the sale of an asset or paid in order to transfer a debt from a transaction conducted during the normal business process between market players, as at the valuation date. Measurement at fair value relies on the assumption that the asset sale or debt transfer transaction takes place either:

- On the main market of that asset or liability, or
- In the absence of a main market, on the most beneficial market for that asset or liability.

The main market or the most beneficial market has to be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market players would use in order to determine the value of an asset or a liability, assuming that the market players are pursuing ways to obtain maximum economic benefits.

The fair value measurement of a non-financial asset takes into account the market players' ability to generate economic benefits by means of the most intense and best use of the asset or by selling it to another market player which, in their turn, might make the most intense and best use of it.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The Group uses adequate measurement techniques, taking into account the circumstances for which the available data is sufficient so as to allow a fair value measurement, maximising the use of relevant visible inputs and lowering the use of non-visible inputs.

All the assets and liabilities for which fair value is measured or presented in the financial statements are classified according to the fair value hierarchy, presented as shown below, the fair value measurement being entirely classified at the same level of the fair value hierarchy as the entry date with the lowest level, that is significant to the entire valuation:

- Level 1 - Prices listed on active markets for identical assets or liabilities (without adjustments);
- Level 2 - Valuation techniques for which the entry date with the lowest level, that is significant for the fair value measurement, is either directly or indirectly visible;
- Level 3 - Valuation techniques for which the entry date with the lowest level, that is significant for the fair value measurement, is non-identifiable.

For the assets and liabilities that are recurrently recognised in financial statements at their fair value, the Group shall determine whether any transfers occurred among the fair value hierarchy levels by reanalysing the category (based on the lowest level of information that is significant for the fair value measurement on the whole) at the end of each reporting date.

Independent valuators are employed to valuate significant assets, such as buildings and lands.

w) Restatements of the comparative period

The IFRS 9 standard came into effect for the annual period starting with January 1, 2018. The final version of IFRS 9 Financial instruments reflects all the phases of the project on financial instruments and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all the previous versions of IFRS 9. The standard introduces new requirements concerning classification, evaluation, depreciation and hedge accounting.

IFRS 9 introduces a new model for impairment losses, based on projected losses, which imposes the early recognition of the losses expected to occur from the impairment of receivables. The losses on financial assets measured at amortised cost are calculated based on a three-stage model, using the credit risk, the internal or external ratings assigned to partners and the related payment default probability.

The Group deems IFRS 9 adopted as of January 1, 2018 using the fully retrospective restatement method by changing the figures of the previous periods (2016 and 2017). In that respect, the Group analysed the trade receivables and assessed the method used to determine impairments, keeping in mind the customer eligibility and the portfolio classification criteria:

- Customers with a confirmed risk (customers undergoing judicial proceedings: bankruptcy, insolvency or reorganisation): the expected impairment is 100% of the existing receivable.
- Customers without a confirmed risk:
    - i) In the case of Corporate customers, the impairment percentage is determined by taking into account each customer’s credit risk and applied to the value of the receivable, VAT-exclusive;
    - ii) In the case of small- and medium-sized customers, the impairment percentage is determined by taking into account the receipt statistics across the portfolio (following the analysis of historical data on the collection of receivables, by age interval, over the past 3 years) and the age of receivables, and is applied to the value of the receivable, VAT-inclusive.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The Group carried out corrections on the opening balances, the impact of implementing IFRS 9 being:

- In the profit and loss account of 2017: a decrease in the impairment of receivables by 535,048 RON;

- In the balance sheet as at December 31, 2016: an increase in the balance of value adjustments for impairments of doubtful receivables (under receivables) by 59,700,845 RON, an increase in the deferred tax - receivable by 11,758,890 RON, an increase in the corporate income tax - debt by 1,368,193 RON and a decrease in the balance carried forward by 49,310,148 RON;

- In the balance sheet as at December 31, 2017: an increase in the balance of value adjustments for impairments of doubtful receivables (under receivables) by 60,235,893 RON, an increase in the deferred tax - receivable by 11,784,086 RON, an increase in the corporate income tax - debt by 1,368,193 RON and a decrease in the balance carried forward by 49,820,000 RON.

IFRS 15

The Group deems the new standard adopted as of January 1, 2018, using the modified retrospective method, with the cumulated adjustments from the initial application and recognised as at January 1, 2018. Consequently, the Group applied the requirements of IFRS 15 for the previous disclosed periods.

The Group analysed the main types of income by applying the five-step model requested by IFRS 15:

1. Identify the customer contract(s)
2. Identify the obligation to perform the contract
3. Determine the transaction price
4. Allot the transaction price to the obligations to perform in the contract
5. Recognise the income when (or as) the Group fulfils an obligation to perform

The new provisions generated effects upon the accounting treatment of the distribution network connection fees. Following the analysis carried out in 2017, the Group concluded that the service handling connections to the natural gas distribution network is a distinct one and represents an obligation to perform fulfilled at a specific time, which entails that the Operator shall recognise this income at the time of fulfilling their obligations to the User, more specifically, at the time of commissioning the asset (pipeline or branching). Nevertheless, the provisions introduced in OMFP 284412016 as per Order 3189/2017 compel the Group to record these connection fees as deferred income and recognise them in the profit and loss account, as the asset the fees refer to are amortised (this being the accounting treatment applied by the Group in line with IFRIC 18 until December 31, 2016). Hence, the Group did not alter the accounting treatment of the connection fees in the financial statements drawn up according to OMFP 284412016.

Furthermore, the Group analysed the effects of the standard upon the recognition of the income pertaining to gas sales to customers included, as per the provisioning policy, in the « with a confirmed risk » category. As such, the Group concluded that the amount of 18.5 million RON as at December 31, 2018, pertaining to the transactions carried out with the customer type in the “confirmed risk” category, shall be eliminated from the turnover (with no impact upon the net outturn, since the amounts were 100% provisioned). Considering the restatement of the financial statements as at December 31, 2016 and at December 31, 2017, the disclosure of the 2017 turnover was rectified, as well, by increasing it with the amount of 1.2 million RON (the amount pertaining to the transactions conducted with the type of customers in the “confirmed risk” category was 75.6 million RON as at December 31, 2016 and 74.4 million RON as at December 31, 2017).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Drawing up the Group's financial statements requires that the management formulate judgements, estimations and assumptions that affect the values reported for income, expenses, assets and liabilities, as well as the disclosed information accompanying these items, and to present contingent liabilities at the end of the reporting period. However, the uncertainty present in relation to these estimations and assumptions could result in a future significant adjustment for the book value of the asset or liability concerned during future periods.

Judgements

In the process of applying the Group's accounting policies, the management formulated the following judgements, with the greatest impact upon the amounts recognised in the financial statements:

- Purchases of assets

In 2011 and 2012, the Group purchased 99.995% of the shares of Brăila Winds SRL and Alizeu Eolian SA, unlisted companies operating in the field of wind power production. Both companies were in their start-up phases on the purchase date and had no running operations or processes. The Group's management analysed the share purchases in relation to IFRS 3 *Business combinations* and concluded that the requirements for considering those two transactions as business combinations were not met, primarily given that the two companies purchased did not meet the requirements for being deemed standalone businesses.

As a result, both transactions were treated as asset purchases from the Group's standpoint, which entails that the transaction price was exclusively allocated to the purchased assets and liabilities (without recording any goodwill).

- Applicability of IFRIC 12

In 2010, under the oversight of s ACUE (Association of Energy Utility Companies), a thorough analysis on the applicability of IFRIC 12 in regard to natural gas and electricity distribution concessions was conducted. The Conclusion of this analysis was that IFRIC 12 was not applicable.

- Recognition of deferred taxes - receivable

The Group analysed the fulfilment of the criteria provided by IAS 12 on recognising the deferred tax - receivable resulted from the impairment adjustments carried out based on the investment impairment test performed on Braila Winds and Alizeu Eolian subsidiaries. Considering that, during the Shareholders' General Extraordinary Assembly of April 10, 2019, approval in principal was given to the absorption-based merger of Braila Winds and Alizeu Eolian subsidiaries into ENGIE Romania, and the assumptions that lead to estimating future taxable profits, the management recognised a deferred tax - receivable for these deductible temporary differences as at December 31, 2018, pertaining to the depreciation of tangible assets (Note 11). At the end of each fiscal year, this judgment will be updated should there be any circumstantial changes.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions

The main assumptions concerning the future and other major causes of uncertain estimations as at the reporting date, which display a significant risk of causing significant adjustments across the book values of assets and liabilities over the following fiscal year, are presented below.

- Provision related to additional gains following the deregulation of the domestically sourced natural gas purchase prices

The unit cost of natural gas purchased by gas suppliers is one of the components of the gas final selling prices, in line with the definitions in the Methodology which sets forth the unit revenue related to the regulated supply activity (ANRE Order 182/2016).

The differences between the cost of gas and the related services, estimated by ANRE and included in the final selling prices, and the actual cost of gas and the related services are calculated on an annual basis by ANRE. The resulting difference, representing additional gains or additional losses for the suppliers, should be distributed to regulated consumers by way of a decrease/increase in the final selling prices.

As per the provisions of Ordinance 64/2016, the purchase prices of domestically sourced natural gas were deregulated starting from April 2017. Prior to this Ordinance, the market expectations were for the deregulation of the gas price and the deregulation of the prices paid by final consumers to take place simultaneously. Nevertheless, the final prices paid by the protected consumers shall remain regulated until 2021. The expectation as at December 31, 2016 was for the deregulation of prices for domestically sourced gas to lead to a significant increase in the final selling prices, whereas the method ANRE would employ to manage this process was unclear at the time.

Under these conditions, the Group management estimated that the additional margin generated throughout 2016 would be used to offset the price increase caused by the deregulation of domestically sourced gas price during 2017. Since this process can be assimilated to a partial deregulation of the final selling prices, the Group set up a provision amounting to 32 million RON. The management's assessment also relied on the manner in which ANRE managed the deregulation of the final prices for non-household customers at the end of 2014.

The IFRS interdiction to recognise assets or liabilities originating from regulated activities is determined by the business regulating principle. Nevertheless, if the business is fully deregulated (whether in its entirety or, as in the case in question, only in part), the Group's management considers that recording a provision is possible (provided that the recognition requirements are met).

Given the nature of this provision, which concerns the decrease of the Group's revenues, the management classified this provision as at December 31, 2016 as a decrease in the balance of invoices to be issued based on the trade receivables (note 17), as well as a decrease in the revenues from the supply of gas, a classification which adequately reflects the core of the transaction.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Throughout 2017, the Group analysed the effects generated by the deregulation of domestically sourced gas prices and concluded that it was necessary to fully reverse the amount of 32 million RON, recorded last year as income from the supply of gas in 2017, considering that, since April 2017, the average gas purchase price has increased by approximately 20%, an aspect that was not entirely reflected in the final prices paid by household consumers. Moreover, ANRE imposed to the Parent company to return the additional margin obtained throughout 2016 to end consumers by means of the 2017 tariffs.

- Revenues from “metered gas” and natural gas technological consumption

The revenues generate from the customer categories for which consumption is metered throughout the fiscal year and read at 3-month intervals (revenues from “metered gas”), particularly for natural gas consumers in the B1-B4 categories (consumers with an annual consumption below 11,627.78 MWh), are estimated for the invoices issued between readings, based on historical data, consumption statistics and the estimated selling price. The calculation of the estimated revenue from the metered gas is thought as the difference between the purchased gas, the invoiced gas and the technological consumption, measured at the average price for customer categories B1-B4. As of 2012, the volume related to the technological consumption is determined based on the Marcogaz (Technical Association of the European Gas Industry) technique, taking into account the technological consumption history during the 2008-2010 period, a volume which was subsequently updated on a yearly basis.

The management of the Group use measuring and modelling instruments in order to determine the uninvoiced gas estimate and performs regular a posteriori tests to make sure that the error risks associated to the estimated sold quantities and the related revenues can be considered insignificant.

- Revaluation of tangible assets

The Group assesses lands and buildings at their fair value, whereas any changes to the recorded values are recognised under other comprehensive income elements. The Group contracted independent valuation specialists in order to determine the fair value as at December 31, 2018.

As at December 31, 2018, the Parent company assessed the evolution of the prices throughout 2018 and concluded that the changes were not sufficiently significant to require a new revaluation.

- Depreciation of non-financial assets and of investments in subsidiaries

Depreciation exists when the book value of an asset or a cash-generating unit exceeds its recoverable value, which represents the higher between the fair value, minus the costs associated to the sale, and its value in use. The calculation of the fair value minus the costs associated to the sale is done based on the data available from mandatory sales transactions performed as part of the transactions conducted on arm’s length terms for other similar assets, or on the listed market prices, minus the asset disposal costs. The value in use calculation relies on a model of updated cash flows. Additional information is presented in Note 12.

Based on the developments on the electricity and green certificate markets, as well as on the regulations regarding renewable energy subsidies, the management identified the impairment indices of Alizeu Eolian and Brăila Winds cash-generating units.

A first impairment test was performed at the end of 2013, resulting in a loss 49.5 million RON. At the end of 2014, a new impairment test was performed, and revealed as the recoverable value the value in use, as well as an additional impairment loss of both intangible and tangible assets, amounting to 95 million RON. At the of 2015, the impairment test revealed an additional impairment loss of 36.6 million RON. The performance of the impairment test at the end of 2016 revealed a new loss, amounting to 18 million RON. At the end of 2017 after updating the assumptions included in the impairment test, the losses amounting to 19,6 million RON were reversed. After updating the assumptions included in the impairment test, the Group concluded that any changes to the impairment recorded during the previous years were not necessary.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The main assumptions employed when calculating the value in use were the discount rate (post-tax) of 8.2% (2017: 9% post-tax), the projected prices for electricity and green certificates, as well the operational assumptions concerning the production of the two wind farms.

- Taxes

There are uncertainties concerning the interpretation of complex fiscal regulations, of changes in the tax legislation and of the value and timing of the future taxable profit. Considering the extended range of international relations and the long-term nature and complexity of existing contractual agreements, the differences emerged between the actual results and the assumptions made, or the future alterations of these assumptions, might entail future adjustments of the revenues and expenses related to already recorded taxes.

