ENGIE Romania S.A.

Individual 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	December 31, 2017, restated* RON
Revenues from customer contracts			
Gas supply income		4,457,300,152	4,008,855,171
Electricity supply income		929,131,030	411,730,279
Other income	**5**	221,773,329	217,606,704
Total revenues from customer contracts		**5,608,204,511**	**4,638,192,154**
Other operating income	**6**	455,916,045	444,075,484
Gas purchase costs		(3,079,912,676)	(2,588,153,311)
Electricity purchase costs		(777,551,810)	(321,833,290)
Expenses with consumables		(11,304,776)	(10,009,011)
Gas transportation and storage costs		(425,275,164)	(579,786,284)
Gas distribution costs		(798,124,969)	(801,149,750)
Expenses with services related to electricity supply		(147,361,403)	(121,836,406)
Expenses with employee benefits	**7**	(92,371,964)	(78,489,035)
Amortisation and depreciation costs	**11,12**	(161,091,533)	(160,380,140)
Other expenses	**8**	(233,295,701)	(189,531,911)
Operating profit		**337,830,560**	**231,118,500**
Interest income	**9**	26,579,220	17,854,066
Interest expenses	**9**	(9,621,861)	(17,547,999)
Foreign exchange gains / (losses)		1,420,383	958,064
Dividend-based income	**9**	123,447,470	93,611,646
Provision for investment depreciations	**13.2**	25,177,747	48,648,780
Other financial gains / (losses)	**9**	(9,909,753)	2,156,872
Net financial income / (expenses)		**157,093,206**	**145,681,429**
Gross profit		**494,923,766**	**376,799,929**
Current corporate income tax costs	**10**	(43,737,629)	(20,330,969)
Deferred tax (costs) / credit	**10**	4,740,879	(19,602,035)
Net profit		**455,927,016**	**338,888,925**
Other comprehensive income elements – not to be subsequently reclassified under the profit and loss account			
Actuarial gains / (losses)	**21**	(1,567,151)	1,358,100
Other comprehensive income elements, net		**(1,567,151)**	**1,358,100**
Net comprehensive income		**454,359,865**	**338,225,025**

The financial statements on pages 3 – 67 were approved by the Management Board and authorised for issuance on April 18, 2019.

*) 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

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

Anne-Marie Gestin
Director, Financial, Purchases and General Business Directorate
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(The amounts are expressed in RON, unless otherwise provided)

Statement of financial position
As at December 31, 2018

	Notes	December 31, 2018 RON	December 31, 2017, restated* RON	January 1, 2017, restated* RON
Assets				
Long-term assets				
Tangible assets	**11**	3,011,604,887	2,927,004,160	2,614,261,564
Intangible assets	**12**	24,435,448	21,910,284	27,542,601
Financial investments	**13.1**	476,165	476,165	476,165
Investments in subsidiaries	**13.2**	451,873,255	426,695,508	376,046,728
Investments in associates	**13.3**	13,066,854	13,066,854	13,066,854
Other financial assets	**14.1**	154,563,715	154,751,329	154,675,571
Current assets				
Stocks	**15**	364,505,612	307,674,991	213,247,091
Trade receivables	**16**	1,796,785,979	1,289,407,932	1,223,146,753
Other receivables and current assets	**17**	98,165,680	21,370,872	30,308,861
Other financial assets	**14.1**	12,153,615	12,216,188	1,141,633
Cash and cash equivalents	**18**	1,095,543,222	975,176,319	976,140,738
Current corporate income tax - receivable		-	3,345,671	-
TOTAL ASSETS		**7,023,174,432**	**6,153,096,053**	**5,832,084,559**
Own equity and debts				
Own equity				
Share capital, of which:		257,303,348	257,103,346	257,303,348
- Subscribed share capital	**19.1**	199,245,540	199,245,540	199,245,540
- Adjustment from share capital hyperinflation		58,057,818	58,057,818	58,057,818
Share premiums	**19.1**	653,633,485	653,633,485	653,633,485
Revaluation reserves	**19.3**	157,067,744	165,490,490	174,119,794
Legal reserve	**19.2**	47,702,078	47,702,078	47,702,078
Other reserves	**19.3**	174,555,318	175,484,758	174,174,394
Balance carried forward		3,348,402,595	3,052,875,080	2,818,091,491
Total own equity		**4,638,664,568**	**4,352,289,237**	**4,125,024,590**
Long-term liabilities				
Long-term provisions	**20**	8,000,000	15,700,000	23,850,000
Long-term employee benefits	**21**	17,935,016	12,849,804	13,272,403
Deferred tax debts	**10**	173,847,407	178,372,127	158,511,406
Current debts				
Trade payables to suppliers	**22**	1,323,161,210	954,525,617	886,916,541
Short-term loans and the current portion of long-term bank loans	**14.3**	-	.	253,134,722
Other current financial debts	**14.2**	587,483,985	491,711,594	294,086,923
Short-term provisions	**20**	2,299,283	3,313,812	27,968,963
Short-term employee benefits	**21**	12,424,815	12,359,754	12,120,154
Current corporate income tax debts		18,333,150	-	10,500,009
Other debts	**22**	241,024,998	131,974,108	126,698,848
TOTAL DEBTS AND OWN EQUITY		**7,023,174,432**	**6,153,096,053**	**5,932,084,559**

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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	Capital total RON
As at January 1, 2018	**257,303,348**	**653,633,485**	**47,702,078**	**165,490,490**	**175,484,756**	**3.052,675,080**	**4,352,289,237**
Period profit	-	-	-	-	-	455,927,016	455,927,016
Actuarial gains / (losses), net of deferred tax	-	-	-	-	(1,567,151)		(1,567,151)
Total comprehensive income	-	-	-	-	**(1,567,151)**	**455,927,016**	**454,359,865**
Revaluation reserve achieved throughout the year	-	-	-	(9,457,062)	-	9,457,062	-
Related deferred tax	-	-	-	1,034,316	-	(1,034,316)	-
Share-based payments	-	-	-	-	637,713	-	637,713
Paid dividends	-	-	-	-	-	(168,622,248)	(168,622,248)
As at December 31, 2018	**257,303,348**	**653,633,485**	**47,702,078**	**157,067,744**	**174,555,318**	**3,348,402,595**	**4,638,664,568**

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Statement of changes in own equity
for the fiscal year concluded on December 31, 2017

	Share capital RON	Share premiums RON	Legal reserves RON	Revaluation reserves RON	Other reserves RON	Balance carried forward RON	Capital total RON
As at January 1, 2017, reported	**257,303,348**	**653,633,485**	**47,702,078**	**174,119,793**	**174,174,394**	**2,805,667,467**	**4,112,600,566**
Effects of adopting the new standards	-	-	-	-	-	12,424,024	12,424,024
As at January 1, 2017, restated*	**257,303,348**	**653,633,485**	**47,702,078**	**174,119,793**	**174,174,394**	**2,818,091,491**	**4,125,024,590**
Period profit	-	-	-	-	-	336,866,925	336,866,925
Actuarial gains / (losses), net of deferred tax	-	-	-	-	1,358,100	-	1,358,100
Total comprehensive income	-	-	-	-	1,358,100	336,866,925	338,225,025
Revaluation reserve achieved throughout the year	-	-	-	(9,778,066)	-	9,778,066	-
Related deferred tax	-	-	-	1,148,763	-	(1,148,763)	-
Share-based payments	-	-	-	-	(47,738)	-	(47,738)
Paid dividends	-	-	-	-	-	(110,912,639)	(110,912,639)
As at December 31, 2017, restated	**257,303,348**	**653,633,485**	**47,702,078**	**165,490,490**	**175,484,756**	**3,052,675,080**	**4,352,289,237**

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Statement of cash flows

	Notes	2018 RON	2017, restated* RON
Operational activities			
Profit before tax		494,923,766	376,799,929
Net outturn components which do not generate cash flows pertaining to the operational activity:			
Expenses with amortisations and depreciations of tangible assets	**11**	152,471,772	151,203,029
Expenses with amortisations and depreciations of intangible assets	**12**	8,619,762	9,157,111
Expenses with share-based payments		637,713	(47,738)
Expenses with / (Reversals from) impairments of financial assets	**13.2**	(25,177,747)	(48,648,780)
Unrealised value decreases / (increases) of financial instruments		9,155,944	(2,154,179)
Loss / (profit) from disposals of tangible assets	**8**	(1,197,857)	(3,246,300)
Financial income	**9**	(26,579,220)	(17,854,066)
Financial expenses	**9**	9.621,861	17,547,999
Dividend-based income	**9**	(123,447,470)	(93,611,646)
(Gains) / losses from receivables	**16**	4,394,834	(184,397)
Provision related to additional gains from the natural gas purchase price	**3**		(32,060,894)
Variation of value adjustments, provisions and post-employment benefits		17,934,137	(26,936,064)
Working balance (working capital) variation:			
(Increase) / Decrease of trade and other receivables		(609,087,762)	(38,271,479)
(Increase) / Decrease of stocks		(56,830,621)	(94,427,900)
Increase) / Decrease of trade and other payables		490,565,778	64,885,820
		346,004,890	**281,950,445**
Corporate income tax paid		(22,058,808)	(34,176,648)
Net cash flow (used in)/generated from operational activities		**323,946,082**	**247,773,797**
Investment activities			
Receipts from sales of tangible assets		7,211,134	11,540,092
Purchases of tangible assets	**11**	(271,627,591)	(205,493,316)
Purchases of intangible assets	**12**	(11,144,927)	(3,524,795)
Receipts of subsidies		15,662,522	19,090,602
Interest collected	**9**	24,484,667	11,432,415
Dividends collected	**9**	123,447,470	93,611,646
Net cash flow (used in)/generated from investment activities		**(111,966,725)**	**(73,343,356)**
Financing activities			
Payments on loans	**14.3**	-	(250,000,000)
Cash pooling withdrawals in relation to subsidiaries		1,321,197,152	1,388,953,332
Cash pooling payments in relation to subsidiaries		(1,234,565,497)	(1,182,752,831)
Interest paid		(9,621,861)	(20,662,721)
Dividends paid	**23**	(168,622,249)	(110,912,640)
Net cash flow (used in)/generated from financing activities		**(91,612,454)**	**(176,394,660)**
Net variation of cash and cash equivalents		**120,368,903**	(984,419)
Cash and cash equivalents in the beginning of the year		975,176,319	976,140,736
Cash and cash equivalents at the end of the year	**18**	**1,095,543,222**	**976,178,319**

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1. INFORMATION ABOUT THE COMPANY

S.C. DGN DISTRIGAZ SUD S.A. was a joint-stock company whose scope of business consisted in the supply of natural gas across the southern part of Romania's territory. S.C. DGN DISTRIGAZ SUD S.A. 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").