The Romanian fiscal system is undergoing a strengthening process, as well as a process of harmonisation with the European legislation. Across fiscal authorities, there may be different interpretations in terms of fiscal legislation, that may lead to additional taxes and penalties. If the state authorities find non-compliances with fiscal and related regulations, these may lead to: the seizure of the amounts in question; additional fiscal obligations; fines and penalties. As such, the fiscal sanctions resulting from the infringement of legal provisions may lead to a significant debt. The Group believes it has paid in due time and in their entirety all of its the taxes and levies.

ENGIE Romania was inspected by the fiscal authorities, for the period until December 31, 2016, on the following taxes, duties and levies: VAT and corporate income tax.

The Parent company took over, on December 31, 2015, following the integration of CONGAZ SA, a litigation resulted after the latter was inspected by the fiscal authorities, on the topic of challenging the fiscal debts and accessory obligations imposed by ANAF (*National Agency for Fiscal Administration*) (primarily concerning excise duty) and paid by CONGAZ SA. As at the signing date of these financial statements, no conclusive ruling has been delivered on the settlement of this litigation, however, the Group was granted a favourable decision in appeal court in December 2016. ANAF challenged the decision before the High Court of Cassation and Justice, the court appearance being set for February 11, 2020.

Braila Winds submitted a VAT reimbursement request for the May 2013 - February 2017 period, a request that was fulfilled in its entirety.

Alizeu Eolian was inspected by the fiscal authorities for the January 2014 - January 2017 interval, in relation to VAT requested for reimbursement. The entire requested amount was reimbursed by the fiscal authorities.

The other companies within the Group were not subject to audits throughout the disclosed periods. The fiscal years remain open for verifications for 5 years after the submission of the relevant annual tax returns.

- Pension benefits

The cost pertaining to the retirement premiums and other post-employment medical benefits is determined using actuarial assessments. An actuarial assessment entails the issuance of various actuarial assumptions, which can differ from actual future developments. These include determining the discount rate, future salary increases, mortality rates. Given the assessment complexity, the supporting assumptions and the long-term nature, a liability concerning a determined benefit is extremely sensitive to changes in these assumptions. All assumptions are revised as at each reporting date. Details in Note 22.

- Operating lives of fixed assets and amortisation method

The Group estimates the operating life of tangible asset elements in accordance with the consumption / wear rate for the respective assets. The Group uses the straight-line amortization method for fixed assets.
The Parent company revised the estimated operating lives as at December 31, 2019 and concluded that no changes are required.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Impairments of receivables

The Group has adopted IFRS 9 since January 1, 2018 by using the restatement of comparative amounts and changing the figures from previous fiscal years (2016 and 2017). In order to emphasize the impact of restating the balances as at December 31, 2017 and at January 1, 2017, please see Note 3 w) – Restatements of comparative periods.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

4.1 Changes due to new standards that came into effect

The accounting policies adopted are consistent with those in the previous fiscal year, except for the following modified IFRS, adopted by the Group on January 1, 2018:

● **IFRS 9 *Financial instruments***

The final version of IFRS 9 *Financial instruments* reflects all the project phases regarding financial instruments and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all the previous versions of IFRS 9. The standard introduces new requirements in terms of classification and evaluation, depreciation and hedge accounting.

IFRS 9 introduces a new classification of financial assets, determined by the ***entity's business model***, meaning the manner in which an entity manages its financial assets in order to generate cash flows, and by the *contractual cash flows* exclusively representing payments of the principal debt and of the interest related to the outstanding principal value.

The new classification comprises three main categories of financial assets: measured at amortised cost, measured at fair value through other comprehensive income elements and measured at fair value through the profit and loss account.

The management conducted an assessment of the effects introduced by the standard and consider that all the trade receivables are held in order to collect cash flows, and the contractual deadlines associated to the financial assets generate cash flows which are exclusively payments of the principal debt and of the interest related to the outstanding principal value, whereas the Group does not have any trade receivables resulted from contracts that stipulate an invoicing system based on estimated prices. The loans granted to affiliated parties are primarily aimed at collecting contractual cash flows, in the form of repayments of the principal debt and the interest to the principal balance. As a result, the financial assets are evaluated at amortised cost, as the Group did not identify any assets that would be subject to evaluation at fair value.

There is no impact upon the recognition and evaluation of financial liabilities due to the fact that the new requirements strictly concern entering in the accounting records the financial liabilities designated to be recorded at fair value through the profit and loss account. The Group does not hold this category of liabilities.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 introduces a new model for impairment losses, based on projected losses, which imposes the early recognition of the losses expected to occur from the impairment of receivables. The losses on financial assets measured at amortised cost are calculated based on a three-stage model, using the credit risk, the internal or external ratings assigned to partners and the related payment default probability.

In order to emphasize the impact of restating the balances as at December 31, 2017 and at January 1, 2017, please see Note 3 w).

The Group chose to apply IFRS 9 completely retroactively, in line with the ENGIE Group policy.

● IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 sets forth a five-stage model that is set to apply to revenues originating from a contract concluded with a customer (with limited exceptions), regardless of the transaction type or industry. Furthermore, the requirements of the standard will apply to the recognition and evaluation of the gains and losses from the sale of certain assets, different from the financial ones, which do not result from the entity's regular business (e.g.: sales of tangible and intangible assets). Stipulations shall include the extensive disclosure of information, including the disaggregation of total income, information on the obligations to perform, changes in contractual balances of asset and liability accounts between periods, as well as key judgements and estimates.

The Group chose to apply IFRS 9 completely retroactively, in line with the ENGIE Group policy.

● IFRS 15: Revenue from Contracts with Customers (Clarifications)

The object of the clarifications is to clarify IASB's intentions when it elaborated the requirements of Standard IFRS 15 *Revenue from Contracts with Customers*, particularly on how to account for obligations to perform, by altering the wording in the principle of "distinctly identifiable" assets, the considerations related to the principal and the agent, including whether an entity acts from the capacity of principal or agent, as well as the application of the control and licensing principle, by providing additional guidance in regard to accounting for intellectual property and royalties. Moreover, the clarifications mention additional practical solutions available to entities which either apply IFRS 15 completely retroactively or choose to apply the modified retroactive approach. This change did not have significant effects upon the Group's financial statements.

● IFRS 2: Classification and evaluation of transactions with share-based payments (Amendments)

The amendments stipulate the requirements on accounting for the effects of the "taking effect" prerequisites and for the effects of the revokable "taking effect" requirements upon the evaluation of share-based payments settled in cash, transactions with share-based payments featuring the net settlement of the source-based taxation obligations, as well as for the changes brought to the terms and requirements applicable to a share-based payment, changes that alter the classification of a transaction from a cash settlement transaction to a transaction settled by issuing own equity instruments. The management determined that applying the amendments introduced by IFRS 2 had no impact upon the financial statements.

● IAS 40: Transfers to investment property (Amendment)

The amendments clarify the time when an entity should transfer real estate, including real estate under construction or development, as part of its investment property. The amendments stipulate that a change in use takes place when the property complies, or no longer complies, with the definition of investment property and there is proof on the change in use. A simple intention by the management to change the use of a real estate unit shall not be deemed proof of a change in use. The management estimated that applying the amendments introduced by IAS 40 had no impact upon the financial statements.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

● INTERPRETATION OF IFRIC 22: Transactions in foreign currency and advance payments

The interpretation clarifies the manner of accounting for transactions that include the advance collection, or payment, of amounts in foreign currencies. The interpretation covers transactions in foreign currencies for which the entity recognises a non-monetary asset or a non-monetary liability as a result of that payment, or the collection of an advance payment prior to the entity recognising the related asset, expenditure or income. The interpretation stipulates that, in order to determine the foreign exchange rate, the transaction date is the date of the initial recognition of the non-monetary asset paid in advance or of the liability based on deferred income. If there are several payments or collections made in advance, the entity shall determine a transaction date for each advance payment or collection of an amount. The management determined that the application of this interpretation had no significant impact across the Group.

4.2 Issued standards which are not yet in force and were not subject to early adoption

● IFRS 16: Leases

The standard comes into effect for annual periods beginning on, or after, January 1, 2019. IFRS 16 sets forth the principles for the recognition, evaluation, disclosure and provision of information on the lease contracts of the two parties to a contract, namely the client ("lessee") and the provider ("lessor"). The new standard stipulates that lessees shall recognise most lease contracts within their financial statements. The lessees shall benefit from a single accounting model for all the contracts, with a number of exceptions. The lessor's accounting records shall remain largely unchanged. The management estimated that this change will not have a significant impact upon the Group's performance of financial position.

● IFRS 9: Negative offset advance payment characteristics (Amendments)

The amendments comes into effect for annual periods beginning on, or after, January 1, 2019 and early application is allowed. The change allows the measurement, at amortised cost or at fair value through other comprehensive income elements, of financial assets with advance payment characteristics, which allow, or impose to, a party to a contract either to pay or to receive reasonable compensation for the early termination of the contract (so that, from the asset owner's perspective, there may be a "negative offset"). The management determined that there was no material impact across the Group following the application of these amendments..

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

● IAS 28: Long-term interests in associates and joint ventures (Amendments)

The amendments comes into effect for annual periods beginning on, or after, January 1, 2019 and early application is allowed. The changes concern the fact whether the valuation and, in particular, the requirements related to the depreciation of long-term interests in associates and joint ventures, which are basically part of "the net investment" in the respective associate or joint venture, should be governed by IFRS 9, IAS 28 or a combination of these two standards. The changes clarify the fact that an entity will apply IFRS 9 *Financial instruments*, prior to applying IAS 28, to those long-term interests to which the equity method does not apply. When applying IFRS 9, an entity shall not take into account the book value adjustments of the long-term interests generated by the application of IAS 28. These changes are yet to be adopted by the EU. The management determined that there was no material impact across the Group following the application of these amendments.

● INTERPRETATION OF IFRIC 23: Uncertainty in regard to the treatments applied to the corporate income tax

The interpretation comes into effect for annual periods beginning on, or after, January 1, 2019 and early application is allowed. The interpretation addresses how corporate income taxes are treated in cases where the fiscal treatments involve a degree of uncertainty which affects the application of standard IAS 12. The interpretation provides guidance on how to analyse certain tax treatments either individually or jointly, how to conduct audits on fiscal authorities, the adequate method intended to reflect that uncertainty and the accounting records of changes in events and circumstances. The Group is currently assessing the impact of this change upon the Group's financial position or performance.

● IAS 19: Alteration, forwarding or settlement plan (Amendments)

The amendments comes into effect for annual periods beginning on, or after, January 1, 2019 and early application is allowed. The changes stipulate that the entity should apply updated actuarial assumptions in order to determine the cost of current services and the net interest for the remaining annual reporting period after an alteration, decrease and settlement plan has been implemented. Furthermore, the changes clarify the manner in which the accounting records of an alteration, decrease and settlement plan affects the application of the requirements regarding the asset ceiling. These changes are yet to be adopted by the EU. The management are currently assessing the impact this interpretation is bound to have upon the financial statements.

● The Conceptual Framework within the IFRS standards

IASB issued the revised Conceptual Framework for Financial Reporting on March 29, 2018. The Conceptual Framework sets forth a comprehensive set of concepts on financial reporting, formulating standards, guidance for those who draw up financial statements to better elaborate consistent accounting policies and assistance for users in understanding and interpreting standards. Furthermore, IASB issued a separate enclosed document, Amendments to the References to the Conceptual Framework within the IFRS standards, which sets forth the changes to the standards in question, for the purpose of updating the references to the updated Conceptual Framework. The goal of the document is to support the transition to the revised Conceptual Framework for entities that develop accounting policies using the Conceptual Framework when no IFRS standard applies to a particular transaction. For those who draw up financial statements and develop accounting policies based on the Conceptual Framework, the document comes into effect for annual periods starting on or after January 1, 2020.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

● IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*: defining the term "material" (Amendments)

IASB issued changes to the definition of an enterprise (Amendments to IFRS 3) in order to address challenges that occur when an entity determines whether it has purchased an enterprise or a group of assets. The changes are in effect for business combinations in the case of which the purchase date falls during the first annual reporting period starting from, or after, January 1, 2020, as well as for asset purchases that take place at, or after, the start of that period, whereas early application is allowed. These changes are yet to be passed by the EU. This interpretation is yet to be passed by the EU. The management determined that there was no material impact across the Group following the application of this interpretation.

● IASB issued the Annual Improvements to IFRS Standards 2015 - 2017 Cycle, representing a collection of amendments to IFRS. The management determined that there was no material impact across the Company following the application of these amendments.

- ***IFRS 3 Business combinations and IFRS 11 Joint Arrangements:*** The changes brought to IFRS 3 clarify the fact that, when an entity gains control over an enterprise operating as a joint venture, that entity will revaluate the interests previously held in the enterprise in question. The changes brought by IFRS 11 clarify the fact that, when an entity gains joint control over an enterprise operating as a joint venture, that entity will not revaluate the interests previously held in the enterprise in question.

- ***IAS 12 Income taxes:*** The changes clarify the fact that the effects upon the corporate income tax of payments regarding financial instruments classified as own equity shall be recognised according to the way in which past transactions or events that generated distributable profit were recognised.

- ***IAS 23 Borrowing costs:*** The changes clarify item 14 in the standard according to which, when an asset that qualifies as available for its intended use or for sale, and one of the specific loans related to that qualifiable asset is left outstanding at the same time, the respective loan shall be included in the funds an entity generally borrows.

(The amounts are expressed in RON, unless otherwise provided)

5. OTHER INCOME

	2018 RON	2017 RON
Revenues from services rendered to third parties	121,510,746	108,582,228
Other revenues	15,950,960	15,621,911
Other revenues	**137,461,706**	**124,204,139**

6. OTHER OPERATING INCOME

	2018 RON	2017 RON
Income from penalties	14,037,588	6,442,930
Income from the capitalisation of gas distribution network development works	75,214,176	48,148,340
Others	6,410,510	10,736,857
Other operating income	**95,662,274**	**85,328,127**

7. EXPENSES WITH EMPLOYEE BENEFITS

Short-term benefits granted to salaried employees include allowances, salaries and social security contributions. These benefits are recognised as expenses at the time of rendering the services. The total labour costs are presented in the following table:

	2018 RON	2017 RON
Labour costs	336,475,817	262,120,927
Expenses with state pension determined contribution	-	39,727,814
Social security costs	7,292,539	16,422,357
Long-term employee benefits (Note 22)	16,691,497	4,802,223
Total labour costs	**360,459,853**	**323,073,321**

In 2018, the Group's average number of employees was 3,713 (2017: 3,687).