The Company's headquarters are at 4-6 Mărășești Blvd., district 4, Bucharest, Romania.

The Company is part of ENGIE Group. The 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 Company also draws up consolidated financial statements in accordance with OMFP (*Order of the Minister of Public Finance*) 2844/2016 for the group comprising: ENGIE Romania SA and its subsidiaries, Distrigaz Sud Retele SRL, ENGIE Servicii SRL, Braila Winds SRL, Alizeu Eolian SA and ENGIE Building Solutions SRL.

As part of the plan designed to restructure the oil and gas sector in Romania, in August 1998, the business and all the assets and liabilities of former Romgaz R.A. (state-owned institution) were transferred to six new entities incorporated in Romania. The new companies were organised as a group in which S.N.G.N. Romgaz S.A. (entirely owned by the Ministry of Industry and Resources, currently the Ministry of Economy and Commerce) held 100% of each company's shares, including S.C. DGN DISTRIGAZ SUD S.A.

In May 2000, the Romanian Government issued Decision no. 334, according to which the shares of the companies owned by former Romgaz S.A. Autonomous Public Entity were transferred to the Ministry of Economy and Commerce. Between May 1, 2000 and May 31, 2005 S.C. DGN DISTRIGAZ SUD S.A. was entirely owned by the Ministry of Economy and Commerce.

Pursuant to Decision no. 42/2015 on the organisation and operation of the Ministry of Energy, the shares of ENGIE Romania previously held by the Ministry of Economy and Commerce were transferred to the Ministry of Energy.

The privatisation process across the Company commenced in 2004 and was completed during 2005. In June 2005, Romania Gas Holding company became the majority shareholder, owning 51% of the Company's share capital.

In accordance with the obligations stipulated by the Romanian and European legislation applicable in the natural gas sector (Law 351/2004, as subsequently amended and supplemented, and Directive 55/2003/EU, respectively), ENGIE Romania implemented the legal, operational, organisational and accounting separation of the distribution activity.

The separation solution chosen by ENGIE Romania, approved by the Regulatory Authority for Energy (ANRE), as per Decision no. 249/16.04.2007, stipulates the universal transfer of the distribution activity and of a portion of the company's assets and worth, pertaining to the distribution activity, in order to set up a new company: S.C. Distrigaz Sud Rețele S.R.L.

The new company became the holder of the concession contracts concluded for the natural gas distribution service and of the distribution licence, whereas the parent company kept the natural gas marketing and sales activity and the supply licence, as well as the support services, set to benefit both companies by means of a contract for services.

1. INFORMATION ABOUT THE COMPANY (continued)

The assets pertaining to the distribution activity remained among the parent company's assets, being made available to the distribution company pursuant to a lease contract. Pursuant to the same contract and the protocol on the rules governing the assets under said contract, the parent company undertook the task of carrying out the investments requested by the distribution company, within the limits of the annual financial plan approved group-wide by the parent company. The lease contract price is set forth pursuant to the ANRE-approved methodology on establishing the distribution tariff and represents the amount, from the distribution tariff, pertaining to the capital expenditure.

The project on the partition of ENGIE Romania S.A. was approved by the Trade Register and published in the Official Gazette no. 2062 from 19.07.2007, Part IV. The final approval of the Shareholders' General Extraordinary Assembly was issued during the meeting from 19.12.2007. As a result of it, the Trade Register issued, on 18.02.2008, the Registration Certificate of S.C. Distrigaz Sud Retele S.R.L. In accordance with the partition project, the separation took effect, from an accounting standpoint, on the 1st of the month following the month of the entity's registration with the Trade Register.

On July 1, 2009, a new subsidiary of the company was established, ENGIE Servicii SRL, which took over the inspection and repair activities from Distrigaz Sud Rețele.

Brăila Winds and Alizeu Eolian subsidiaries were purchased by the Company in 2011 and 2012, respectively, both in their start-up phase as at the purchase date and having as their scope of business the production of electricity using wind turbines.

ENGIE Building Solutions SRL is a company purchased by ENGIE Servicii SRL on December 31, 2016.

The financial statements on pages 3 – 67 were approved by the Management Board and authorised for issuance on April 18, 2019.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

2.1 Fundamentals for drawing up financial statements

Statement of compliance

The Company'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 until, and including, the year concluded on December 31, 2011, the Company drew up the financial statements in accordance with the Romanian accounting standards (OMFP 3055/2009 and, beforehand, OMFP 1752/2005, OMFP 94/2001, etc.). 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").

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

2.2 Main accounting policies

a) Currency conversions

The Company's financial statements are presented in RON, which is also the Company'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, 2019 and December 31, 2018 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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

b) Acknowledgement of 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 Company 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. Therefore, the Company calculated and recorded the revenues pertaining to the gas that was delivered in December 2018 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.

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 upon 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 Company 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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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.

c) 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.

d) Revenues from leases

The revenues from leases pursuant to the contract concluded in order to lease the assets associated to the distribution activity are recognised on a monthly basis, as per the provisions set forth in the contract.

e) Dividend-based income

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

f) 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.

As of January 1, 2018, acc. to Order 3189/2017, if the subsidy concerns a tangible asset, it is recorded as deferred income under account 478 «Deferred income related to assets received by transfer from customers». The referred income becomes current revenue in the profit and loss account as the expenses required to amortise the respective fixed assets are recorded.

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.

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.

g) 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, 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. There are no fiscal losses reported as at December 31, 2018.

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)

h) 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 Company 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 Company 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 Company 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 Company 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 Company. 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
Light constructions (hutting, sheds)	10
Steel distribution pipelines	30
Polyethylene distribution pipelines	40
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.

i) 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 Company as a lessee
Financial leases, which transfer to the Company, 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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

An asset under lease is amortised throughout its useful life. However, if there is no reasonable certainty that the Company 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.

The Company as a lessor
Lease contracts within the context of which the Company does not significantly transfer all the risks and benefits pertaining to the right of ownership over an asset are categorised as operating leases. Revenues from operating leases are recognised as "Other income", under the profit and loss account, throughout the lease contract term, and are calculated on a monthly basis based on the relevant contracts. The initial direct costs borne for the conclusion of an operating lease contract are added to the book value of the asset provided under lease and recognised throughout the lease contract term on the same basis as lease-based revenues. Contingent leases are recognised as income during the period when they are collected.

j) 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 Company in order to borrow funds. The Company did not have, throughout 2018 and 2017, any debt costs directly attributable to the purchase, construction or production of an asset.

k) 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.

The Company'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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

l) 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 Company's financial assets comprise cash and cash equivalents, trade and other receivables (including loans to affiliated entities) and financial investments. The Company'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 Company's business model employed to manage them. The Company 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 are measured at the transaction price, determined in accordance with IFRS 15 (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 Company'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.

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 Company 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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Subsequent evaluation

For subsequent evaluation purposes, the financial assets and liabilities specific to the Company 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 via the profit and loss account;
- 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 Company 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 Company has largely transferred all the risks and rewards related to its asset, or (b) the Company has not largely transferred or kept all the risks and rewards related to its asset, but has transferred control over that asset.

In the case where the Company 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 Company will continue to recognise the transferred asset to an extent that is proportionate to the Company's continuous involvement. In this case, the Company 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 Company 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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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 Company 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 Company expects to receive, updated at an initial effective interest rate.

For trade receivables and contractual assets, the Company applies a simplified method to calculate credit risk. As a result, the Company 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 Company drew up an impairment matrix using historical data on unearned receivables, adjusted with specific factors specific to the debtors and the economic environment.

The Company 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 Company may deem a financial asset unearnable when internal or external information indicate the fact that the Company 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.

Investments in subsidiaries and associates

The Company's investments in the shares of subsidiaries and associates are measured at cost, minus any possible impairment losses.

Impairment losses in regard to investments in subsidiaries and associates are quantified based on the future cash flow estimates for the respective (groups of) cash-generating units. Impairment losses associated to investments are recorded in the category of financial expenses.

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.

m) 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 Company 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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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 Company 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 foreign exchange risk of an unrecognised firm commitment.

Upon setting up a hedging relationship, the Company 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.

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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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).

n) 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, 2019, the Company 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.

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).

o) Depreciation of non-financial assets

The Company 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 Company 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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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 Company 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.

p) 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.

q) 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.

r) Provisions

General

Provisions are recognised when the Company 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 Company 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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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 Company 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 Company built expectations on the performance of such restructuring, beginning to implement the plan in question or communicating its main characteristics to the people concerned.