The income pertaining to share-based payments included under other labour costs amounts to 1,153,622 RON in 2018 (2017 expenses: 608,781 RON).

The action plans in effect as at December 31, 2018 are as follows:

- The **Free Share Assignment Plan Link 2014**, according to which a free share is assigned for a subscribed share, in relation to the first 10 subscribed shares, and one free share for 4 subscribed shares, from the 11th to the 50th subscribed share => a maximum of 20 free shares for a subscription of 50 shares by the salaried employees, provided that they have not resigned by September 30, 2019.

(The amounts are expressed in RON, unless otherwise provided)

7. EXPENSES WITH EMPLOYEE BENEFITS (continued)

Plan date	"Taking effect" date	Number of shares	Fair value per share as at the "Taking effect" date
LINK 201411/12/2014	11.12.2019	1,195	14.52
PS 10/12/2014	14.03.2019	16,415	12.68
PS 16/12/2015	15.03.2020	14,395	9.92
PS 14/12/2016	14.03.2020	16,290	8.52
PS 14/12/2016	14.03.2021	3,500	8.52
PS 13/12/2017	14.03.2021	27,475	11.53

These share-based payment plans are organised across ENGIE Group. ENGIE Romania Group does not have any effective payment liability in relation to its employees and accounts for these shares as a shareholders' contribution to own equity.

8. OTHER EXPENSES

	2018 RON	2017 RON
Taxes and levies	73,260,636	72,772,188
Indemnifications, fines and penalties	32,854,965	39,784,472
Other costs with third-party services	27,269,133	33,203,112
Maintenance and repair costs	20,107,166	18,477,121
Postage costs and telecommunications charges	15,566,358	14,467,591
Expenses with royalties, leases and rentals	14,729,315	13,840,818
Other expenses with gas-related services	11,481,712	13,080,432
Administrative expenses	11,419,820	9,519,105
Expenses with consultancy services	9,983,555	10,616,902
Expenses with security services	10,515,843	9,573,551
Expenses with paving works	9,802,561	8,821,020
Expenses with insurance premiums	8,720,292	7,929,678
Marketing costs (commercials, advertising)	12,241,564	7,144,022
Management services	6,051,777	4,789,681
Bank commissions	5,779,262	4,003,836
Expenses with utilities	4,120,824	3,358,843
Expenses with / (reversals from) impairments of receivables	24,017,636	562,884
(Gains) / losses from disposals of assets	(469,760)	(1,715,087)
Expenses with / (reversals from) provisions	10,417,974	(11,957,770)
Other expenses	20,234,992	19,212,235
Total	**328,105,625**	**277,484.635**

Expenses related to taxes and levies primarily include: tax on the natural gas distribution monopoly, the royalty pertaining to the gas distribution service, the high-efficiency co-generation tax.

(The amounts are expressed in RON, unless otherwise provided)

9. INTEREST AND OTHER FINANCIAL EXPENSES / INCOME

Interest income	**2018 RON**	**2017 RON**
Income from interests on bank deposits	19,249,312	6,232,838
Income from interest to loans granted to affiliated parties	-	-
Total	**19,249,312**	**6,232,838**

Interest expenses	**2018 RON**	**2017 RON**
Expenses with interest on loans	5,899	15,577,555
Total	**5,899**	**15,577,555**

Other financial gains / (losses)	**2018 RON**	**2017 RON**
Discounts granted	14,592	5,612
Gains/(Losses) from cash flow hedging instruments	(9,15,944)	-
Other financial gains / (losses)	(760,163)	2,154,178
Total	**(9,901,515)**	**2,159,790**

10. CORPORATE INCOME TAX

The total expenditure of the year is reconciled with the accounting profit as follows:

	2018 RON	**2017 Restated RON**
Current corporate income tax		
Current corporate income tax	73,813,141	53,092,595
Deferred tax		
Related to the temporary differences	(10,642,639)	17,520,607
Corporate income tax costs recorded in the profit and loss account	**63,170,502**	**70,613,202**
Comprehensive income statement		
Deferred tax pertaining to elements directly recognised under own equity:		
Actuarial gains / (losses) for employee benefits	865,470	(905,4071.
Corporate income tax recorded in the comprehensive income statement	**865,470**	(905,4911

(The amounts are expressed in RON, unless otherwise provided)

10. CORPORATE INCOME TAX (continued)

The reconciliation between the accounting profit and the corporate income tax calculation is presented below:

	2018 RON	2017 Restated RON
Gross accounting profit	**491,877,309**	**413,174,372**
Corporate income tax at the statutory tax rate (16%)	78,700,369	66,107,900
Impact of non-deductible expenses and non-taxable revenues	(8,376,627)	12,753,531
Tax credit (sponsorship costs and allowance)	(5,660,470)	(5,673,213)
Tax credit (the legal reserve)	(1,492,771)	(2,575,018)
Corporate income tax costs recorded in the profit and loss account	**63,170,502**	**70,613,202**

The main differences from the impact of non-deductible expenses and non-taxable revenues primarily concern provisions and value adjustments.

The reconciliation of the deferred corporate income tax with the corresponding items in the statement of financial position and the comprehensive income statement is as follows:

	Statement of financial position		Comprehensive income statement	
	2018 RON	2017 Restated RON	2018 RON	2017 Restated RON
Fiscal differences related to fixed assets	(173,327,187)	(160,318,270)	(13,010,917)	(13,737,615)
Financial investments	663,488	563,488		
Fiscal differences related to wind farms	12,789,192		12,769,192	-
Adjustments for depreciations of inventories	138,048	78,533	81,515	(89,567)
Impairments of current assets	33,835,290	30,968,807	2,876,883	(8,005,758)
Revaluation reserves	(28,685,059)	(31,032,950)	2,147,891	2,948,969
Long-term provisions	10,309,634	8,021,996	4,287,638	2,492,180
Long-term employee benefits	14,519,910	10,983,804	2,670,637	786,358
Short-term provisions				(3,987,217)
Short-term employee benefits	5,308,089	6,286,068	(959,999)	90,044
Expenses with / (income from) deferred tax recognized in the profit and loss account			**10,642.639**	**(17,520,607)**
Actuarial gains/(losses) for employee benefits	865,470	(905,407)	885,470	(905,407)
Expenses with / (income from) deferred tax recognized under other comprehensive income elements	**(124,970,614)**	**(136,478,723)**	**865,470**	**(905,407)**
Recognized in the statement of financial position as follows:				
Deferred tax – receivable	49,044,517	42,070,183		
Deferred tax – liability	(174,015,131)	(178,548,906)		
Deferred tax – net item	**(124,970,614)**	**(136,478,723)**		

Considering the Shareholders' General Extraordinary Assembly of April 10, 2019, which passed the approval in principle of the absorption-based merger of Brăila Winds and Alizeu Eolian subsidiaries with ENGIE Romania, starting from December 31, 2018, the Company recognised a deferred tax – receivable for the deductible temporary difference resulted from the impairment loss on the assets of Braila Winds and Alizeu Eolian, calculated as the difference between the tax basis as at December 31, 2018, amounting to 441.5 million RON, and the value in use of the cash-generating units for Braila Winds and Alizeu Eolian, amounting to 361.7 million RON. Braila Winds and Alizeu Eolian recorded during the 2015-2016 period fiscal losses amounting to 3.5 million RON, which were fully recovered as at December 31, 2017.

(The amounts are expressed in RON, unless otherwise provided)

11. TANGIBLE ASSETS

	Lands	Buildings	Facilities	Machinery, equipment and motor vehicles	Furniture and accessories	Constructions in progress	Total
	RON	RON	RON	RON	RON	RON	RON
Cost or fair value							
As at January 1, 2017	**119,045,702**	**534,802,981**	**2,694,403,759**	**917,103,646**	**16,886,343**	**178,908,189**	**4,461,150,620**
Receipts	-	-	-	-	-	172,974,061	172,974,061
Disposals	(378,689)	(84,871)	-	(9,101,599)	(81,256)	-	(9,646,415)
Transfer from investments in progress	-	4,392,107	97,339,763	53,620,065	2,330,714	(157,682,650)	-
As at December 31, 2017	**118,667,013**	**539,110,217**	**2,791,743,523**	**961,622,112**	**19,135,801**	**194,199,600**	**4,624,478,266**
Receipts	-	-	-	-	-	244,725,882	244,725,882
Disposals	-	(118,914)	(121,636)	(8,963,360)	(676,445)	-	(9,880,355)
Transfer from investments in progress	-	9,436,880	109,885,416	59,908,175	1,556,411	(180,786,882)	-
As at December 31, 2018	**118,667,013**	**548,428,183**	**2,901,507,303**	**1,012,566,927**	**20,015,767**	**258,138,600**	**4,859,323,793**
Amortisation and impairment adjustments							
As at January 1, 2017		163,897,005	614,576,571	347,509,070	9,931,638		1,135,914,282
Amortisation	-	27,549,470	79,241,205	85,401,612	2,102,454	-	194,294,740
Disposals		(1,552)	-	(9,161,675)	(38,339)	-	(9,201,566)
Depreciation / (Depreciation reversal)		-	-	(19,644,310)	-	93,571	(19,550,739)
As at December 31, 2017	-	191,444,922	693,817,776	404,104,695	11,995,753	93,571	1,301,456,717
Amortisation	-	28,072,725	79,974,647	71,321,948	2,128,498	-	181,497,818
Disposals		(7,829)	(26,657)	(7,970,403)	(675,369)	-	(8,680,258)
Depreciation reversal		-	-	-	-	(93,571)	(93,571)
As at December 31, 2018	**-**	**219,509,818**	**773,765,766**	**467,456,240**	**13,448,882**	**-**	**1,474,180,706**
Net book value as at December 31, 2017	**118,667,013**	**347,665,295**	**2,097,925,747**	**557,517,417**	**7,140,048**	**194,106,029**	**3,323,021,547**
Net book value as at December 31, 2018	**118,667,013**	**328,918,365**	**2,127,741,537**	**545,110,687**	**6,566,285**	**258,138,600**	**3,385,143,088**

(The amounts are expressed in RON, unless otherwise provided)

11. TANGIBLE ASSETS (continued)

The total value of the investments made in 2018 amounts to 256.5 million RON (2017: 176.1 million RON), of which 244.7 million RON as tangible assets (2017: 172.9 million RON) and 11.8 million RON as intangible assets (2017: 3.2 million RON). The Group's main investments comprise the distribution network rehabilitation, connections to the gas grid, meters and technical equipment.

Assets held under financial lease

As at December 31, 2018, the Group has 1 finance lease contract concluded, for fixed assets, with a net book value of 57,955 RON, valid until 2020.

Sold and leased tangible assets

The Group did not have throughout 2018 and 2017 any tangible assets subsequently sold and leased.

Revaluation of fixed assets

The most recent revaluation of all the tangible assets was carried out on December 31, 2007, by an independent valuator, its purpose being to determine both the market fair values of the fixed assets and the remaining operating lives. The valuation was recorded as per OMFP 1752/2005 and the value determined following this valuation was used as assumed cost for all the tangible assets, with the exception of lands and buildings.

The method selected to record the revaluation results was, in line with OMFP 1752/2005, that of concurrently revaluating the gross value and the accrued amortisation. Throughout 2013, the Parent company decided to reclassify the amortisation accrued as at December 31, 2007 in order to accurately disclose the revaluated (net) value as assumed cost, according to the application method selected for IFRS 1.

As at December 31, 2016, the Group had the lands and buildings revaluated by an independent valuator. The purpose of this revaluation was to establish the market fair value of these assets.

The fair value was determined in relation to market information, using the market-based approach (the market comparison), the cost-based approach and the income-based approach (level 3 on the fair value measurement hierarchy) – the main input data being price per sq m and lease per sq m. The valuation techniques applied by the independent valuator are in compliance with the International Valuation Standards.

Furthermore, the Group performed the fiscal revaluation of the special buildings and constructions, in order to have them taxed, pursuant to the provisions of the ANEVAR GES 500 « Determining the taxable value of buildings » valuation standards.

The statement of revaluation reserves, following the revaluation performed as at December 31, 2016, was as follows:

Revaluation	Revaluation as per GD 1553/2003	Revaluation as at Dec. 31, 2007	Revaluation as at Dec. 31, 2010	Revaluation as at Dec. 31, 2013	Revaluation as at Dec. 31, 2016	Total revaluations as at Dec. 31, 2016
Lands	***illegible***	***illegible***	***illegible***	***illegible***	***illegible***	***illegible***
Buildings/Stations	14,252,134	22,033,116	596,656	13,766,616	65,519,845	116,168,369
Total	**15,838,953**	**100,594,140**	**5,625,615**	**15,923,952**	**69,288,817**	**207,271,477**

The results of the revaluation as at December 31, 2016 were recorded as follows:

	Revaluation 2016
Revaluation reserve increases	69,288,817
Revaluation reserve decreases	(48,370,545)
Revaluation-based losses recorded under profit and loss	(5,310,105)
Revaluation-based increases recorded under profit and loss	4,545,836

(The amounts are expressed in RON, unless otherwise provided)

11. TANGIBLE ASSETS (continued)

If the land and the buildings had been accounted for using the historical cost principle, the net book value would have been as follows:

	Lands	Buildings
As at December 31, 2017		
Cost	28,394,549	631,125,304
Cumulated value adjustments	-	239,857,204
Net book value	**28,394,549**	391,288,100
As at December 31, 2018		
Cost	28,394,549	640,688,488
Cumulated value adjustments	-	262,017,573
Net book value	**28,394,549**	**378,670,915**

Assets encumbered by guarantees

The Group does not have any fixed assets encumbered by guarantees.

The value of fully amortised tangible assets

The gross book value of fully amortised tangible assets, which are still in use as at December 31, 2018, is 285,309,077 RON (2017: 241,908,376 RON).

Provisions for depreciations of fixed assets

As at December 31, 2017, the Group recorded a specific provision amounting to 14,880,672 RON (2017: 16,024,842 RON), for the depreciation of fixed assets (pipelines and branchings in particular), for the fixed assets comprised in the Scrapping Plans for 2019 (and 2018, respectively).

The Group checked for other internal or external indications of depreciation in regard to the gas segment, but could not identify any.

The deferred green certificates, pertaining to the 2013-2017 interval, is estimated to be traded in 2018 – 2031. The cash flow projection included the assumption of receiving a green certificate per MWh produced over the period starting with 2019.

Another major factor influencing the value of future cash flows is the price of green certificates. The value employed in the model is 29.4 EUR, using the assumption that it will remain constant over the entire period (2019 - 2031). The energy price was estimated based on internal and external sources. The annual production intervals range between 128.8 GWh and 131.2 GWh, the equivalent of a 30% average capacity factor.

The value in use of cash-generating units, in the case of Brăila Winds and Alizeu Eolian, as at December 31, 2018 is 361.7 million RON. A 5% change in the energy price every year, all other variables staying unchanged, will lead to changes in the recoverable value by approximately 17.2 million RON. A 1% change in the discount rate, all other variables staying unchanged, will lead to changes in the recoverable value by approximately 20 million RON.

(The amounts are expressed in RON, unless otherwise provided)

12. INTANGIBLE ASSETS

	Licences and concessions RON	IT systems RON	Intangible assets BW, AE RON	Intangible assets in progress RON	Goodwill RON	TOTAL RON
Cost						
As at January 1, 2017	**20,976,713**	**67,278,745**	**83,074,002**	**4,084,287**	**5,572,870**	**160,984,617**
Receipts	-		-	3,161,314		3,161,314
Disposals	(37,968)	-	-	-		(37,968)
Transfer from investments in progress	732,854	3,786,773	-	(4,519,627)		-
As at December 31, 2017	21,671,600	71,083,518	83,074,002	2,725,974	5,572,870	184,107,963
Receipts	-	_	-	11,756,213		11,756,213
Disposals		.	-	-		-
Transfer from investments in progress	1,115,118	3,951,004	-	(5,066,122)		-
As at December 31, 2018	**22,786,718**	**75,014,622**	**83,074,002**	**9,416,065**	**5,572,870**	**195,864,176**
Amortisation and impairment adjustments						
As at January 1, 2017	18,051,652	46,741,275	83,074,002			147,866,929
Amortisation	1,665,381	8,908,300		-		8,793,881
Depreciation						-
Disposals	(37,968)					(37,968)
As at December 31, 2017	17,899,065	55,649,675	83,074,002	-		156,622,642
Amortisation	2,000,879	6,818,933				8,819,812
Transfer from investments in progress	-	-		-		-
Depreciation	-	-				-
Disposals		-				-
As at December 31, 2018	19,899,945	62,268,508	83,074,002	-		165,242,454
Net book value						
As at December 31, 2018	2,886,773	12,746,014		9,416,065	5,572,870	30,621,722
As at December 31, 2017	3,772,534	5,413,943	-	2,725,974	5,572,870	27,485,322

For details concerning the impairment of intangible assets, see in Note 12 the information about the impairment test conducted on Brăila Winds and Alizeu Eolian cash-generating units.

(The amounts are expressed in RON, unless otherwise provided)

13. FINANCIAL FIXED ASSETS

The Group's financial fixed assets are divided into:

1) Financial investments
2) Investments in associates

The Group analysed the activity of its associated enterprises within the market context applicable to 2019, taking into account the results achieved and their financial position, and concluded that neither setting up an impairment provision, nor reversing the existing ones is necessary.

13.1 Financial investments

	2018 RON	2017 RON
Book value as at January 1	**476,166**	**476,166**
Disposals	-	-
Book value as at December 31	**476,166**	**476,166**

	Equity interests %	Purchase cost RON	Impairment RON	Net value RON
2018				
Roman Brașov	1.19%	3,460,973	3,460,973	-
Other financial investments	<20%	536,995	60,830	476,166
Total		**3,997,966**	**3,521,803**	**476,166**

	Equity interests %	Purchase cost RON	Impairment RON	Net value RON
2017				
Roman Brașov	1.19%	3,460,973	3,460,973	-
Other financial investments	<20%	536,995	60,830	476,166
Total		**3,997,968**	**3,521,803**	**476,166**

In 2004, in order to facilitate the privatisation process, some of the Group's receivables were converted into shares with help from the Authority for State Assets Recovery ("AVAS"). As such, the Group obtained equity interests in companies undergoing the privatisation process, in accordance with GD 1249/2003, GD 1284/2004 and GEO 114/2003. The shares resulted from the conversion were transferred to AVAS pursuant to a protocol, in order to be sold. The total amount of the receivables, 3,521,802 RON, was provisioned for, being considered that the privatisation process of these companies was taking a particularly long time and entailed uncertainty in earning the equivalent value of the shares.

13.2 Investments in associates

TULCEA GAZ S.A.

The Group has a 30% investment in Tulcea Gaz SA a natural gas distribution company, located in Tulcea county, the majority shareholder of which is Infochem International SA (59.35%). Its scope of business consist in the supply and distribution of gas across Tulcea county. The own equity value at the end of 2018 is 16,052,879 RON (2017: 17,714,946 RON), of which 5,787,793 RON (2017: 5,787,793 RON) as reserves, and 718,138 RON as loss (2017 profit: 1,004,875 RON).

(The amounts are expressed in RON, unless otherwise provided)

13. FINANCIAL FIXED ASSETS (continued)

The table below presents summed-up financial information on the Group's investment in Tulcea Gaz S.A., for the related shareholding percentage:

	2018 RON	2017 RON
Current assets	2,665,099	2,253,373
Fixed assets	5,402,490	5,310,376
Liabilities	3,251,725	2,249,265
Own equity	**4,815,864**	**5,314,484**
Income	6,689,151	6,083,524
Profit	(215,441)	301,463
Book value of the investment in Tulcea Gaz	**4,815,864**	**5,314,484**

The Group has a 48.85% investment in Wirom Gas SA, a natural gas distribution and supply company located in Bucharest, the majority shareholder of which is Gazprom Schweiz AG. Its core business consists in the supply and distribution of gas across Tumu Magurele, Alexandria, Oltenița and Giurgiu cities. The own equity value at the end of 2018 was 17,529,306 RON (2017: 27,928,610 RON), of which 8,428,007 RON (2017: 8,082,336 RON) as reserves, and 10,744,975 RON in losses (2017 loss: 4,733,950 RON).

The table below presents summarised financial information of the Group's investments in Wirom Gas SA, for the related stake percentage:

	2018 RON	2017 RON
Current assets	13,637,455	9,699,331
Fixed assets	29,248,555	30,013,005
Liabilities	34,326,450	26,074,796
Own equity	**8,559,560**	**13,637,540**
Income	35,769,942	28,883,390
Profit / (Loss)	(5,246,771)	(2,311,588)
Book value of the investment in Tulcea Gaz	**8,559,560**	**13,637,540**

14. OTHER FINANCIAL ASSETS / LIABILITIES

14.1 Other financial assets

	2018 RON	2017 RON
Cash flow hedging instruments – efficient part	520,793	2.154.179
Other receivables	-	698.855
Total other financial assets	**520,793**	**2,851,034**

(The amounts are expressed in RON, unless otherwise provided)

14. OTHER FINANCIAL ASSETS / LIABILITIES (continued)

14.2 Interest-bearing loans

The amounts due to medium- and long-term lenders are the following:

Lender	UniCredit	BRD
Amount granted	90 million RON	90 million RON
Type	General-purpose revolving credit line	General-purpose revolving credit line
Withdrawals	The amounts were not withdrawn by December 31, 2018	The amounts were not withdrawn by December 31, 2018
Guarantees	Movable mortgage on bank accounts	Movable mortgage on bank accounts
Amount granted	100 million RON	100 million RON
Type	General-purpose overdraft	Non-binding general-purpose credit line
Withdrawals	The amounts were not withdrawn by December 31, 2018	The amounts were not withdrawn by December 31, 2018
Guarantees	No security available	Movable mortgage on bank accounts

As at December 31, 2018, the Parent company also enjoyed the following letter of bank guarantee facilities:

- A credit line with B.R.D. - Groupe Societe Generale S.A., in the form of a facility to issue letters of bank guarantee for a total amount of 450,000,000 RON, valid until October 31, 2019 (the total balance used being 213,271,052 RON);
- A credit line with UniCredit Bank S.A., in the form of a facility to issue letters of bank guarantee for an amount of 450,000,000 RON, valid until December 31, 2019 (the balance used being 227,653,689 RON) and an additional cash credit line amounting to 20,000,000 RON valid until December 31, 2019;
- A credit line with Raiffeisen Bank, in the form of a facility to issue letters of bank guarantee for an amount of 350,000,000 RON, valid until May 15, 2021 (the balance used being 155,062,585 RON);
- A credit line with BNP Paribas Fortis SA/NV Bruxelles Sucursala Bucuresti, in the form of a facility to issue letters of bank guarantee for a total amount of 450,000,000 RON (the balance used being 229,972,708 RON).

As at December 31, 2018, Distrigaz Sud Rețele subsidiary enjoyed the following letter of bank guarantee facility:

- A credit line with B.R.D. - Groupe Société Générale S.A., in the form of a facility to issue letters of bank guarantee for a total amount of 20,000,000 RON, valid until October 31, 2019 (the balance used being 9,622,222 RON).

14.3 Debts at fair value

	2018 RON	2017 RON
Financial liabilities at fair value through other comprehensive income elements	**6,635,239**	**-**

(The amounts are expressed in RON, unless otherwise provided)

15. STOCKS

	2018 RON	2017 RON
Gas	364,505,612	306,262,387
Spare parts	2,797	1,415,101
Consumables	16,359,661	12,442,959
Depreciation of stocks	(862,799)	(478,332)
Total	**380,005,271**	**319,642,115**

The Group uses the weighted average cost method as a stock assessment method.

The natural gas stock value includes only the value of the gas molecule, whereas the related services, such as storage and transportation, are directly recorded under costs.

16. RECEIVABLES

	2018 RON	2017 restated RON
Trade receivables	1,314,897,940	1,076,842,205
Receivables from affiliated parties (Note 25)	29,249,015	882,090
Customers - invoices to be issued	566,856,675	354,125,752
Value adjustments for impairments of doubtful receivables	(327,014,429)	(290,320,387)
Total	**1,583,989,201**	**1,141,529,660**

In general, trade receivables have a 30-90-day payment deadline and, failing payment, penalties shall be calculated.

The Group recorded a value adjustment for projected impairment losses, amounting to 327,014,428 RON, as at December 31, 2018 (2017: 290,320,387 RON). This adjustment covers the risk of default in relation to doubtful customers and was set up considering the equivalent value of both gas/electricity consumption invoices issued and the penalty ones. The variations displayed by the value adjustments for impairments of receivables were as follows:

	Total RON
As at January 1, 2017 restated	**292,211,570**
Increases throughout the year	1,211,132
Amounts used	(314,668,449)
Reversals throughout the year	311,566,134
As at December 31, 2017 restated	**290,320,387**
Increases throughout the year	405,054,823
Amounts used	5,457,736
Reversals throughout the year	(373,818,518)
As at December 31, 2018	**327,014,429**

(The amounts are expressed in RON, unless otherwise provided)

16. RECEIVABLES (continued)

2018	**Total**	**Within deadline**	**1-90**	**90-120**	**121-365**	**> 1 year**
Receivables of household / non-household customers	1,259,328,139	1,167,211,423	27,090,623	1,067,440	11,508,414	52,450,241
Provision for customers	78,693,358	12,196,537	5,024,738	659,733	10,404,771	50,407,579
% Provisioning percentage	6%	1%	19%	62%	90%	96%
Receivables of large customers	622,426,476	291,670,487	96,305,983	7,252,506	2,417,158	224,780,342
Provision for large customers	248,321,071	21,690,026	27,961,554	4,199,508	2,426,934	192,043,049
% Provisioning percentage	40%	7%	29%	58%	100%	85%
2017	**Total**	**Within deadline**	**1-90**	**90-120**	**121-365**	**> 1 year**
Receivables of household / non-household customers	693,075,178	606,779,998	23,383,836	445,290	14,235,051	48,251,003
Provision for customers	69,668,445	5,726,571	6,114,950	315,614	11,089,376	47,419,933
% Provisioning percentage	8%	1%	22%	71%	78%	96%
Receivables of large customers	537,892,779	275,822,923	20,963,305	2,897,210	5,234,822	233,174,520
Provision for large customers	220,651,940	18,964,607	5,736,001	1,981,255	1,254,408	192,715,471
% Provisioning percentage	41%	7%	27%	88%	24%	63%

ELCEN Bucuresti, the thermal energy producer from Bucharest, filed for insolvency on October 6, 2016. As at the insolvency date, the receivable payable by ELCEN Bucuresti to Distrigaz Sud Rețele amounted to 165 million RON, reaching 226.8 million RON as at December 31, 2018.

17. OTHER RECEIVABLES AND CURRENT ASSETS

Other receivables and current assets comprise:

	20188 RON	**2017 RON**
Receivables from levies and taxes	7,188,726	3,379,423
Sundry debtors	3,911,589	4,355,256
Other receivables	-	440,861
Other short-term receivables	**11,100,315**	**8,175,540**
Advance payments to suppliers	8,836,842	14,696,852
Deferred expenses	3,051,119	2,139,466
Advance payments and deferred expenses	**11,887,961**	**16,836,318**
Total	**22,988,277**	**25,011,868**

(The amounts are expressed in RON, unless otherwise provided)

18. CASH AND CASH EQUIVALENTS

As at December 31, 2018 and 2017, the net resources are as follows:

	2018 RON	2017 RON
Cash and cash at bank	136,827,013	213,337,197
Other cash equivalents	28,333	31,871
Short-term bank deposits	773,318,743	674,991,770
Short-term deposits with ENGIE Treasury Management	200,801,621	94,230,427
Total	**1,110,975,709**	**982,591,265**

According to the treasury policy, the Group's cash is considered in relation to an acceptable investment risk issued by the rating agencies. The liens on cash at bank are presented in note 25.