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.

s) Pensions and other long-term employee benefits

Both the Company 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 Company has no legal or constructive obligation to pay additional future contributions. Its obligation is strictly to pay contributions when they become due. The Company's contributions to a determined contributions plan are recorded as expenses in the year to which they apply.

In accordance with Collective Labour Agreement no. 231/20.06.2018, each of the Company's employees is entitled to receive a retirement benefit, depending on their length of service within the Company, 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 Company 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, in the profit and loss account.

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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

t) Share-based payment

According to the plan approved across ENGIE Group, the Company's employees receive shares from the parent company, ENGIE (France), for no consideration, provided that they are Company employees 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 Company 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.

u) 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, Company key staff members and immediate members of their families.

v) 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 Company'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 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 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*).

w) 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 Company.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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.
The Company 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 Company 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.

x) 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 Company 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 Company 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 Company carried out corrections on the opening balances, the impact of implementing IFRS 9 using the restatement of comparative amounts being:

- In the balance sheet as at December 31, 2016: a decrease in the balance of value adjustments for impairments of doubtful receivables (under receivables) by 13,792,217 RON, an increase in the corporate income tax - liability by 1,368,193 RON and an increase in the balance carried forward by 12,424,024 RON, net of tax;
- In the balance sheet as at December 31, 2017: a decrease in the balance of value adjustments for impairments of doubtful receivables (under receivables) by 13,414,647 RON, an increase in the corporate income tax - liability by 1,368,193 RON and an increase in the balance carried forward by 12,046,454 RON, net of tax;
- In the profit and loss account of 2017: an increase in the impairment of receivables by 377,570 RON, net of tax.

IFRS 15

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

The Company 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 Company 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 Company 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 Company 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 Company in line with IFRIC 18 until December 31, 2016). Hence, the Company did not alter the accounting treatment of the connection fees in the financial statements drawn up according to OMFP 284412016.

Furthermore, the Company 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 Company 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).
The Group decided to apply IFRS 15 completely retroactively, in line with the ENGIE Group policy.

y) Contingent liabilities and assets

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Drawing up the Company'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 Company's accounting policies, the management formulated the following judgements, with the greatest impact upon the amounts recognised in the financial statements:

- The accounting treatment of the gas distribution network lease contract

Given the legal obligation to separate the natural gas distribution business from the natural gas supply one, the Company kept among its assets the assets related to the distribution business, whereas Distrigaz Sud Rețele subsidiary became the holder of the concession contracts concluded for the natural gas distribution service and of the distribution licence. The assets pertaining to the distribution activity were made available to the distribution company pursuant to a lease contract. Pursuant to the same contract and the protocol on the rules governing the assets under said contract, the parent company undertook the task of carrying out the investments requested by the distribution company, within the limits of the annual financial plan approved group-wide by the parent company.
The management analysed this contract by considering it an operating or a financial lease. Keeping in mind that the lease contract price was set forth based on the ANRE-approved methodology on setting forth the distribution tariff and is the part of the distribution tariff related to the capital expenditure, relying on the distribution volumes, the management concluded that the payments are entirely dependent upon on the distributed gas volumes and, therefore, operate as contingent leasing payments for the purposes of IAS 17 (therefore, they cannot be taken into account in the analysis of the contract as a financial lease). Consequently, the management believe this contract should be treated as an operating lease contract concluded between the Company and the subsidiary.

- Recognition of deferred taxes - receivable

The Company 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. Given the commencement of the absorption-based project of merging Brăila Winds and Alizeu Eolian subsidiaries into ENGIE Romania, approved in principle by the Shareholders' General Extraordinary Assembly of April 10, 2019, as well as the assumptions that aid in estimating certain future business-related profits, the Company recognised a deferred tax - receivable for these deductible temporary differences as at December 31, 2018, pertaining to the impairment basis of tangible assets (Note 10). At the end of each fiscal year, this judgement shall be updated should there be any circumstantial changes.

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.

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

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 Company 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 Company 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 Company'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 Company'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.

Throughout 2017, the Company 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 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 Company 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 Company assesses lands and buildings at their fair value, whereas any changes to the recorded values are recognised under other comprehensive income elements. The Company contracted independent valuation specialists in order to determine the fair value as at December 31, 2016.
As at December 31, 2018, the Company assessed the evolution of the prices throughout 2018 and concluded that the changes were not sufficiently significant to require a new revaluation.

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

- 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 13.

- 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.

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 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 Company believes it has paid in due time and in their entirety all of its the taxes and levies.

The 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 Company 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 June 16, 2020.

- 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.

- Operating lives of fixed assets and amortisation method

The Company estimates the operating life of tangible asset elements in accordance with the consumption / wear rate for the respective assets. The Company uses the straight-line amortization method for fixed assets.

The Company revised the estimated operating lives as at December 31, 2018 and concluded that no changes are required.

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

- Impairments of receivables

The Company 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). For more details, see Note 3 *x) Restatements of the comparative period*.

The Company analysed the possibility of calculating sensitivity scenarios and concluded that such calculations were not necessary, given the calculation method for impairments of receivables.

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 Company 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 Company 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 Company does not hold this category of liabilities.

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 Company 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).

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

● 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 Company 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 Company’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.

● 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 Company.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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 Company'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 Company following the application of these amendments..

● IAS 28: Long-term interests in associates and joint ventures (Amendments)
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 Company 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 Company is currently assessing the impact of this change upon the its 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.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

● 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 Company 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 amendments come into effect for annual periods starting on or after January 1, 2019 and early application is allowed. The Company is currently undergoing the assessment of the impact produced by this change upon the Company's financial position or performance.

- ***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 affiliated parties (note 24)	139,585,798	137,267,118
Revenues from services rendered to third parties	65,872,056	64,759,803
Other revenues	16,315,475	15,579,783
Other revenues	**221,773,329**	**217,608,704**

6. OTHER OPERATING INCOME

	2018 RON	2017 RON
Income from leases in relation to affiliated parties (note 24)	440,296,327	432,597,693
Penalty-based income	13,425,137	5,857,648
Other operating income	2,194,581	5,620,143
Other operating income	**455,916,045**	**444,075,484**

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	83,551,968	61,631,798
Expenses with state pension determined contribution	-	9,697,445
Social security costs	1,863,387	4,121,050
Long-term employee benefits	3,734,220	1,194,187
Other salaried employee costs	3,222,389	1,844,555
Total labour costs	**92,371,964**	**78,489,036**

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

8. OTHER EXPENSES

	2018 RON	2017 restated RON
Expenses with gas-related services	55,370,782	50,933,237
Indemnifications, fines and penalties	30,441,935	37,677,619
Other costs with third-party services	23,133,490	23,021,946
Taxes and levies	21,273,379	21,237,173
Postage costs and telecommunications charges	12,190,041	11,472,426
Expenses with royalties, leases and rentals	11,398,507	10,976,941
Expenses with consultancy services	8,696,034	9,645,588
Expenses with security services	9,786,312	8,879,782
Marketing costs (commercials, advertising)	12,200,201	7,331,466
Administrative expenses	6,730,790	5,771,331
Maintenance and repair costs	6,695,331	4,840,996
Expenses with insurance premiums	4,335,734	4,022,131
Expenses with / (reversals from) impairments of receivables	12,937,918	5,493,840
Bank commissions	5,667,824	3,812,083
Management services	5,095,115	3,792,502
Expenses with utilities	4,037,990	3,339,583
(Gains) / losses from disposals of assets	(1,197,857)	(3,246,300)
Expenses with / (reversals from) provisions (note 20)	(8,714,529)	(32,805,153)
Other expenses	13,216,704	13,334,720
Total	**233,295,701**	**189,531,911**

9. INTEREST AND OTHER FINANCIAL EXPENSES / INCOME

Interest income	2018 RON	2017 RON
Income from interests on bank deposits	12,667,009	5,150,780
Income from interests on loans granted to affiliated parties (Note 24)	7,041,419	11,579,222
Interest income from cash pooling with subsidiaries (Note 24)	6,870,792	1,124,064
Total	**26,579,220**	**17,854,066**

Interest expenses	2018 RON	2017 RON
Expenses with interest on loans	564	15,570,800
Expenses with interest from cash pooling with subsidiaries (Note 24)	9,621,297	1,977,199
Total	**9,621,861**	**17,547,999**

Other financial gains / (losses)	2018 RON	2017 RON
Discounts granted	6,331	2,677
Gains/(Losses) from cash flow hedging instruments	(9,155,944)	2,154,179
Other financial gains / (losses)	(760,140)	16
Total	**(9,909,753)**	**2,156,872**

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

9. INTEREST AND OTHER FINANCIAL EXPENSES / INCOME (continued)

Dividend-based income	**2018 RON**	**2017 RON**
Tulcea Gaz	1,003,460	-
Distrigaz Sud Rețele	122,444,010	92,705,421
Romanian Commodities Exchange	-	906,225
Total	**123,447,470**	**93,611,646**

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	43,737,629	20,330,969
Deferred tax		
Related to the temporary differences	(4,740,879)	19,602,035
Corporate income tax costs recorded in the profit and loss account	**38,996,750**	**39,933,004**
Comprehensive income statement		
Actuarial gains / (losses)	(216,159)	258,686
Corporate income tax recorded in the comprehensive income statement	**(216,159)**	**258,686**

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

	2018 RON	**2017 restated RON**
Gross accounting profit	**494,923,766**	**376,779,929**
Corporate income tax at the statutory tax rate (16%)	79,187,803	60,287,989
Impact of non-deductible expenses and non-taxable revenues	(34,530,583)	(15,272,242)
Tax credit (sponsorship costs and allowance)	(5,660,470)	(5,082,742)
Corporate income tax costs recorded in the profit and loss account	**38,996,750**	**39,933,004**