The treasury of ENGIE Romania Group is managed in a centralised manner in order to optimise the Group's cash flows and financial outturn. The centralising entity is ENGIE Romania, whereas Distrigaz Sud Rețele, ENGIE Servicii, ENGIE Buildings Solutions, Brăila Winds and Alizeu Eolian companies are silent entities.

Of the total amount in the bank accounts, the restricted amounts as at December 31, 2018 and 2017 consist in:

	2018 RON	2017 RON
Guarantees set up by customers	94,754	-
Guarantees set up by managers	18,046	25,586
Other securities	252,490	253,908
Total	**270,536**	**279,494**

19. SHARE CAPITAL AND RESERVES

19.1 Share capital

	Number of shares	Nominal value RON	Share capital RON	Adjustment for hyperinflation	Share premiums RON	Total RON
Balance as at January 1, 2017	19,924,553	10	199,245,530	58,057,818	653,633,485	910,936,833
Capital increases in kind	-		-	-	-	-
Capital increases in cash	-		-	-	-	-
Balance as at December 31, 2017	**19,924,553**	**10**	**199,245,530**	**58,057,818**	**653,633,485**	**910,936,833**
Balance as at December 31, 2018	**19,924,553**	**10**	**199,245,530**	**58,057,818**	**653,633,485**	**910,936,833**

(The amounts are expressed in RON, unless otherwise provided)

19. SHARE CAPITAL AND RESERVES (continued)

As at December 31, 2018, the subscribed share capital of the Parent company, ENGIE Romania, amounts to 199,245,530 RON in total, comprising 19,924,553 nominal shares amounting to 10 RON/share, distributed as follows:

2018 shareholding structure	Number of shares	Value in RON	%
Romania Gas Holding	10,160,466	101,604,660	50.994700
The Romanian State – by means of the Ministry of Energy	7,371,320	73,713,200	36.996162
Fondul Proprietatea	2,390,698	23,906,980	11.998753
GDF International SAS	2	20	0.000010
Cogac S.A.S.	1	10	0.000005
Local council of M. Kogalniceanu Town	1,034	10,340	0.005190
Local council of Cogealac Town	620	6,200	0.003112
Local council of Ovidiu City	206	2,060	0.001034
Local council of Medgidia County	206	2,060	0.001034
Total	**19,924,553**	**199,245,530**	**100.000000**

The Parent company’s share capital is fully paid as at December 31, 2018.

The Parent company does not hold any redeemable shares or preference shares. All of the issued shares are ordinary shares.

The share premium as at December 31, 2018 amounted to 653,633,485 RON (2017: 653,633,485 RON) and was recorded primarily under the capital increase following the Company’s privatisation (610,048,663 RON).

19.2 Legal reserve

The legal reserve is created in accordance with the provisions of Companies Law, pursuant to which 5% of the annual accounting profit is transferred to the legal reserves, until their balance reaches 20% of the share capital. If this reserve is used in full or in part to cover losses or to distribute under any form (such as the issuance of new shares in line with the Companies Law), it shall become taxable. The Company management do not estimate they will use the legal reserve in such a way as to render it taxable (except for the case stipulated in the Fiscal Code, where the reserve set up by legal entities that supply utilities to trading companies undergoing a restructuring, reorganising or privatisation process may be used to cover impairments of the stake obtained following the receivable conversion procedure, whereas the amounts intended for the subsequent replenishment of the reserve are deductible as part of the taxable profit calculation).

The Parent company’s legal reserve set up for 2018 is 47,702,078 RON (2017: 47,702,078 RON).

19.3 Other reserves

Other reserves primarily consist in the reserve from the investment development share (December 31, 2018, December 31, 2017: 159,433,888 RON), which was created in line with the Romanian legislation in force from the gross profit, and may be used by the Company strictly for investments in the natural gas distribution network. If it is used for other purposes, the reserve becomes taxable in full. The management do not intend to use this reserve.

Furthermore, the Company is unable to distribute the balance of the revaluation reserves (December 31, 2018: 188,036,348 RON, December 31, 2017: 197,493,410 RON); these reserves may be distributed only after they are realised and transferred to the balance carried forward.
The consolidated statement of financial position presents the revaluation reserves reduced with the deferred tax associated to them.

(The amounts are expressed in RON, unless otherwise provided)

19. SHARE CAPITAL AND RESERVES (continued)

The Parent company's balance carried forward includes the revaluation surplus, recorded in accordance with OMF 3055/2009 and OMFP 1752/2005, achieved until April 1, 2009, pertaining to the revaluation performed by the Company as at December 31, 2007 and amounting to 165,254,136 RON, to be taxed should the Company use this reserve (distribution of dividends or a different use). The management do not intend to use this reserve.

As at December 31, 2018, the actuarial gains from provisions related to long-term employee benefits, recorded under other reserves (net of the related deferred tax) amount to 29,724,453 RON (2017: 34,268,169 RON).

The shares received free of charge by the salaried employees, recorded as at December 31, 2018 under other reserves, amount to 25,804,083 RON (2017: 24,650,461 RON).

20. PROVISIONS

	Provision for litigations RON	Restructuring provision RON	Other provisions RON	Total RON
As at January 1, 2017	**34.705.364**	**3.527.802**	**108.783.585**	**147.016.751**
Provisions set up throughout the year	13.233.396	-	15.694.224	28.927.620
Provisions carried over under revenues	(26.386.011)	-	(8.258.196)	(34.644.207)
Provisions used	(2.691.012)	(3.527.802)	-	(6.218.814)
As at December 31, 2017	**18.861.737**	**-**	**116.219.613**	**135.081.350**
Provisions set up throughout the year	3.576.520		27.149.404	30.725.924
Provisions carried over under revenues	(3.333.363)	-	(10.790.667)	(20.124.030)
Provisions used	(183.920)	-	-	(183.920)
As at December 31, 2018	**16.920.974**	**-**	**126.576.350**	**145.499.325**
As at December 31, 2017				
In the short term	18.861.737	-		18.861.737
In the long term			116.219.613	116.219.613
As at December 31, 2018				
In the short term	18.920.974	-		18.920.974
In the long term			126.578.350	126.578.350

The Group set up provisions for the litigations in progress as at the reporting dates.

(The amounts are expressed in RON, unless otherwise provided)

21. EMPLOYEE BENEFITS

	2018 RON	2019 RON
Net liabilities at the start of the period	**107,811,695**	**108.105.487**
Expenses with additional provisions	32,742,208	12.764.092
Reversals of provisions	(9,323,560)	(4,042,007)
Provisions used	(7,317,974)	(9,015,877)
Net liabilities at the end of the period	**123,912,369**	**107,811,695**

As at December 31, 2018, the Group holds a provisions amounting to 90,749,440 RON (2017: 68,648,757 RON) for long-term benefits granted to salaried employees.

The variations undergone by this provision throughout the year were as follows:

	RON
As at January 1, 2018	**68,648,757**
Actuarial (gains) / losses	5,409,186
Discounting costs	3,724,241
Cost of current services	12,967,256
As at December 31, 2018	**90,749,440**

The main assumptions employed in the actuarial calculation of these benefits are:

● A discount rate of 5.25% (2017: 4.12%)
● A salary increase rate of 5% (2017: 3%)
● Mortality: INS 2017 statistical chart (2017: INS 2010 statistical chart)
● Staff turnover: average below 1%, calculation broken down by company and employee category (2017: the same).
● An increase in the number of gross salaries pertaining to the retirement allowance with a gross salary, compared with 2017, in accordance with the applicable collective employment agreements.

The other provisions for salaried employee benefits are in the short term and concern both the performance company bonus and individual performance bonuses.

22. SUPPLIERS AND OTHER CURRENT LIABILITIES

	2019 RON	2018 RON
Suppliers	1,079,001,740	818,211,290
Liabilities to affiliated parties	19,419,169	7,313,384
Total suppliers – trade payables	**1,098,420,908**	**825,524,674**
Advance payments from customers	59,160,801	39,111,042
Sundry creditors	70,260,089	57,583,197
Salaries payable and related contributions	26,765,264	22,343,085
VAT payable	93,793,701	29,046,857
Excise and other duties	16,351,118	11,452,690
Other short-term liabilities	8,473,769	6,838,802
Total other short-term liabilities	**274,804,741**	**166,375,673**
Total suppliers and current liabilities	**1,373,225,649**	**991,900,347**

(The amounts are expressed in RON, unless otherwise provided)

23. DIVIDENDS

The end purposes of the accounting profit is emphasized in the accounting records during the year when the shareholders', or the associates', general assembly has approved the appropriation of profit by registering the amounts representing dividends due to shareholders or associates, reserves and other purposes, in accordance with the Iaw. No modifications are allowed to the profit appropriation records.

The 2018 net outturn will be appropriated in line with the Decision of the Shareholders' General Ordinary Assembly.

The Parent company distributed dividends throughout the years 2018 and 2017 as follows:

	2018 RON	2017 RON
Dividends paid throughout the year	168,656,269	110,938,443
Dividends/share (RON/share)	8.46	5.57

24. PRESENTATION OF AFFILIATED PARTIES

Company name	Nature of the relationship
ENGIE	Parent company
Tulcea Gaz	Associated
Wirom Gas	Associated
ENGIE Dezvoltare și Consultanță	Member of ENGIE Group
ENGIE Treasury Management	Member of ENGIE Group
ENGIE Energy Management Romania	Member of ENGIE Group
Depomures	Member of ENGIE Group

The Group's affiliated companies as at December 31, 2018 are the companies from ENGIE Group (among which Depomures SA, ENGIE Dezvoltare si Consultanta, ENGIE Energy Management Romania), and associates Tulcea Gaz SA and Wirom Gas SA.

The details of transactions and balances with the affiliated parties, for the years 2017 and 2018, is:

Sales from transactions with affiliated parties		2018 RON	2017 RON
ENGIE	Electricity gas sales	21,286	38,581
	Natural gas sales	1,841,227	13,044,399
	Other services	866,974	2,736,872
	Deposit interest	6,571,194	1,072,783
	Total	**9,300,681**	**16,892,635**
Depomures	Contract for services	61,516	200,000
	Sales income	200,000	215,492
	Total	**261,516**	**415,492**
ENGIE Dezvoltare și Consultanță	Support services	50,329	49,906
ENGIE Energy Management Romania	Natural gas sales	2,274,850	-
Tulcea Gaz	Dividends	1,003,460	-
WIROM Gas	Natural gas sales	21,592,256	-
Total sales from transactions with affiliated parties		**34,843,092**	**17,358,033**

(The amounts are expressed in RON, unless otherwise provided)

24. PRESENTATION OF AFFILIATED PARTIES (continued)

Expenses with/purchases from transactions with affiliated parties and dividends paid		**2018 RON**	**2017 RON**
ENGIE	Gas purchases	66,961,836	-
	Electricity purchases	40,355	613,632
	Management services	6,051,777	4,789,662
	Software licence and maintenance	4,130,753	4,072,316
	Other services	1,377,408	946,189
	Dividends	85,988,409	56,559,588
	Total	**164,550,537**	**66,981,387**
Tulcea Gaz	Natural gas distribution	343.459	387,110
Wirom	Natural gas distribution	993.767	885,939
Depomureș	Gas storage (including injection and extraction)	19.121.796	12,370,647
Administrators	Allowances for the Parent company's administrators	619.446	695,519
Total expenses/purchases/dividends with/from transactions with affiliated parties		**185.629.005**	**81,320,602**

Receivables to affiliated parties		**2018 RON**	**2017 RON**
ENGIE	Trade receivables	2,096,691	215,353
Depomures	Trade receivables	73,298	751,921
ENGIE Dezvoltare și Consultanță	Trade receivables	40,483	130,169
ENGIE Energy Management Romania	Trade receivables	915,358	-
WIROM GAS		26,123,185	-
ENGIE Treasury Management	Deposit	200,801,621	94.230.427
Total receivables to affiliated parties		**230,050,836**	**95.327.870**

Liabilities from affiliated parties		**2018 RON**	**2017 RON**
ENGIE	Trade payables	16,671,697	6,079,720
Engie Energy Management Romania	Trade payables	166,815	111,885
Tulcea Gaz	Trade payables	58,898	48,821
Depomures	Trade payables	2,521,759	1,072,958
Total liabilities to affiliated parties		**19,419,169**	**7,313,384**

The receivables from affiliated parties and the liabilities to affiliated parties are not guaranteed. In general, debt payment deadlines are within 20 days and receivable collection deadlines are within 20 days. All the transactions are carried out at market prices.

(The amounts are expressed in RON, unless otherwise provided)

25. COMMITMENTS AND CONTINGENCIES

Fixed assets

The 2019 investment budget amounts to 286,632,973 RON (2018: 288,127,221 RON). The largest portion of the expenditure provided in the budget concerns the extension, modernisation and replacement of the current pipeline and branching system, as well as the modernisation and retrofitting of available facilities and setting up new distributions.

The details of the 2019 investment budget appears as follows:

Distribution system rehabilitation	151,856,390
Pipeline extensions, CNG, specific technical equipment	62,472,610
Other investments	72,303,973
Total	**286,632,973**

Furthermore, as of 2011, the Parent-company received the approval to carry out, using structural funds, two investment projects intended to upgrade the natural gas network (13,699,638 RON). The subsidies are granted with the approval of the Ministry of Economy, Trade and Business Environment, together with the Intermediate Agency for Energy. The investment projects were carried out and commissioned as at December 31, 2015.