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

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

10. CORPORATE INCOME TAX (continued)

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	
	December 31, 2018 RON	December 31, 2017 RON	2018 RON	2017 RON
Fiscal differences related to fixed assets	(175,695,251)	(162,867,401)	(12,827,850)	(13,692,239)
Depreciation of fixed assets	2,368,064	2,551,131	(183,067)	(45,378)
Impairments of financial investments	563,488	563,488	-	-
Impairments of investments in subsidiaries	12,769,192		12,769,192	
Impairments of current assets	9,994,847	8,195,479	1,799,369	(5,347,241)
Revaluation reserves	(28,705,322)	(30,848,354)	2,143,032	2,944,110
Long-term employee benefits – different from actuarial gains and losses	3,085,764	2,055,989	1,029,792	191,071
Short-term provisions				(3,690,694)
Short-term employee benefits	1,987,970	1,977,581	10,409	38,336
Expenses with / (income from) deferred tax recognized in the profit and loss account	-	-	**4,740,879**	**(19,602,035)**
Actuarial gains and losses	(216,159)	-	(216,159)	(258,686)
Expenses with / (income from) deferred tax recognized under other comprehensive income elements	-	-	**(216,159)**	**(258,666)**
Net deferred tax	**(173,847,407)**	**(178,372,127)**		
Recognized in the statement of financial position as follows:				
Deferred tax – receivable	-	-		
Deferred tax – liability	(204,832,891)	**(178,372,127)**		
Deferred tax – net item	**(173,847,407)**	**(178,372,127)**		

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 amounting to 12,769,192 RON for the deductible temporary difference resulted from the impairment loss on the investments in Brăila Winds and Alizeu Eolian subsidiaries. Calculated as the difference between the tax base 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 as at December 31, 2018, amounting to 361,7 million RON.

(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	116,917,867	312,762,742	2,694,403,760	530,677,571	13,550,749	178,208,481	3,846,521,170
Receipts	-	-	-	-	-	172,241,347	172,241,347
Disposals	(378,689)	(84,870)	-	(23,116,505)	(76,675)	-	(23,656,739)
Transfer from investments in progress		4,392,107	97,339,763	52,772,393	2,296,099	(156,800,362)	-
As at December 31, 2017	**116,539,178**	**317,069,979**	**2,791,743,523**	**560,333,459**	**15,770,173**	**193,649,466**	**3,995,105,778**
Receipts	-	-	-	-	-	243,085,775	243,085,775
Disposals	-	(118,914)	(121,636)	(13,605,043)	(676,445)	-	(14,522,038)
Transfer from investments in progress	-	9,436,880	109,885,416	59,619,080	1,464,009	(180,405,385)	-
As at December 31, 2018	**116,539,178**	**326,387,945**	**2,901,507,303**	**606,347,496**	**16,557,737**	**256,329,856**	**4,223,669,515**
Amortisation and impairment adjustments							
As at January 1, 2017	-	-	630,804,752	292,515,735	8,909,120	-	932,229,607
Year amortisation	-	16,063,943	79,241,205	54,281,552	1,806,368	-	151,393,068
Disposals	-	(1,553)	-	(15,295,709)	(33,756)	-	(15,331,019)
Depreciation / (Depreciation reversal)	-	-	(283,610)	-	-	93,571	(190,038)
As at December 31, 2017	**-**	**16,062,390**	**709,762,347**	**331,501,578**	**10,681,732**	**93,571**	**1,068,101,618**
Year amortisation	-	16,587,198	81,131,440	54,169,095	1,821,779	-	153,709,512
Disposals	-	(7,829)	(26,657)	(7,798,905)	(675,369)	-	(8,508,760)
Depreciation / (Depreciation reversal)	-	-	(1,144,170)	-	-	(93,571)	(1,237,741)
As at December 31, 2018	**-**	**32,641,758**	**789,722,960**	**377,871,768**	**11,828,142**	**-**	**1,212,064,628**
Net book value							
As at December 31, 2018	**116,539,178**	**293,746,185**	**2,111,784,343**	**228,475,728**	**4,729,595**	**256,329,856**	**3,011,604,887**
As at December 31, 2017	**116,539,178**	**301,007,588**	**2,081,981,176**	**228,831,881**	**5,088,441**	**193,555,895**	**2,927,004,160**

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

11. TANGIBLE ASSETS (continued)

The total value of the investments made in 2018 is 254,2 million RON (2017: 175,8 million RON), of which 243,1 million RON as tangible assets (2017:172,3 million RON) and 11,1 million RON as intangible assets (2017: 3,5 million RON). The Company'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 Company does not have any financial lease contracts concluded for fixed assets.

Sold and leased tangible assets

The Company did not have throughout 2018 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.

As at December 31, 2016, the Company 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, as at December 31, 2019, the Company performed the fiscal revaluation of the special buildings and constructions, in order to have them taxed, pursuant to the provisions of ANEVAR GES 500 Valuation Standards «Establishing the taxable value of buildings».

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	26,113,788	408,912,161
Cumulated value adjustments	-	192,101,156
Net book value	26,113,788	218,811,007
As at December 31, 2018		
Cost	26,113,788	418,475,346
Cumulated value adjustments	-	204,725,349
Net book value	26,113,788	213,749,998

Assets encumbered by guarantees

The Company 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, net of the collected subsidy, which are still in use as at December 31, 2018, is 284,349,050 RON (2017: 240,985,739 RON).

Provisions for depreciations of fixed assets

As at December 31, 2018, Company recorded a provision amounting to 14,800,401 RON (2017: 15,944,571 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 Company checked for other internal or external indications of depreciation, but could not identify any.

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

12. INTANGIBLE ASSETS

	Licences and concessions RON	IT systems RON	Intangible assets in progress RON	Total RON
Cost				
As at January 1, 2017	20,341,497	67,507,560	4,084,287	91,933,344
Receipts	-	-	3,524,795	3,524,795
Disposals	-	-	-	-
Transfer from investments in progress	732,854	4,150,254	(4,883,108)	
As at December 31, 2017	21,074,351	71,657,814	2,725,974	95,458,139
Receipts	-	-	11,144,927	11,144,927
Disposals	-	-	-	-
Transfer from investments in progress	1,115,118	3,568,330	(4,683,448)	
As at December 31, 2018	**22,189,469**	**75,226,144**	**9,187,453**	**106,603,066**
Amortisation and impairment adjustments				
As at January 1, 2017	15,532,921	48,857,823	-	64,390,744
Amortisation	2,365,359	6,791,752	-	9,157,111
Depreciation	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2017	17,898,280	55,649,575	-	73,547,855
Amortisation	2,000,679	6,619,083	-	8,619,762
Depreciation	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2018	**19,899,159**	**62,288,459**	**-**	**82,167,818**
Net book value				
As at December 31, 2018	**2,290,310**	**12,957,685**	**9,187,453**	**24,435,448**
As at December 31, 2018	**3,176,071**	**18,008,238**	**2,725,974**	**21,910,284**

13. FINANCIAL FIXED ASSETS

The Company's financial fixed assets are divided into:

1) Financial investments
2) Investments in subsidiaries
3) Investments in associates

13.1 Financial investments

	2018 RON	2017 RON
Book value as at January 1	**476,165**	**476,165**
Disposals	-	-
Book value as at December 31	**476,165**	**476,165**

	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	476,165
Total		**3,997,968**	**3,521,803**	**476,165**
2017				
Roman Brașov	1.19%	3,460,973	3,460,973	-
Other financial investments	<20%	536,995	60,830	476,165
Total		**3,997,968**	**3,521,803**	**476,165**

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

13. FINANCIAL FIXED ASSETS (continued)

In 2004, in order to facilitate the privatisation process, some of the Company's receivables were converted into shares with help from the Authority for State Assets Recovery ("AVAS"). As such, the Company 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 subsidiaries

	2018 RON	2017 RON
Book value as at January 1	**426,695,508**	**378,046,728**
Depreciation reversal	25,177,747	48,648,780
Book value as at December 31	**451,873,255**	**426,695,508**

The Company analysed the activity of its subsidiaries within the market context applicable to 2020, taking into account the results achieved and their financial position, and concluded the need for a partial reversal of the depreciation provision in the case of the wind-powered subsidiaries.

	Equity interests %	Purchase cost RON	Depreciation RON	Net value RON
2018				
Distrigaz Sud Rețele SRL	99,9722%	71,730,310	-	71,730,310
ENGIE Servicii SRL	99,99%	2,009,900	-	2,009,900
Brăila Winds SRL	99,99%	337,803,812	52,970,911	284,832,901
Alizeu Eolian SA	99,99%	191,815,701	98,515,557	93,300,144
Total		**603,359,723**	**151,486,468**	**451,873,255**
2017				
Distrigaz Sud Rețele SRL	99,9722%	71,730,310	-	71,730,310
ENGIE Servicii SRL	99,99%	2,009,900	-	2,009,900
Brăila Winds SRL	99,99%	337,803,812	67,783,920	270,019,892
Alizeu Eolian SA	99,99%	191,815,701	108,880,295	82,935,406
Total		**603,359,723**	**176,664,215**	**428,695,508**

Distrigaz Sud Retele SRL is a natural gas distribution company established on March 1, 2008. In accordance with the obligations stipulated by the Romanian and the European legislation applicable in the natural gas sector, the distribution activity of the former ENGIE Romania company was separated from the supply activity. The new company became the natural gas distribution service concession and distribution licence holder. Following the partition and integration of Congaz SA, the Company holds 99.9722% of the equity shares of Distrigaz Sud Rețele SRL. The own equity value at the end of 2018 is 151,828,676 RON (2017: 222,508,987 RON), of which 14,350,048 RON (2017: 14,350,048 RON) as reserves and 51,797,721 RON (2017: 122,502,592 RON) as profit.

13. FINANCIAL FIXED ASSETS (continued)

ENGIE Servicii SRL is a service provider in the natural gas sector, established on July 1, 2009, which took over the general and technical inspection and repair activities previously carried out by Distrigaz Sud Rețele SRL. This company's actual activity commenced on October 1, 2009. The company holds 99.99% of the equity shares of ENGIE Servicii SRL. The own equity value at the end of 2018 is 3,977,175 RON (2017: 3,703,637 RON), of which 402,000 RON (2017: 402,000 RON) as reserves and 273,537 RON (2017: 1,291,637 RON) as profit.

Brăila Winds SRL was purchased by the Company in December 2011. The scope of business is the production of wind-powered electricity. The Company holds 99.995% of the equity shares of Braila Winds. The own equity value at the end of 2018 is 284,832,911 RON (2017: 269,246,585 RON), of which 4,528,268 RON (2017: 3,645,363 RON) as reserves and 15,586,326 RON (2017: 31,788,320 RON) as profit.

Alizeu Eolian SA was purchased by the Company in 2012. The scope of business is the production of wind-powered electricity, the company managing to obtain at the end of 2013 the power producer licence. The Company holds 99.995% of the shares of Alizeu Eolian SA. The own equity value at the end of 2018 is 93,300,150 RON (2017: 82,985,425 RON), of which 1,906,416 RON (2017: 1,326,917 RON) as reserves and 10,314,725 RON (2017: 15,922,429 RON) as profit.

The depreciation carried over at the end of 2019, for the investments in Brăila Winds and Alizeu Eolian subsidiaries, relies on the estimates of cash flows generated by the subsidiaries' business (values in use). Depending on the future trends of the electricity price, but also on the green certificate regulations, changes in this depreciation may occur.

The depreciation test

Since 2014, the management has been performing the financial asset depreciation test where there were indications that their book value might be impaired. The depreciation found is, basically, a result of the current market condition prospects on the prices for energy and green certificates, which significantly affected the profitability of Alizeu Eolian and Brăila Winds subsidiaries. Considering this market trend, the Company revised the business plan for the remaining lifetime of the projects (2019-2033 for Alizeu Eolian and 2019-2032 for Braila Winds).

The depreciation test the management performed as at December 31, 2019 entailed determining the recoverable value of the cash-generating units, corresponding to the values in use. The value in use is the updated value of the future cash flows estimated to be provided by a cash-generating unit.

Cash flow projections rely on the financial budgets approved by management, which cover the estimated useful life of wind farms, keeping in mind the approved amendments that supplement the legislation on the system designed to promote energy production from renewable energy sources (GEO 27/2017 on amending Law no. 220/2008). The discount rate (post-tax) taken into account was 8.2% (2017: 9%).

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 2018, an assumption that has remained unchanged since December 31, 2017.

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 amounts are expressed in RON, unless otherwise provided)

13. FINANCIAL FIXED ASSETS (continued)

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.

13.3 Investments in associates

	2018 RON	2017 RON
Book value as at January 1	**13.066.854**	**13.066.854**
Receipts	-	-
Transfer to subsidiaries	-	-
Book value as at December 31	**13,066,854**	**13,066,854**

	Equity interests %	Purchase cost RON	Depreciation RON	Net value RON
2018				
Tulcea Gaz	30.00%	3,284,796	-	3,284,796
Wirom Gas	48,85%	9,782,058	-	9,782,058
Total		**13,066,854**	**-**	**13,066,854**
2017				
Tulcea Gaz	30.00%	3,284,796	-	3,284,796
Wirom Gas	48,85%	9,782,058	-	9,782,058
Total		**13,066,854**	**-**	**13,066,854**

Tulcea Gaz SA is 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 5,847,572 RON (2017: 5,847,572 RON) as reserves and 718,138 RON as loss (2017 profit: 1,004,875 RON).

Wirom Gas SA is a natural gas distribution 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, Corabia 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 amounts are expressed in RON, unless otherwise provided)

14. OTHER FINANCIAL ASSETS / LIABILITIES

14.1 Other financial assets

	2018 RON	2017 RON
Cash flow hedging instruments through other comprehensive income elements		
Cash flow hedging instruments – efficient part	-	2,154,179
Total financial instruments at fair value	**-**	**2,154,179**
Loans and receivables		
Loans to subsidiaries (Note 24)	154,332,469	154,332,469
Receivables from cash pooling with subsidiaries (Note 24)	12,153,615	10,061,988
Other receivables	231,246	418,860
Total loans and receivables	**166,717,330**	**164,813,317**
Total other assets	**166,717,330**	**166,967,497**
Short-term total	**12,153,615**	**12,216,168**
Long-term total	**154,563,715**	**154,751,329**

The details on the loans granted to subsidiaries as at December 31, 2018 is presented below:

	Alizeu Eolian
Amount granted	154,332,469
Subject matter of the loan	Investments
Maturity date	March 2024
Reimbursement	In full at maturity
Withdrawals	The amounts were withdrawn in March 2014
Interest	Fixed

14.2 Other financial liabilities

	2018 RON	2017 RON
Cash flow hedging instruments – inefficient part	6,635,239	-
Other financial liabilities		
Liabilities from cash pooling with subsidiaries (Note 24)	580,848,746	491,711,594
Total other financial liabilities	**587,483,985**	**491,711,594**
Short-term total	**587,483,985**	**491,711,594**
Long-term total	-	-

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

14. OTHER FINANCIAL ASSETS / LIABILITIES (continued)

14.3 Interest-bearing loans

The Company has also contracted the following credit facilities:

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, 2019, the 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).

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

15. STOCKS

	2018 RON	2017 RON
Gas	364,505,612	306,262,387
Spare parts	-	1,412,604
Total	**364,505,612**	**307,674,991**

The Company 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.

The gas purchase and electricity purchase costs are presented in the global income statement. Other expenses in relation to stocks are non-significant.

16. RECEIVABLES

	2018 RON	2017 restated RON
Trade receivables	1,049,320,358	835,449,821
Receivables from affiliated parties (Note 24)	352,354,983	245,076,817
Customers - invoices to be issued	568,398,404	354,924,841
Value adjustments for impairments of doubtful receivables	(173,287,766)	(146,043,547)
Total	**1,796,785,979**	**1,289,407,932**

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

The Company recorded a value adjustment for projected impairment losses, amounting to 173,287,766 RON, as at December 31, 2018 (2017 restated: 146,043,547 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	**141,608,245**
Increases throughout the year	307,735,963
Amounts used	184,397
Reversals throughout the year	(303,485,059)
As at December 31, 2017, restated	**146,043,547**
Increases throughout the year	353,700,729
Amounts used	4,394,834
Reversals throughout the year	(330,851,344)
As at December 31, 2018	**173,287,766**

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

16. RECEIVABLES (continued)

The analysis of receivables, by maturity date, and of value adjustments for each customer category is presented below:

2018	**Total**	**Within deadline**	**1-90**	**90-120**	**121-365**	**> 1 year**
Receivables of household / non-household customers	1,228,218,708	1,140,254,472	23,039,092	1,067,439	11,478,368	52,379,338
Provision for customers	74,628,001	8,587,953	4,579,070	659,733	10,401,466	50,399,780
% Provisioning percentage	6%	1%	20%	62%	91%	96%
Receivables of large customers	389,500,054	257,743,261	65,495,444	7,090,778	2.240	59,168,331
Provision for large customers	98,659,765	19,096,544	27,938,981	4,063,602	808	47,559,831
% Provisioning percentage	25%	7%	43%	57%	36%	80%
2017	**Total**	**Within deadline**	**1-90**	**90-120**	**121-365**	**> 1 year**
Receivables of household / non-household customers	849,504,688	764,604,819	22,499,418	429,807	14,192,013	47,778,631
Provision for customers	64,985,741	2,441,177	4,250,532	299,931	11,048,340	46,945,761
% Provisioning percentage	7%	0%	19%	70%	78%	96%
Receivables of large customers	320,869,974	223,739,956	20,963,305	2,697,210	5,234,622	68,034,682
Provision for large customers	81,057,805	18,370,872	5,738,001	1,961,255	1,254,406	53,715,471
% Provisioning percentage	25%	8%	27%	68%	24%	79%

17. OTHER RECEIVABLES AND CURRENT ASSETS

Other receivables and current assets comprise:

	2018 RON	**2017 RON**
Receivables from levies and taxes	2,720,613	2,001,445
Sundry debtors	3,151,913	3,541,372
Other receivables	615,729	549,667
Other short-term receivables	**6,488,255**	**6,092,484**
Advance payments to suppliers	90,252,842	13,826,203
Deferred expenses	1,424,583	1,451,985
Advance payments and deferred expenses	**91,677,425**	**15,278,188**
Total	**98,165,680**	**21,370,672**

(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	128,619,639	205,925,949
Other cash equivalents	26,272	28,740
Short-term bank deposits	761,659,171	674,991,203
Short-term deposits with ENGIE Treasury Management	200,801,621	94,230,427
Green certificates	4,436,519	-
Total	**1.095,543,222**	**976,176,319**

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, 2019 and 2018 consist in:

	2018 RON	2017 RON
Guarantees set up by customers	94,754	-
Guarantees set up by managers	18,046	28,585
Other securities	252,490	253,809
Total	**365,290**	**282,494**

19. SHARE CAPITAL AND RESERVES

19.1 Share capital

	Number of shares	Nominal value RON	Share capital RON	Adjustment for hyperinflation RON	Share premiums RON	Total RON
Balance as at December 31, 2016 and 2017	**19.924.553**	**10**	**199.245.530**	**58.057.818**	**653.633.485**	**910.936.833**

As at December 31, 2018 and 2017, the share capital of ENGIE Romania amounts to 199,245,530 RON in total, comprising 19,924,553 nominal shares amounting to 10 RON/share, distributed as follows:

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**

19. SHARE CAPITAL AND RESERVES (continued)

The Company's share capital is fully paid as at December 31, 2018.