The obligations throughout the sustainability period (5 years after the completion of the projects) according to the financing agreements:

- to fulfil the progress and outcome benchmarks, as they have been stipulated in the contracts, and to report them on a yearly basis to AM POS CCE (*Management Authority for Sectoral Operational Programme - Increase Economic Competitiveness*) / OIE (*Intermediate Agency for Energy*);
- to keep and make available to OIE, AM POS CCE, the Certification and Payment Authority, the Audit Authority, EC and to any other body qualified to verify the manner in which non-reimbursable funds are used, all the original documents;
- not to carry out significant changes throughout the Project implementation and sustainability periods and to maintain the investment over a period of at least 5 years following the final payment date, under the penalty of having the Agreement terminated, the provision of non-reimbursable funds ceased and the full amounts granted up to that point returned, in accordance with the national legislation.

Deferred green certificates

According to ANRE Ord. 24/2017, (current and deferred) green certificates have actual value strictly at the time when they are traded. In order to comply with this order, MFP (*Ministry of Public Finance*) issued Ord. 895/2017, pursuant to which green certificates are recognised in the balance sheet and in P&L (*the profit and loss account*) when they are traded, which is when they actually acquire value. The Group changed the accounting treatment, recording off-balance sheet the deferred green certificates.
The deferred green certificates shall be granted during the 2018-2026 period.

The off-balance sheet status of the deferred green certificates as at December 31, 2018 appears as follows:

	2018		2017	
	number	**value**	**number**	**value**
Tradeable green certificates	90,408	12,141,984	90,408	11,936,523
Deferred green certificates	542,449	72,852,040	632,857	83,555,793
TOTAL	**632,857**	**84,994,024**	**723,265**	**95,492,316**

The green certificates are valuated at a price of 134 RON/green certificate.

25. COMMITMENTS AND CONTINGENCIES (continued)

As at 31.12.2018, the Parent company had concluded contracts for the purchase of domestically sourced and imported natural gas, in order to secure the consumption requirements of household and non-household customers and to meet the requirements on accumulating the minimum storage stocks, for the initially estimated quantity of 15.5 TWh (2017:18.3 TWh as at 31.12.2017).

At the end of 2018, the Parent company had also concluded natural gas storage and transportation contracts with gas service suppliers, amounting to 228.6 million RON (2017: 306.5 million RON).

Environmental protection costs

At present, it appears that increased attention is paid in Romania to the environmental protection subject matter.

The role of the Romanian environment-related legislation is to prevent environmental pollution and degradation and to implement measured suitable to this purpose, to protect human health, to rationally capitalise on renewable and non-renewable resources and to maintain a national ecological balance.

The legal provisions and the other environment-related regulations applicable to activities with an impact upon the environment, carried out within our company, are included in the following normatives:

- Emergency Ordinance no. 195/2005 on the protection of the environment;
- Decision no. 1756/2006 on restricting the noise emission levels produced by equipment intended for use outside buildings;
- Law no. 104/2011 on ambient air quality;
- Decision no. 856/2002 on waste management records and the approval of the hazardous waste list;
- Law 211/2011 on the waste regime;
- GD no. 1061/2008 on the transportation of hazardous and non-hazardous waste across Romania's territory;
- Order no. 135/2010 on the procedure to assess the environmental impact and to issue environmental permits;
- Emergency Ordinance no. 196/2005 on the Environmental Fund;
- Order no. 549/2006 on approving the model and content of the "Declaration on the obligations to the Environmental Fund" form;
- Order no. 70/2019 on amending and supplementing Order no. 591/2017 of the Deputy Prime Minister and the Minister of the Environment on approving the model and content of the "Declaration on the obligations to the Environmental Fund" form and the instructions to fill out and submit said form;
- Law no. 121/2014 on energy efficiency.

In 2018, the environmental protection costs amounted to 6,242,761 RON (2017: 6,483,631 RON) and materialised into:

- Programs of measures to comply with the environmental legislation (contribution to the la Environmental Fund, water rights permits);
- Monitoring of environmental factors (rebuilding embankments);
- Monitoring of own energy consumption and energy efficiency measures;
- Measures for the thermal rehabilitation of buildings and enhancing thermal efficiency;
- Measures on selective collection, temporary storage and disposal of household waste;
- Programs to maintain the Environmental Management System;

In 2018, the Group was neither involved in any major environmental pollution incidents, nor taken to court for damage inflicted upon the environment.

Due to the permanent monitoring of environmental factors, following the controls carried out by the territorial Environmental Protection Agencies and the Environmental Guard, no significant aspects were found in relation to any violations of legal provisions in the field.

(The amounts are expressed in RON, unless otherwise provided)

25. COMMITMENTS AND CONTINGENCIES (continued)

Operating lease contracts

As at the end of 2018, the Group does not have any operating lease contracts concluded (2017: 1 contract, 5,993 RON).

The status of operating lease contracts appears as follows:

	2018	2017
The current part	-	5,993
The long-term part	-	-
Total	**-**	**5,993**

Financial lease contracts

As at the end of 2018, the Group has a single financial lease contract concluded.

The status of this financial lease contract appears as follows:

	2018	2017
The current part	45,670	46,535
The long-term part	12,286	57,955
Total	**57,955**	**104,490**

Guarantees for contractual obligations

In order to guarantee the fulfilment of contractual obligations, the Group issued the following letters of bank guarantee: Additionally, the Group set up guarantees for concessions on distributions in favour of the Ministry of Energy as follows:

- For concessions in cases where the system is already in operation, the guarantee represents 50% of the royalty due for the previous year;
- For concessions in cases where the distribution system has not yet been commissioned, the guarantee is established based on the quantity estimated to be distributed during the first year of operation and represents 50% of the royalty.

(The amounts are expressed in RON, unless otherwise provided)

25. COMMITMENTS AND CONTINGENCIES (continued)

Issuer	Beneficiary	Amount	Currency	Validity
BRD	NUCLEARELECTRICA	19,042,140	RON	25.01.2020
BRD	VIENNA ENERGY FORTA NATURALA SRL	1,004,672	RON	25.01.2020
BRD	ALRO	978,740	RON	25.01.2020
BRD	ANCHOR GRUP	381,498	RON	25.01.2019
BRD	ANRE	1,120,427	RON	10.02.2019
BRD	AXPO ENERGIE ROMANIA	1,731,600	RON	25.01.2020
BRD	BNR	566,285	RON	30.09.2019
BRD	ROMANIAN COMMODITIES EXCHANGE	9,750,000	RON	07.12.2019
BRD	CIS GAZ	115,000	RON	28.02.2019
BNP Paribas	COMPLEX ENERGETIC OLTENIA	12,394,978	RON	25.01.2019
UNICREDIT	COMPLEX ENERGETIC OLTENIA	39,173,464	RON	15.03.2020
BRD	DEDEMAN	200,000	RON	28.11.2020
BRD	DELGAZ GRID	412,531	RON	25.01.2019
BRD	INTEGRATED LOGISTICS DIRECTORATE	158,240	RON	14.05.2019
UNICREDIT	EON ENERGIE ROMANIA	4,579,180	RON	10.07.2019
BNP Paribas	EDF TRADING	18,655,600	RON	30.06.2019
BRD	E-DISTRIBUTIE DOBROGEA	308,499	RON	25.01.2019
BRD	ELECTRIC PLANNERS	3,780,078	RON	25.01.2020
BNP Paribas	ELECTRICA FURNIZARE	441,938	RON	25.01.2019
BRD	ELECTRICA FURNIZARE	8,212,220	RON	25.01.2020
BRD	ENERGY GAS PROVIDER	168,000	RON	28.02.2019
BRD	ENTREX SERVICES	1,683.000	RON	25.01.2019
BRD	ENTREX SERVICES S.R.L,	2,028,780	RON	25.01.2020
BNP Paribas	EOLIAN PROJECT	398,000	RON	25.01.2019
UNICREDIT	EOLIAN PROJECT	297,172	RON	25.01.2019
UNICREDIT	GEN-I	32,190,312	RON	25.04.2019
BRD	HIDROELECTRICA	4,045,588	RON	22.02.2019
BNP Paribas	HIOROELECTRICA	32,474,897	RON	25.01.2020
BNP Paribas	JAO	489,710	RON	15.01.2020
BRD	LAND POWER	3,366,000	RON	25.01.2019
BRD	LAND POWER SA	3,313,200	RON	25.04.2019
UNICREDIT	LJG GREEN SOURCE ENERGY GAMMA	981,120	RON	25.01.2019
BRD	MET ROMANIA ENERGY	10,243,840	RON	01.04.2019
BRD	MINISTRY OF ENERGY	7,150,800	RON	21.12.2020
UNICREDIT	NEXT ENERGY PARTNERS	9,588,348	RON	25.04.2019
BNP Paribas	NUCLEARELECTRICA	10,339,890	RON	25.01.2019
BRD	NUCLEARELECTRICA	5,178,460	RON	25.01.2020
BRD	OMV PETROM	106,531	RON	26.12.2021
UNICREDIT Bank Austria	OMV PETROM	60,000	EUR	30.08.2019
BNP Paribas	OMV PETROM GAS	16,660,958	RON	15.02.2020
UNICREDIT	OMV PETROM GAS	24,384,069	RON	15.01.2020
BRD	OPCOM	350,000	RON	31.12.2019
UNICREDIT	OPCOM	12,000,000	RON	31.12.2019
BRD	PLENERG SRL	197,100	RON	25.01.2019
BRD	POSTA ROMANA	437,475	RON	06.12.2019
BRD	PREMIER ENERGY	220,000	RON	15.02.2019
BRD	PREMIER ENERGY TRADING	448,000	RON	15.02.2019
BNP Paribas	BUŞTENI MAYOR'S OFFICE	4,512,200	RON	17.09.2020
BNP Paribas	PREDEAL MAYOR'S OFFICE	247,800	RON	24.07.2020
BNP Paribas	DISTRICT 3 MAYOR'S OFFICE	105,948	RON	22.08.2020
BNP Paribas	SINAIA MAYOR'S OFFICE	787,200	RON	27.07.2020
BNP Paribas	TÂRGOVIŞTE MAYOR'S OFFICE	404,250	RON	07.09.2020
BNP Paribas	ROMOAZ	81,325,480	RON	08.09.2019
BRD	ROMGAZ	111,373,024	RON	08.09.2019
RAIFFEISEN BANK	ROMGAZ	143,487,793	RON	10.08.2019
UNICREDIT	ROMGAZ	97,405,097	RON	10.08.2019
BRD	SOCIETATEA DE DISTRIBUTIE A ENERGIEI ELECTRICE TRANSILVANIA NORD SA	1,000,697	RON	25.04.2019
BRD	SOCIETATEA DE DISTRIBUTIE A ENERGIEI ELECTRICE TRANSILVANIA SUD S.A.	2,938,033	RON	25.04.2019
BRD	TERMO CALOR CONFORT	540,000	RON	28.02.2019
BNP Paribas	TINMAR ENERGY	648,550	RON	15.05.2019
BRD	TINMAR ENERGY	240,000	RON	28.02.2019
BNP Paribas	TRAFIGURA	33,062,800	RON	13.05.2019
BRD	TRANSELECTRICA	3.687,648	RON	31.01.2019
UNICREOIT	TRANSELECTRICA	1,662,650	RON	31.12.2019
BNP Paribas	TRANSGAZ	38,144,934	RON	30.11.2019
BRD	TRANSGAZ	19,775,440	RON	02.03.2019
UNICREDIT	TRANSGAZ	11,767,050	RON	30.01.2019
BRD	CHISCANI TOWN TAU *(territorial-administrative unit)*	408,622	RON	06.11.2019
BRD	UNIVERSITY OF CRAIOVA	247,803	RON	01.12.2019
BRD	DUNĂREA DE JOS UNIVERSITY	228,044	RON	31.10.2019
BRD	VEST-ENERGO S A	1,597,200	RON	25.04.2019
	OTHERS	1,203,609		
TOTAL 2018		835,623,626	RON	
TOTAL 2018		60,000	EUR	
TOTAL 2017		547,483,909	RON	
TOTAL 2017		60,000	EUR	

(The amounts are expressed in RON, unless otherwise provided)

25. COMMITMENTS AND CONTINGENCIES (continued)

Guarantees related to contracted loans

For the revolving credit lines contracted with B.R.D. – Groupe Société Générale S.A. and UniCredit Bank S.A., as well as for the letter of bank guarantee issuance facilities contracted with B.R.D. – Groupe Société Générale S.A., UniCredit Bank S.A. and Raiffeisen Bank S.A., the Parent company placed under a lien the resources in the accounts opened with the respective banks.

Commitments received

The Group collected in 2018 guarantees set up by customers, managers, treasurers, collectors and administrators, amounting to 556,041 RON (2017: 467,855 RON).