The 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 amounts to 653,633,485 RON (2017: 653,633,485 RON) and was primarily recorded as part of the capital increase that accompanied 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 Company'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 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 legal reserve set up as at December 31, 2018 amounts to 47,702,078 RON.

19.3 Other reserves

Other reserves primarily consist in the reserve from the investment development share (December 31, 2018 and 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 statement of financial position presents the revaluation reserves reduced with the deferred tax associated to them.

The 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.

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

20. PROVISIONS

	Provision for litigations RON	Restructuring provision RON	Other provisions RON	Total RON
As at January 1, 2017	**26,294,434**	**1,674,531**	**23,850,000**	**51,818,966**
Provisions set up throughout the year	2,411,425	-	-	2,411,425
Provisions carried over under revenues	(1,347,941)	-	(8,150,000)	(9,497,941)
Provisions used	(24,044,106)	(1,674,531)	-	(25,718,637)
As at December 31, 2017	**3,313,812**	**-**	**15,700,000**	**19,013,812**
Provisions set up throughout the year	1,985,471	-	-	1,985,471
Provisions carried over under revenues	(3,000,000)	-	(4,199,645)	(7,199,645)
Provisions used		-	(3,500,355)	(3,500,355)
As at December 31, 2018	**2,299,283**	**-**	**8,000,000**	**10,299,283**
As at December 31, 2017				
In the short term	3,313,812	-	-	3,313,812
In the long term	-	-	15,700,000	15,700,000
As at December 31, 2018				
In the short term	2,299,283	-	-	2,299,283
In the long term	-	-	8,000,000	8,000,000

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

21. EMPLOYEE BENEFITS

	2019 RON	2018 RON
Net liabilities at the start of the period	25,209,558	25,392,557
Expenses with additional provisions	7,344,299	3,282,944
Reversals of provisions	-	(1,616,786)
Provisions used	(2,194,026)	(1,849,157)
Net liabilities at the end of the period	**30,359,831**	**25,209,558**

As at December 31, 2018, the Company holds a provisions amounting to 17,935,016 RON (2017: 12,849,804 RON) for long-term benefits granted to salaried employees.

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

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

22. SUPPLIERS AND OTHER CURRENT LIABILITIES

	2018 RON	2017 RON
Suppliers	1,120,119,726	784.228.772
Liabilities to affiliated parties (Note 24)	203,041,484	170.296.845
Total suppliers – trade payables	**1,323,621,210**	**954.525.617**
Advance payments from customers	59,160,801	38.948.897
Sundry creditors	66,376,099	53.758.902
Salaries payable and related contributions	7,015,481	6.167.561
VAT payable	93,654,491	23.799.713
Excise and other duties	7,494,529	3,896.463
Other short-term liabilities	7,323,598	5.405.572
Total other short-term liabilities	**241,024,998**	**131.974.108**
Total suppliers and current liabilities	**1,564,186,208**	**1.086.499.724**

The “suppliers” balance increase as at December 31, 2018 was largely determined by the increase in natural gas purchase prices in 2018.

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 law. No modifications are allowed to the profit appropriation records.

The 2019 net outturn will be appropriated in line with the Decision of the Shareholders’ General Ordinary Assembly.

	2018 RON	2017 RON
Dividends paid throughout the year	168,622,248	110,912,640
Dividends/share (RON/share)	8.46	5.57

24. PRESENTATION OF AFFILIATED PARTIES

The Company’s affiliated parties are:

Company name	Nature of the relationship
ENGIE	Parent company
Distrigaz Sud Rețele	Subsidiary
ENGIE Servicii	Subsidiary
Brăila Winds	Subsidiary
Alizeu Eolian	Subsidiary
ENGIE Building Solutions	Subsidiary of ENGIE Servicii
Tulcea Gaz	Associate
Wirom Gas	Associate
ENGIE Dezvoltare și Consultanță	Member of ENGIE Group
ENGIE Treasury Management	Member of ENGIE Group
Depomures	Member of ENGIE Group
ENGIE Energy Management Romania	Member of ENGIE Group

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

24. PRESENTATION OF AFFILIATED PARTIES (continued)

Sales from transactions with affiliated parties		2018 RON	2017 RON
ENGIE	Electricity sales	21,286	38,581
	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**
Distrigaz Sud Rețele	Leases of assets	440,116,262	432,363,303
	Provision of support services	130,226,351	128,226,721
	Technological consumption invoicing	120,053,552	99,194,256
	Connections to the distribution network	9,554,933	10,555,376
	Dividends	122,444,010	92,705,421
	Total	**822,395,108**	**763,045,077**
ENGIE Servicii	Leases of assets	108,073	180,389
	Sales of fixed assets	*5,918,839*	9,335,900
	Gas sales	*50,295*	32,056
	Provision of support services	*5,402,300*	5,272,284
	Other revenues (cash pooling interest)	*298,099*	65,381
	Dividends	-	906,225
	Total	**11,777,606**	**15,792,215**
Brăila Winds	Provision of support services	2,116,433	1,809,495
	Balancing services	6,154,037	7,355,705
	Leases of assets	36,000	27,000
	Electricity sales	478,791	342,559
	Total	**8,785,261**	**9,534,759**
Alizeu Eolian	Provision of support services	1,820,714	1,724,534
	Balancing services	6,848,687	7,003,681
	Other revenues (loan interest)	7,041,419	11,579,222
	Leases of assets	36,000	27,000
	Electricity sales	1,168,243	171,250
	Other revenues	-	106,980
	Total	**16,915,063**	**20,612,667**
ENGIE Building Solutions	Support services	20,000	63,375
	Other revenues	8,540	7,478
	Total	**28,540**	**70,853**
		-	-
Tulcea Gaz	Dividends	1,003,460	-
Wirom Gas	Gas sales	**21,952,256**	-
Depomures	Contract for services	200,000	200,000
	Electricity sales	61,516	215,492
	Total	**261,516**	**415,492**
ENGIE Energy Management Romania	Gas sales	2,274,850	-
ENGIE Dezvoltare și Consultanță	Provision of support services	50,329	49,906
Total sales from transactions with affiliated parties		**894,744,669**	**826,413,605**

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

24. PRESENTATION OF AFFILIATED PARTIES (continued)

Purchases from transactions with affiliated parties and dividends paid		2018 RON	2017 RON
ENGIE	Electricity purchases	40,355	613,632
	Gas purchases	66,961,836	-
	Management services	5,095,115	3,792,502
	Software licence and maintenance	4,130,753	4,072,316
	Other purchases	1,377,408	946,189
	Total	**77,605,466**	**9,424,639**
ENGIE	Dividends paid	85,988,409	56,559,568
Distrigaz Sud Rețele	Natural gas distribution services	795,112,473	791,647,388
	Purchases of materials	56,384	64,296
	Cash pooling interest	7,098,308	1,559,830
	Quality-related services	140,000	140,000
	Works follow-up services (capitalised)	75,214,176	48,146,340
	Total	**877,621,340**	**841,559,854**
ENGIE Servicii	Miscellaneous – technical inspections, verifications	54,641,002	50,632,052
	Facility management	10,790,264	2,600,824
	Other purchases	237,200	153,208
	Purchases of assets	-	-
	Total	**65,668,466**	**53,386,084**
Brăila Winds	Electricity purchases	23,841,035	15,773,224
	Purchases of green certificates	21,309,177	24,458,249
	Cash pooling interest	1,606,908	283,555
	Total	**46,757,119**	**40,515,028**
Alizeu Eolian	Electricity purchases	24,410,916	14,232,536
	Purchases of green certificates	22,238,413	27,265,249
	Cash pooling interest	914,746	133,613
	Total	**47,564,075**	**41,631,600**
Tulcea Gaz	Natural gas distribution	343,459	387,110
Wirom Gas	Natural gas distribution	990,890	885,939
Depomures	Gas storage (including injection and extraction)	19,121,796	12,370,647
ENGIE Building Solutions	Energy efficiency services	2,687,753	2,982,319
	Cash pooling interest	1,335	-
	Total	**2,689,088**	**2,982,799**
Administrators	Allowances	**363,426**	398,161
Total purchases from transactions with affiliated parties		**1,235,658,246**	**1,060,100,948**

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

24. PRESENTATION OF AFFILIATED PARTIES (continued)

Receivables from affiliated parties		2018 RON	2017 RON
ENGIE	Trade receivables	2,096,691	215,353
Distrigaz Sud Rețele	Trade receivables	313,488,948	238,236,371
ENGIE Servicii	Trade receivables	406,866	1,322,901
	Cash pooling	11,383,967	10,061,988
	Total	**11,790,833**	**11,384,889**
ENGIE Building Solutions	Trade receivables	5,950	
	Cash pooling	769,648	-
	Total	**775,598**	-
Brăila Winds	Trade receivables	**3,925,557**	2,021,271
Wirom Gas	Trade receivables	26,123,185	
Alizeu Eolian	Long-term loan	154,332,469	154,332,469
	Trade receivables	5,278,647	2,398,831
	Total	**159,611,115**	**156,731,300**
Depomures	Trade receivables	73,298	751,921
ENGIE Dezvoltare și Consultanță	Trade receivables	40,483	130,189
ENGIE Energy Management Romania	Trade receivables	915,358	-
ENGIE Treasury Management	Deposit	200,801,621	94,230,427
Total Receivables from affiliated parties		**718,727,330**	**503,701,701**