The Group received the following guarantees (letters of bank guarantee, insurance policies, promissory notes, deposits) for the performance of the various types of contracts:

Issuer	Counterparty	Amount	Currency	Validity
UNICREDIT	VIENNA ENERGY FORTA NATURALA SRL	557,914	RON	25.01.2020
AIK GROUP	AIK ENERGY LIMITED SUCURSALA BUCURESTI	2,333,400	RON	31.12.2019
AIK GROUP	AIK GROUP	7,000,000	RON	31.12.2019
EXIM BANK	ALRO S.A.	2,069,886	RON	25.01.2020
RAIFFEISEN BANK	AXPO ENERGIE ROMANIA	972,360	RON	25.01.2020
Banca Transitvania	BUILDING CONTROL	1,462	EUR	30.08.2019
OTP BANK ROMANIA	C-GAZ& ENERGY DISTRIBUTE	50,000	RON	28.02.2019
RAIFFEISEN BANK	C-GAZ& ENERGY DISTRIBUTE	1,000,000	RON	Blank maturity
EFI GARANT GROUP IFN	CIS GAZ	115,000	RON	28.02.2019
Banca Transilvania	Complex Energetic Oltenia	2,824,292	RON	25.01.2019
Banca Transilvania	Complex Energetic Oltenia	874,395	RON	25.04.2019
RAIFFEISEN BANK	COMPLEXUL ENERGETIC OLTENIA SA	1,883,400	RON	25.01.2020
BRD	DELGAZ GRID	1,955,648	RON	25.01.2019
UNICREOIT	E.ON ENERGIE ROMANIA	11,827,200	RON	25.04.2019
UNICREDIT	E.ON ENERGIE ROMANIA	1,677,484	RON	25.07.2019
BRD	E-DISTRIBUTIE DOBROGEA	1,454,011	RON	25.01.2019
OTP BANK ROMANIA	ELECTRIC PLANNERS	429,098	RON	25.01,2019
OTP BANK ROMANIA	ELECTRIC PLANNERS	3,600	RON	26.02.2019
OTP BANK ROMANIA	Electric Planners SRL	1,160,744	RON	20.01.2020
Banca Transilvania	ELECTRIC&GAS POWER TRADE	1,000	RON	28.02.2019
Banca Transilvania	ELECTRICA FURNIZARE	8,542,188	RON	25.01.2019
Banca Transilvania	ELECTRICAFURNIZARE	3,471,000	RON	27.01.2020
UNICREDIT	ENERGIA GAS & POWER	10,000	RON	28.02.2019
OTP BANK ROMANIA	ENGIE Romania	648,550	RON	15.05.2019
UNICREDIT	ENTREX SERVICES	422,471	RON	25.01.2019
UNICREDIT	ENTREX SERVICES S.R.L.	1,139,238	RON	25.01.2020
Banca Transilvania	EOLIAN PROJECT	173,959	RON	25.01.2019
BCR	EVA ENERGY	1,500,000	RON	Blank maturity
FREEPOINT COMMODITIES EUROPE LLP	FREEPOINT COMMODITIES EUROPE LLP	3,000,000	EUR	31.12.2019
UNICREDIT	GEN-I	4,734,263	RON	25.01.2019
UNICREDIT	GEN-I	790,615	RON	25.04.2019
ING Bank	HERMES ENERGY S.R.L.	26,000	RON	28.02.2019
Banca Transilvania	HIDROELECTRICA	4,925,994	RON	25.01.2020
BCR	HIDROELECTRICA	1,700,198	RON	25.01.2019
BCR	HIDROELECTRICA	7,958,811	RON	25.01.2020
UNICREDIT	HIDROELECTRICA	2,491,404	RON	25.01.2020

(The amounts are expressed in RON, unless otherwise provided)

25. COMMITMENTS AND CONTINGENCIES (continued)

Issuer	Counterparty	Amount	Currency	Validity
ROMANIAN RAILWAY BANK	ICCOENERG S.RL	6,000	RON	28.02.2019
UNICREDIT	LAND POWER	844,943	RON	25.01.2019
UNICREDIT	LAND POWER SA	812,864	RON	25.04.2019
RAIFFEISEN BANK	LJG GREEN SOURCE ENERGY GAMMA	2,079,168	RON	25.01.2019
MET HOLDING AG	MET ROMANIA ENERGY	10,240,780	RON	31.10.2019
BCR	MOBILE DISTRIBUTION	300,000	RON	12.05.2019
UNICREDIT	MONSSON TRADING	1,000	RON	28.02.2019
OTP BANK ROMANIA	MVM FUTURE ENERGY TECHNOLOGY	15,000	RON	07.05.2019
RAIFFEISEN BANK	NEOTRONIX	4,791	RON	22.03.2021
CEC BANK	NEPTUN	20,000	RON	15.03.2019
BRD	NEXT ENERGY DISTRIBUTION	4,000	RON	28.02.2019
UNICREDIT	NEXT ENERGY PARTNERS S.R.L.	2,020,257	RON	25.04.2019
ALPHA BANK	NUCLEARELECTRICA	12,777,774	RON	25.01.2020
BRD	NUCLEARELECTRICA	2,595,547	RON	25.01.2019
8RD	NUCLEARELECTRICA	1,465,680	RON	26.06.2019
Libra bank	OLIGOPOL	55,000	RON	22.03.2019
RAIFFEISEN BANK	OMV PETROM GAS	906,387	RON	15.02.2020
PAYPOINT SERVICES S.R.L.	PAYPOINT SERVICES S.R.L	17,000,000	RON	31.12.2010
RAIFFEISEN BANK	PAYZONE	100,000	RON	06.02.2019
OTP BANK ROMANIA	PLENERG	351,000	RON	25.01.2019
OTP BANK ROMANIA	RENOVATIO TRADING	9,000	RON	28.02.2019
S.C. PAYZONE S.A./PAYPOINT PLC	S.C. PAYZONE S.A7PAYPOINT PLC	2,300,000	RON	31.12.2019
UNICREDIT	SOCIETATEA DE DISTRIBUTE A ENERGIEI ELECTRICE TRANSILVANIA NORD S.A.	4,853,772	RON	25.04.2019
UNICREDIT	SOCIETATEA DE DISTRIBUTE A ENERGIEI ELECTRICE TRANSILVANIA SUD S A	1,438,710	RON	20.02.2019
UNICREDIT	SOCIETATEA DE DISTRIBUTE A ENERGIEI ELECTRICE TRANSILVANIA SUD S.A.	4,218,740	RON	25.02.2019
UNICREDIT	SOCIETATEA DE DISTRIBUTE A ENERGIEI ELECTRICE TRANSILVANIA SUD S.A.	9,629,004	RON	25.04.2019
PIRAEUS BANK	TINMAR ENERGY	240,000	RON	28.02.2019
TRAFIGURA GROUP	TRAFIGURA	20,000,000	EUR	30.09.2019
TRAFIGURA GROUP PTE LTD	TRAFIGURA TRADING SRL	97,305,280	RON	31.12.2019
CEC BANK	MIOVENI CITY TAU	624,792	RON	11.11.2020
UNICREDIT	UNITED SYSTEM OF INSTANT PAYMENTS RO S.R.L.	160,000	RON	31.12.2019
BNP Paribas	VIAROM CONSTRUCT	39,137	RON	28.01.2021
	Total 2018	**248,942,746**	**RON**	
	Total 2018	**23,001,482**	**EUR**	
	Total 2017	**59,462,950**	**RON**	
	Total 2017	**1,009,642**	**EUR**	

(The amounts are expressed in RON, unless otherwise provided)

25. COMMITMENTS AND CONTINGENCIES (continued)

Furthermore, the Group has set up guarantees, for the quality of the investment works, in the form of gradual withholdings from invoices, as follows:

Counterparty	Issuer	Amount
CONI SRL	BCR	4,791,638.32
IRIGC IMPEX SRL	BRD	3,952,264.82
GENERAL MPM IMPEX SRL	BCR	2,445,826.70
AVIPROD GRUP	BCR	1,776,378.13
INSPET SA	Garanti Bank	1,109,922.10
MIRAL INSTAL COMPANY SRL	BRD	681,008.98
SCHNELL LEITUNG SA	BCR	631,476.80
GETIMROM INSTAL SRL	BCR	518,135.27
INSTANT CONSTRUCT COMPANY	CEC	517,611.13
ANTOPREST ACTIV SRL	BRD	505,949.82
ELSTER AEROTEH SRL	BNP PARISBAS Fortis Bank	496,772.95
MIRAL INSTAL COMPANY SRL	BCR	413,382.70
TOTAL GAZ INDUSTRIE SA	BRD	401,664.09
INSTAL PROIECT GAZ SRL	Piraeus Bank	401,142.60
ELSTER AEROTEH SRL	UniCredit Tiriac Bank	378,007.52
INSTPRO SRL	BCR	372,754.06
CALIN SERVICE TOTAL SRL	BRD	372,156.88
STRACO GRUP SRL	UniCredit Tiriac Bank	347,503.29
ROCIP INSTAL SRL	BCR	348,204.15
TEX ART CONCEPT SRL	RIB	332,474.81
ACVATOT SRL	BRD	323,347.67
ISS FACILITY SERVICES	BRD	319,219.80
BOGART BUILDING MANAGEMENT	Raiffeisen Bank	308,395.54
GENERAL MPM IMPEX SRL	BRD	266,837.06
INSTAL GAZ IMPEX SRL	BCR	220,446.12
DHM PRINTING&ADVERTISING	Banca Transitvania	200,648.21
PRO ACVA INSTAL SRL	Raiffeisen Bank	199,535.91
MITREA PREST SRL	BCR	181,615.91
GOGAN SRL	Banca Transitvania	174,889.89
INSTERMON SRL	BRD	167,767.90
GIMVEST SRL	Piraeus Bank	161,903.48
GESIC PROD SRL	BRD	159,016.78
ARENA COM SRL	Banca Transitvania	143,856.75
DIMAR SRL	BRD	137,987.28
SOCOMIZO CONSTRUCT SRL	Banca Transitvania	135,921.03
COFELY BUILDING SERVICES&MAINTENANCE	Raiffeisen Bank	134,805.42
AEROTEH SA	BRD	134,530.46
PROSPER GAZ SRL	Raiffeisen Bank	134,470.71
TRANSELECTRONIC PROD SRL	BCR	131,085.10
MAXI GAZ	Raiffeisen Bank	126,938.58
DIVERSINST SRL	BRD	128,441.48
PREST INSTAL 2000 SRL	BRD	113,177.70
RADOC CONTROL CALOR	Banca Transilvania	113,076.25
STAR P&G Brăila	Garanti Bank	112,697.05
CALIN SERVICE TOTAL SRL	BCR	100,431.13
	Others	1,719,829.85
TOTAL 2018		**26,860,748**
TOTAL 2017		**29,043,518**

25. COMMITMENTS AND CONTINGENCIES (continued)

Insurance policies

In 2018, the Group had the following insurance policies concluded:

Third party liability

In order to lower the liability risk in the event of damages incurred by third parties as both natural persons and legal entities, through the fault of ENGIE Romania SA, the liability policy for this risk was renewed and it covers, in addition to the Group's liability for damages caused to third parties, its liability for accidental pollution, the employer's liability to their employees and professional liability. This insurance is part of the ENGIE Group program, being negotiated at a centralised level and valid for the 01.07.2018 - 30.06.2020 interval. The insurance is also valid for Distrigaz Sud Rețele, ENGIE Servicii, ENGIE Building Solutions, Brăila Winds, Alizeu Eolian – companies with a co-insured status.

Insurance on buildings and property among the company's assets

ENGIE Romania SA has a building and property insurance policy for the office at 4-6 Mărășești Blvd., District 4, Bucharest, as well as for operational headquarters in the territory, concluded in 2017, with a 2-year validity, the insurer being Asigurarea Românească – ASIROM VIENNA INSURANCE GROUP SA.

Other types of insurances concluded

The insurances concluded for the car fleet of ENGIE Romania SA comprise the civil liability insurance for car owners (RCA) and the optional motor-vehicle insurance policy (CASCO). These insurance policies were contracted by means of Marsh Broker de Asigurare - Reasigurare S.R.L., who acted as a broker for the Company pursuant to an insurance service brokerage contract concluded in 2015 and valid until 06.09.2018. The car fleet of ENGIE Romania SA is ensured (CASCO and RCA policies) by GROUPAMA ASIGURARI SA pursuant to a contract concluded on 23.10.2018 and valid for 3 years.

ENGIE Romania SA has a private healthcare insurance contract concluded with GROUPAMA on 01.06.2018, valid over a 36-month period, intended to cover the medical services accessed, as per the contractual conditions, by the employees and their dependants (adult and/or minor) in Romania, within REGINA MARIA network, as well as outside it.

Transfer price

In accordance with the relevant fiscal legislation, the fiscal evaluation of a transaction carried out with affiliated parties is underpinned by the concept of market price pertaining to the respective transaction. Pursuant to this concept, the transfer prices have to be adjusted so as to reflect the market prices that would have been set forth among entities among which no affiliation relationship exists and which act independently, based on the "normal market conditions".

The fiscal authorities may conduct verifications of the transfer prices in the future in order to determine whether the respective prices comply with the "normal market conditions" principle, so that the Romanian taxpayer's taxable basis should not be distorted.

Local taxes

Property owner's tax

In regard to lands under the state's public or private property and under concession, leased or made available for use, the property owner's tax represents the fiscal task applicable to statutory undertakers, lessees or holders of rights to use. The Parent-company benefits from lands made available for use by mayor's offices, lands on which it owes property owner's tax.

25. COMMITMENTS AND CONTINGENCIES (continued)

Other commitments and contingencies

The Network Code

Starting from November 1, 2016, ANRE has implemented certain changes in the Network Cods as per Order 75/2016. One of these changes concerns the suppliers' obligation to calculate capacity overruns (additional capacities beyond what was reserved) on a daily basis (beforehand, these were calculated on a monthly basis).

In February 2017, the Group received from Transgaz invoices amounting to 46 million RON (VAT-inclusive) related to capacity overruns, for the months of November and December 2016. The Group's interpretation of the provisions in the Network Code was that these costs should only amount to 16 million RON (VAT-inclusive) and, as such, the Group did not recognise in its financial statements a liability or a provision for the difference of 30 million RON resulted from the different interpretation by Transgaz of the same provisions.

Considering this difference in interpreting the legislative framework, the Parent-company and Transgaz requested that ANRE clarify the situation. At the end of May 2017, ANRE issued a decision in favour of the Transgaz interpretation, and the Group paid the unrecognised difference of 30 million RON (as well as all the subsequent invoices). Consequently, the Group recorded this amount in the 2017 profit and loss account and does not consider it an error that should be rectified in the opening balance and in the comparative figures. At the same time, the Group appealed in court the ANRE decision and obtained in trial court its annulment. The trial is in progress as at the signing date of the financial statements, the date of the following court appearance being April 14, 2021.

Litigations

At the end of 2019, ENGIE Romania is in litigation with various mayor's offices due to the roads being left unpaved following the network replacement and maintenance works. Furthermore, the Group was taken to court primarily for litigations related to work and to certain ownership rights. The Group recorded provisions (Note 21) for litigations where it deems a disposal of resources to be likely, for an amount best estimated for such disposal of resources.

26. OBJECTIVES OF, AND POLICIES FOR, THE MANAGEMENT OF FINANCIAL RISKS

The Group's main financial liabilities are trade payables and loans (via the cash-pooling mechanism with the subsidiaries). The main purpose of these trade payables is to finance the Group's operations, as well as to provide guarantees in support thereof.

The Group's main financial assets are trade receivables, cash and cash equivalents, deposits with affiliated parties, investments in subsidiaries and associates.