Liabilities to affiliated parties		2018 RON	2017 RON
ENGIE	Trade payables	16,442,060	5,850,083
Distrigaz Sud Rețele	Cash pooling	421,807,225	379,783,165
	Trade payables	166,477,295	148,644,556
	Total	**588,284,520**	**528,427,721**
ENGIE Servicii	Cash pooling	-	-
	Trade payables	7,500,102	7,650,733
	Total	**7,500,102**	**7,650,733**
Brăila Winds	Cash pooling	99,810,134	74,841,109
	Trade payables	4,003,971	3,155,269
	Total	**103,814,105**	**77,996,378**
Alizeu Eolian	Cash pooling	59,231,279	37,087,320
	Trade payables	4,980,581	3,676,914
	Total	**64,211,860**	**40,764,234**
ENGIE Building Solutions	Trade payables	890,004	85,624
	Cash pooling	108	-
	Total	**890,112**	**85,624**
ENGIE Dezvoltare și Consultanță	Trade payables	-	-
Wirom Gas	Trade payables	166,815	111,885
Tulcea Gaz	Trade payables	58,898	48,821
Depomures	Trade payables	2,521,759	1,072,958
Liabilities to affiliated parties		**783,890,230**	**662,008,437**

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

24. PRESENTATION OF AFFILIATED PARTIES (continued)

The receivables from affiliated parties and the liabilities to affiliated parties are not backed by guarantees. In general, the deadlines for the payment of liabilities and the collection of receivables are 20 days. All the transactions are carried out at market prices.

25. COMMITMENTS AND CONTINGENCIES

Fixed assets
The 2019 investment budget amounts to 286,632,973 RON (2017: 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 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, are as follows:

- 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.

Natural gas

As at December 31, 2018, the 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 (2-17: 18.3 TWh as at 31.12.2017).

At the end of 2019, 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.

25. COMMITMENTS AND CONTINGENCIES (continued)

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. 70/2018 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 832,947 RON and materialised into:

- Programs of measures to comply with the environmental legislation (contribution to the la Environmental Fund) 110 RON;
- Energy efficiency measures (including the thermal rehabilitation of buildings): 507,000 RON;
- Measures on selective collection, temporary storage and disposal of Group household waste: 312,820 RON;
- Programs to maintain the Environmental quality – OHS integrated Management System: 13,017 RON in expenses made.

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

Financial lease contracts

As at December 31, 2018, the Company did not have any financial lease contracts concluded.

Operating lease contracts

As at December 31, 2018, the Company did not have any financial lease contracts concluded (2017: 5,993 RON).

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

25. COMMITMENTS AND CONTINGENCIES (continued)

Guarantees for contractual obligations

In order to guarantee the fulfilment of contractual obligations, the Company issued the following letters of bank guarantee:

Issuer	Beneficiary	Amount	Currency	Validity
RAIFFEISEN BANK	COMPLEX ENERGETIC OLTENIA	11,574,792	RON	15.03.2019
BRD	ELECTRICA FURNIZARE	5,947,552	RON	25.01,2019
BRD	ROMGAZ	5,463,528	RON	11.03.2019
BRD	ROMGAZ	8,144,332	RON	30,01.2019
BRD	ROMGAZ	28,242,270	RON	31.03.2019
RAIFFEISEN BANK	ROMGAZ	20,810,850	RON	11.03.2019
UNICREDIT	ROMGAZ	7,502,820	RON	11.03.2019
UNICREDIT	TRANSELECTRICA	1,716,000	RON	21.01.2019
BRD	TRANSELECTRICA	3,687,648	RON	31.01.2019
BRD	ROMANIAN COMMODITIES EXCHANGE	4,750,000	RON	31.01.2019
UNICREDIT	ROMGAZ	32,665,600	RON	10.05,2019
BRD	HIDROELECTRICA	1,000,000	RON	22.02.2019
UNICREDIT	ROMGAZ	8,286,327	RON	10.08.2019
RAIFFEISEN BANK	ROMGAZ	74,576,943	RON	10.08.2019
BNP Paribas	BUSTENI MAYOR'S OFFICE	3,856,800	RON	01.06.2020
RAIFFEISEN BANK	ROMGAZ	48,100,000	RON	09.06.2019
UNICREDIT	ROMGAZ	33,831,500	RON	09.06.2019
BRD	ROMGAZ	40,965,750	RON	09.06.2019
BRD	ROMGAZ	28,557,144	RON	08.09.2019
BNP Paribas	ROMGAZ	61,325,460	RON	08.09.2019
UNICREDIT	ROMGAZ	15,118,950	RON	09.08.2019
BRD	HIDROELECTRICA	3,045,588	RON	25.01.2019
UNICREDIT	OPCOM	5,000,000	RON	25.07.2019
BRD	MET ROMANIA ENERGY	10,243,640	RON	01.04.2019
BNP Paribas	TRANSGAZ	1,018,691	RON	31.05.2019
BNP Paribas	TRANSGAZ	1,039,469	RON	02.03.2019
BRD	NUCLEARELECTRICA	1,485,680	RON	26.06.2019
BNP Paribas	NUCLEAR ELECTRICA	10,339,890	RON	25.01.2019
BNP Paribas	HIDROELECTRICA	3,134,931	RON	25.01.2019
BNP Paribas	COMPLEX ENERGETIC OLTENIA	10,460,578	RON	25.01.2019
UNICREDIT	NEXT ENERGY PARTNERS	1,353,658	RON	25.01.2019
UNICREDIT	GEN-I	32,190,312	RON	25.01.2019
BRD	LAND POWER	3,368,000	RON	25.01.2019
BRD	ENTREX SERVICES	1,683,000	RON	25.01.2019
BRD	ELECTRIC PLANNERS	1,709,400	RON	25.01.2019
BNP Paribas	TRANSGAZ	28,831,762	RON	30.11.2019
BNP Paribas	TRANSGAZ	25,032,232	RON	02.03.2019
UNICREDIT	TRANSGAZ	11,767,050	RON	30,01.2019
UNICREDIT	OMV PETROM GAS	24,384,089	RON	10.07.2019
BNP Paribas	EDF TRADING	18,655,600	RON	30.06.2019
BNP Paribas	TRAFIGURA	20,884,500	RON	11.02.2019
BNP Paribas	OMV PETROM GAS	16,660,958	RON	15.02.2019
BNP Paribas	COMPLEX ENERGETIC OLTENIA	1,934,400	RON	25.01.2019
BRD	SOCIETATEA DE DISTRIBUTE A ENERGIEI ELECTRICE TRANSILVANIA SUD S A.	2,936,033	RON	25.02.2019
UNICREDIT	E.ON ENERGIE ROMANIA	2,901,696	RON	25.04.2019
UNICREDIT	E.ON ENERGIE ROMANIA	1,877,464	RON	10.07.2019
BRD	VIENNA ENERGY FORTA NATURALA SRL	1,004,672	RON	25.01.2020
BRD	SOCIETATEA DE DISTRIBUTE A ENERGIEI ELECTRICE TRANSILVANIA NORD SA	1,000,697	RON	25.04.2019
BNP Paribas	HIDROELECTRICA	29,339,768	RON	25.01.2020
BRD	ELECTRIC PLANNERS	2,087,078	RON	25.01.2020
UNICREDIT	COMPLEX ENERGETIC OLTENIA	4,040,400	RON	25.01.2020
BRD	ENTREX SERVICES S.R.L.	2,028,780	RON	25.01.2020
UNICREDIT	COMPLEX ENERGETIC OLTENIA	20,202,264	RON	15.06.2019
BRD	LAND POWER SA	3,313,200	RON	25.04.2019
BRD	NUCLEARELECTRICA	22,754,940	RON	25.01.2020
BRD	VEST-ENERGO S A	1,597,200	RON	25.04.2019
BRD	AXPO ENERGIE ROMANIA	1,731,600	RON	25.01.2020
UNICREDIT	COMPLEX ENERGETIC OLTENIA	3,356,028	RON	25.01.2020
BNP Paribas	TRANSGAZ	2,000,000	RON	17.03.2019
BNP Paribas	TRAFIGURA	13,078,100	RON	13.05.2019
UNICREDIT	ROMANIAN COMMODITIES EXCHANGE	5,000,000	RON	07.12.2019
UNICREDIT	NEXT ENERGY PARTNERS	8,234,490	RON	25.04.2019
UNICREDIT	OPCOM	5,000,000	RON	31.12.2019
	Others	10,700,255		
	TOTAL 2018	**822,288,676**		
	TOTAL 2017	**543,703,731**		

(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 Company placed under a lien the resources in the accounts opened with the respective banks.

Commitments received

The Company's balance includes guarantees set up by customers, managers, treasurers and administrators, amounting to 365,290 RON (2017: 282,394 RON).