As at December 31, 2019, the management estimate that the book value is approximately equal to the fair value for all of the Company's financial assets and liabilities, with the exception of investments in subsidiaries and associates, due to the short maturity dates and/or interest rate modification deadlines (for variable interests), as well as due to the low trading costs. In regard to investments in subsidiaries and associates, as well as the loans granted to them, their fair value cannot be estimated. All of the Company's financial assets and liabilities are at Level 3 of the fair value hierarchy, with the exception of cash and cash equivalents, found at Level 1.

The Company is primarily exposed to the credit risk and the liquidity risk. The Company leaders supervise the management of these risks. All the activities concerning derivatives, intended to manage the risks, are performed by teams of specialists with suitable skills and experience. The Company's policy is not to perform transactions with derivatives for speculative gains.

The Management Board reviews and approves the management policies of each of these risks, presented in brief below.

The market risk

The market risk is the risk that the fair value of the future cash flows of an instrument will fluctuate due to changes in market prices. Market prices present risks of four varieties: the interest rate risk, the foreign exchange risk, the commodity price risk and the risk related to other prices, such as the share price risk.

<u>The commodity price risk – natural gas</u>

The Group operates both on the regulated market and on the free market for the benefit of natural gas consumers.

Given that the regulated market is underpinned by a pass-through mechanism, the Group is normally protected against the price risk in relation to the regulated customers, as any unfavourable evolution of the gas price (and, with it, of foreign exchange for imported gas) and of other recognised components of costs is transferred to the regulated customer by the regulatory authority. The regulatory risk can appear in cases where ANRE does not acknowledge certain costs at their actual value or does not allow their subsequent recovery in accordance with the principles of the pass-through mechanism.

In regard to customers on the free market, the Group applies in relation to them pricing methods based on analyses starting from various scenarios on the evolution of costs for gas and related services, so that the risk associated to the evolution of costs should be lowered to an acceptable level.

<u>The commodity price risk – electricity</u>

The market risk is generated by the volatility of the prices used to trade in electricity. It is possible to witness a mismatch between the electricity purchase price and its selling price, a risk covered by means of a mechanism that passes costs through to customers and a hedging policy implemented across the Group.

26. OBJECTIVES OF, AND POLICIES FOR, THE MANAGEMENT OF FINANCIAL RISKS (continued)

The commodity price risk – green certificates

The two wind farms, part of the Group, are entitled to receive green certificates for the energy produced. As such, they are exposed to the following risks:

- the risk related to the regulatory aspects (between July 1, 2013 and March 1, 2017 a single tradable green certificate for each MWh produced was allocated, the second one being postponed until January 1, 2018. As of January 1, 2018, the Group has been receiving 1 green certificate per MWh produced)
- the risk related to the absorption, and maintaining the value of, green certificates the trading of which is postponed
- the risk related to the price at which green certificates are traded due to market volatility

The interest rate risk

The cash flow risk triggered by interest rates is the risk of interest expenses and interest income fluctuating because of variable interest rates. As at the date of these financial statements, the Group does not have any variable-rate interest-bearing loans.

Since the Group does not have interest-bearing financial assets or liabilities that could be measured at their fair value within the statement of financial position, it is not exposed to the fair value variation risk as a result of its fixed interest rates.

The foreign exchange risk

The foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of foreign exchange fluctuations primarily concerns the Company's operating activities where the income or expenditure is denominated in a currency different from the Group's functional currency.

The Group conducts transactions in currencies different from its functional currency (RON), primarily for natural gas imports expressed in USD.

The foreign exchange risk pertaining to the regulated segment is theoretically covered by the tariff formula elaborated by ANRE, which recognises the largest part of the gas cost under tariffs, except for the foreign exchange rate variation between the date when the import invoice is entered in the accounting records and the payment date. For this risk portion not covered by the tariff, the Group hedges itself by way of USD forward or spot purchases on the date when an invoice is entered in the accounting records.

As at December 31, 2018 and 2017, the Group's assets and liabilities expressed in foreign currencies different from RON did not generate a significant net exposure to the foreign exchange risk, having the following balances:

	Monetary assets		Monetary liabilities	
	2018 RON	**2017 RON**	**2018 RON**	**2017 RON**
USD	135,450,206	97,075,007	69,068,359	48,383,760
EUR	22,545,179	805,644	20,109,337	4,349,599
Other foreign currencies				

26. OBJECTIVES OF, AND POLICIES FOR, THE MANAGEMENT OF FINANCIAL RISKS (continued)

The credit risk

The credit risk is the risk that a counterparty might not fulfil its contractual obligations according to a customer contract or a financial instrument, thus causing the Group a financial loss. The Group is exposed to the credit risk resulted from its operating activities, primarily in relation to trade receivables, and from its financial activities, including its deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

The credit risk associated to the customers is managed by the Group pursuant to its internal procedures, subject to the risk policy set forth across the ENGIE Group, procedures according to which the risk class is calculated, decisions on maximum exposure are made and, where necessary, risk mitigation instruments are requested (e.g., bank guarantees, letters of bank guarantee issued by the customers' parent companies, advance payments).

The balance of receivables is monitored at the end of each reporting period and any major delivery to a customer is analysed. Depreciation indications are analysed as at each reporting date, based on payment delay intervals, but also on other specific information about significant individual debtors.

The maximum exposure to the credit risk as at the reporting date is represented by the book value of the receivables, as they are presented in Note 17 and Note 18.

Cash and cash equivalents, other financial assets

The credit risk resulted from balances with banks and financial institutions is managed by the Parent company's treasury department, according to the Group's policies.

The Group's maximum exposure to the credit risk, for cash and cash equivalents, is presented in Note 19, and for other financial assets in Note 15.1.

The Group limits the maximum exposure to each financial institution and has current accounts and deposits only with highly reputable banks.

Operational risks

Volume-related risks

Risks concerning volumes related to weather conditions

In the energy sector, significant weather changes (mainly temperature-related, but also in terms of wind levels in the case of wind farms) from one year to the next can give birth to major fluctuations of volumes, with direct effects upon the Group's revenues. In the case of gas sales, unfavourable weather effects (higher temperatures) can lead to the failure to achieve estimated sales volumes. The wind level risk is generated by the possibility that the wind levels will drop below the levels estimated at the time of project implementation approval, with a negative impact upon the Group's financial standing.

Risks concerning volumes related to the competitive environment and the increase of final selling prices

On the free market, the Group is facing intense competition both from domestic producers and from the other well-established suppliers. This may lead to the loss of certain customers to competitors.

Furthermore, the successive increase of the final selling prices following the deregulation of the price for domestically sourced gas may lead to a consumption decrease for certain consumer categories, with an impact on the Group's sales volumes.

26. OBJECTIVES OF, AND POLICIES FOR, THE MANAGEMENT OF FINANCIAL RISKS (continued)

Risks from the application of the Network Code provisions

As of November 1, 2016, each natural gas supplier is bound to perform the daily balancing between sources and consumptions for the customers in their portfolio. If forecasts indicate imbalances, the supplier will try to cover the surplus/deficit by means of transactions with other suppliers or on the centralised market. Since the spot prices used to perform the balancing are highly volatile, the supplier bears the risk of incurring additional costs.

In order to reduce this risk, the Group continuously improves its consumption estimating process and transfers this risk via the free market customer pricing system. On the regulated market, these costs should be recognised by ANRE based on the methodologies in force.

Wind farm management risks

The regulatory risk

This is the risk generated by possible changes across the support mechanism (a decrease in the number of green certificates, a decrease in the minimum/maximum value these are traded for), which might have a negative impact upon the Group’s internal rate of return.

The wind level risk

It is generated by the possibility of having wind levels below the level estimated at the time of the project implementation approval, with a negative impact upon the Group’s financial standing.

The curtailment risk

This risk is generated by possible measures taken by the National Transmission System Order in order to eliminate network constraints. We estimate that this risk will not be very significant as a result of the investments planed by the Transmission Operator across the region in order to streamline the power flow.

The balancing risk

This risk is generated by the possible erroneous projections of hourly volumes, which can have an impact upon the Group’s financial standing in the form of emergent balancing costs. We estimate that this risk is reasonably low following the implementation of an adequate forecasting methodology in collaboration with the Parent company’s specialised department.

The technical malfunction risk

The technical malfunction risk concerns possible malfunctions of major components of a wind farm, with consequences upon the facility’s entire or partial availability and, with it, a decrease in revenues, which can also lead to significant repair costs. In order to cover this risk, the Group received warranties for all the wind farm components and concluded equipment maintenance contracts with the suppliers.

In their turn, the latter have concluded insurance policies that include clauses on the service provider’s liability. Furthermore, the Group has taken insurance policies intended to cover any property damage that might affect its assets, as well as financial losses following business interruptions.

(The amounts are expressed in RON, unless otherwise provided)

26. OBJECTIVES OF, AND POLICIES FOR, THE MANAGEMENT OF FINANCIAL RISKS (continued)

The liquidity risk

The Parent company monitors the risk of facing a lack of funds by employing a recurring liquidity planning instrument. The Parent company carefully plans and monitors cash flows across the Group in order to prevent this risk and is also able to contract funding from the main partner banks.

The table below provides details on the landscape of maturities for the Group's financial liabilities based on contractual payments not updated:

Million RON	< 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
December 31, 2018					
Trade and other payables (note 23)	1,373	-	-	-	**1,373**
Provisions	-	19	-	-	**19**
Employee benefits	-	33	-	-	**33**
Current corporate income tax debts	19	-	-	-	**19**
Derivatives	7	-	-	-	**7**

Million RON	< 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
December 31, 2017					
Trade and other payables (note 23)	992	-	-	-	**992**
Provisions	-	19	-	-	**19**
Employee benefits	-	39	-	-	**39**

Capital management

The capital includes share capital and the reserves attributable to shareholders. The main goal of managing the Group's capital is that of securing a constantly strong credit rating and normal capital proportions in order to support its business and maximise shareholding value.

Considering the Group's low indebtedness levels, it did not perform an active management of its capital throughout the fiscal years concluded on December 31, 2018 and 2017 and did not quantify any objectives in that respect.

(The amounts are expressed in RON, unless otherwise provided)

27. REPORTING BY SEGMENT

The Group's relevant business segments are Natural gas (natural gas supply and distribution, including related services) and Electricity (wind power production, electricity supply). No differences exist between the valuation principles and methods presented in Note 2 and those employed for reporting by segment.

2018	Natural gas	Electricity	Eliminations among segments	Total
Revenues from external customers	4,782,381,322	1,008,893,201		5,791,274,523
Revenues from transactions with other segments		51,937,764	(51,937,764)	
Amortisation and depreciation costs	(163,605,935)	(26,418,122)		(190,024,057)
Interest income	26,290,731		(7,041,419)	19,249,312
Interest expenses	(7,047,318)		7,041,419	(5,899)
Share from the associates' loss	(4,573,140)			(4,573,140)
Corporate income tax costs	(57,364,246)	(5,806,256)		(63,170,502)
Segment outturn	398,223,962	30,482,845		426,706,807
Segment assets	5,764,434,582	713,803,034	98,902,551	6,577,140,167
Segment liabilities	(1,572,271,254)	(171,614,959)	(98,902,551)	(1,842,788,764)
Investments in associates (the net asset method)	13,375,423			13,375,423

2017 Restated	Natural gas	Electricity	Eliminations among segments	Total
Revenues from external customers	***illegible***	***illegible***	-	***illegible***
Revenues from transactions with other segments	-	34,053,600	(34,053,600)	-
Amortisation and depreciation costs	(161,566,809)	(22,055,585)	-	(183,822,394)
Interest income	18,229,429	-	(11,996,591)	6,232,838
Interest expenses	(15,577,555)	(11,996,591)	11,996,591	(15,577,555)
Share from the associates' loss	(3,080,206)	-	-	(3,080,206)
Corporate income tax costs	(86,823,616)	(3,789,588)	-	(70,613,202)
Segment outturn	347,502,856	(4,941,886)	-	342,561,170
Segment assets	5,317,635,193	583,048,452	(118,281,666)	5,891,045,445
Segment liabilities	(1,259,161,365)	(163,831,320)	118,281,666	(1,413,354,466)
Investments in associates (the net asset method)	18,952,024	-	-	16,952,024

28. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

At the end of 2018, GEO 114/2018 (subsequently amended by GEO 19/2019) was published, stipulating the following changes with an impact upon the manner in which the electricity and natural gas market operates:

- The regulation of the purchase price paid by the suppliers for the domestically sourced natural gas required to cover the consumption of household customers, and by thermal energy producers which supply the centralised systems, at 68 RON/MWh over an interval ending on May 1, 2019 and ending on February 28, 2022;
- The regulation of electricity supply to household customers, lasting from March 1, 2019 to February 28, 2022;
- The level of monetary contributions due for licensed activities, set forth at 2% of the turnover achieved by economic operators through their business subject to the licences granted by ANRE. The turnover is calculated as per the ANRE regulations;
- The rate of return on invested capital, for the calculation of electricity and natural gas transmission and distribution tariffs, is 6.9%.

As of February 14, 2019, the Company has been subject to an inspection by ANAF (*National Agency for Fiscal Administration*) on the value added tax and the corporate income tax over the January 1, 2017 – December 31, 2018 interval.

In February 2019, ENGIE Romania purchased the shares held by GAZPROM Schweiz AG and its subsidiaries in WIROM Gas SA company, thus becoming the majority shareholder and enjoying a stake increase from 48.85% to 99.999995%.

According to the General Extraordinary Assembly of ENGIE Romania's Shareholders from April 10, 2019, the approval in principal was issued for initiating the process of WIROM Gas partition, as well as for the project of solvent merger for Brăila Winds and Alizeu Eolian affiliates.

The Parent-company proposes distributing to the shareholders, in the form of dividends, 30% of the 2018 net profit.

Law 227/2015 on the Fiscal Code (which repealed Law 571/2003) contains certain legal provisions applicable as of 2019, of which we shall mention the following:

- The transposition of the provisions of Directive 2016/1184/EU in regard to the deductibility of interest expenses and foreign exchange losses, which have new applicable limits (i.e. a 1 million EUR threshold plus 30% of fiscally adjusted EBITDA);
- Additions brought to the requirements for granting sponsorships to corporate income tax-paying entities.