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

Issuer	Letter of bank guarantee issuer	Issuer	Amount	Currency	Validity
BO	BCR	EVA ENERGY	1,600,000	RON	Blank Maturity
BO	RAIFFEISEN BANK	C-GAZ & ENERGY DISTRIBUTIE	1,000,000	RON	Blank Maturity
UNICREDIT	UNICREDIT	UNITED SYSTEM OF INSTANT PAYMENTS RO S.R.L.	160,000	RON	31.12.2019
PCG	AIK GROUP	AIK ENERGY LIMITED SUCURSALA BUCURESTI	2,333,400	RON	31.12.2019
PCG	AIK GROUP	PJK GROUP	7,000,000	RON	31.12.2019
PCG	FREEPOINT	FREEPOINT COMMODITIES EUROPE LLP	3,000,000	EUR	31.12.2019
PCG	MET HOLDING AG	MET ROMANIA ENERGY	10,240,780	RON	31.10.2019
PCG	PAYPOINT SERVICES S.R.L.	PAYPOINT SERVICES SRL	17,000,000	RON	31.12.2019
PCG	S.C. PAYZONE S.A	S.C. PAYZONE SA/PAYPOINT PLC	2,300,000	RON	31.12.2019
PCG	TRAFIGURA GROUP PTE LTO	TRAFIGURA TRADING SRL	97,305,280	RON	31.12.2019
INSURANCE POLICY	ASIROM	CONSTRUCTII ERBASU	208,693	RON	27.08.2021
INSURANCE POLICY	ASIROM	GENERAL MPM IMPEX SRL	237,167	RON	13.02.2019
INSURANCE POLICY	ASIROM	GENERAL MPM IMPEX SRL	331,516	RON	01.03.2019
INSURANCE POLICY	ASIROM	GENERAL MPM IMPEX SRL	324,994	RON	01.11.2019
INSURANCE POLICY	ASIROM	GENERAL MPM IMPEX SRL	344,230	RON	26.02.2029
INSURANCE POLICY	CertAsig	AVIPROD GRUP	441,609	RON	01.03.2019
INSURANCE POLICY	CITY INSURANCE	ANTOPREST ACTIV SRL	190,762	RON	19.01.2019
INSURANCE POLICY	CITY INSURANCE	ANTOPREST ACTIV SRL	161,923	RON	20.02.2019
INSURANCE POLICY	CITY INSURANCE	INSTAL SERVICE TECHNOLOGY SRL	154,326	RON	18.05.2022
INSURANCE POLICY	CITY INSURANCE	IRIGC Impex SRL	179,956	RON	03.01.2019
INSURANCE POLICY	CITY INSURANCE	IRIGC Impex SRL	509,701	RON	18.02.2019
INSURANCE POLICY	CITY INSURANCE	RADOC CONTROL CALOR	173,512	RON	30.08.2021
INSURANCE POLICY	EXIM ASIG	RELCO-GAZ	204,665	RON	25.08.2021
INSURANCE POLICY	EXIM BANK	ROMCO SYSTEM	338,529	RON	20.05.2024
SGB	ALPHA BANK	NUCLEARELECTRICA	12,777,774	RON	25.01.2020
SGB	Banca Transilvania	Complex Energetic Oltenia	2,624,292	RON	26.01.2019
SGB	Banca Transilvania	Complex Energetic Oltenia	874,395	RON	25.04.2019
SGB	Banca Transilvania	ELECTRICA FURNIZARE	8,542,188	RON	25.01.2019
SGB	Banca Transilvania	ELECTRICA FURNIZARE	3,471,000	RON	27.01.2020
SGB	Banca Transilvania	EOLIAN PROJECT	173,959	RON	25.01.2019
SGB	Banca Transilvania	HIDROELECTRICA	4,925,994	RON	25.01.2020
SGB	BANKPOST	INFORM LYKOS SA	1,318,791	RON	02.05.2019
SGB	BCR	GENERAL MPM IMPEX SRL	213,327	RON	30.06.2019
SGB	BCR	HIDROELECTRICA	1,700,198	RON	25.01.2019
SGB	BCR	HIDROELECTRICA	7,958,611	RON	25.01.2020
SGB	BCR	IRIGC Impex SRL	320,401	RON	25.01.2019
SGB	BCR	IRIGC Impex SRL	276,946	RON	25.10.2020
SGB	BCR	MOBILE DISTRIBUTION	300,000	RON	12.05.2019
SGB	BNP Paribas	ELSTER AEROTEH SRL	168,000	EUR	14.05.2019
SGB	BRO	AcvatotSRL	1,267,411	RON	03.01.2021
SGB	BRD	AcvatotSRL	554,039	RON	14.11.2021
SGB	BRD	ACVATOT SRL	357,719	RON	31.03.2019
SGB	BRD	DELGAZ GRID	1,955,846	RON	25.01.2019
SGB	BRD	E-DISTRIBUTIE DOBROGEA	1,454,011	RON	25.01.2019
SGB	BRD	NUCLEARELECTRICA	2,595,547	RON	25.01.2019
SGB	BRD	NUCLEARELECTRICA	1,485,680	RON	26.06.2019
SGB	EXIM BANK	ALRO SA	2,069,886	RON	25.01.2020
SGB	Libra bank	Aeroteh SA	107,097	EUR	30.01 2019
SGB	Libra bank	Aeroteh SA	194,104	EUR	25.04.2019
SGB	Libra bank	Aeroteh SA	295,485	EUR	31.05.2019
SGB	OTP BANK ROMANIA	ELECTRIC PLANNERS	429,098	RON	25.01.2019
SGB	OTP BANK ROMANIA	Electric Planners SRL	1,160,744	RON	20.01.2020
SGB	OTP BANK ROMANIA	ENGIE Romania	646,550	RON	15.05.2019
SGB	OTP BANK ROMANIA	PLENERG	351,000	RON	25.01.2019
SGB	RAIFFEISEN BANK	AXPO ENERGIE ROMANIA	972,360	RON	25.01.2020

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

SGB	RAIFFEISEN BANK	COMPLEXUL ENERGETIC OLTENIA SA	1,883,400	RON	25.01.2020
SGB	RAIFFEISEN BANK	LJG GREEN SOURCE ENERGY GAMMA	2,079,168	RON	25.01.2019
SGB	RAIFFEISEN BANK	OMV PETROM GAS	906,387	RON	15.02.2020
SGB	UNICREDIT	VIENNA ENERGY FORTA NATURALA SRL	557,914	RON	25.01.2020
SGB	UNICREDIT	ATOS IT SOLUTIONS Romania	132,761	EUR	14.08.2019
SGB	UNICREDIT	E.ON ENERGIE ROMANIA	11,827,200	RON	25.04.2019
SGB	UNICREDIT	E.ON ENERGIE ROMANIA	1,677,484	RON	25.07.2019
SOB	UNICREDIT	ENTREX SERVICES	422,471	RON	25.01.2019
SGB	UNICREDIT	ENTREX SERVICES S.R.L.	1,139,238	RON	25.01.2020
SGB	UNICREDIT	GEN-I	4,734,263	RON	25.01.2019
SGB	UNICREDIT	GEN-I	790,615	RON	25.04.2019
SGB	UNICREDIT	HIDROELECTRICA	2,491,404	RON	25.01.2020
SGB	UNICREDIT	LAND POWER	844,943	RON	25.01.2019
SGB	UNICREDIT	LAND POWER SA	812,864	RON	26.04.2019
SGB	UNICREDIT	NEXT ENERGY PARTNERS S.R.L.	2,020,257	RON	25.04.2019
SGB	UNICREDIT	ROMPETROL DOWNSTREAM	349,041	RON	14.09.2019
SGB	UNICREDIT	DISTRIBUTIE TRANSILVANIA NORD S.A.	4,853,772	RON	25.04.2019
SGB	UNICREDIT	DISTRIBUTIE TRANSILVANIA SUD S.A.	1,438,710	RON	20.02.2019
SGB	UNICREDIT	DISTRIBUTIE TRANSILVANIA SUD S.A.	4,218,740	RON	25.02.2019
SGB	UNICREDIT	DISTRIBUTIE TRANSILVANIA SUD S.A.	9,629,004	RON	25.04.2019
		Others	3,638,873	RON	
		Others	717,422	EUR	
		Total 2018	**269,718,579**	**RON**	
		Total 2018	**4,614,869**	**EUR**	
		Total 2017	**58,413,949**	**RON**	
		Total 2017	**1,095,160**	**EUR**	

PCG – Parent company guarantee
SGB – Letter of bank guarantee
BO – Promissory note

Furthermore, the Company 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	4,791,838.32
IRIGC IMPEX SRL	BRD	3,952,264.82
GENERAL MPM IMPEX SRL	BCR	2,445,826.70
AVIPROD GRUP	BCR	1,776,378.13
INSPETSA	Garanti Bank	1,109,922.10
MIRAL INSTAL COMPANY SRL	BRD	681,008.98
SCHNELL LEITUNG SA	BCR	831,478.00
GETIMROM INSTAL SRL	BCR	618,135.27
INSTANT CONSTRUCT COMPANY	CEC	517,811.13
ANTOPREST ACTIV SRL	BRD	505,949.82
ELSTER AEROTEH SRL	BNP PARISBAS Fortis Bank	498,772.95
MIRAL INSTAL COMPANY SRL	BCR	413,302.70
TOTAL GAZ INDUSTRIE SA	BRD	401,664.09
INSTAL PROIECT GAZ SRL	Piraeus Bank	401,142.00
ELSTER AEROTEH SRL	UniCredit Tiriac Bank	378,007.52
INSTPRO SRL	BCR	372,764.08
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 ARTCONCEPT SRL	RIB	332,474.81
ACVATOT SRL	BRD	323,347.87
ISS FACILITY SERVICES	BRD	319,219.80
BOGART BUILDING MANAGEMENT	Raiffeisen Bank	308,395.54
GENERAL MPM IMPEX SRL	BRD	286,837.06
INSTAL GAZ IMPEX SRL	BCR	220,446.12
DHM PRINTING&ADVERTISING	Banca Transilvania	200,848.21
PRO ACVA INSTAL SRL	Raiffeisen Bank	199,535.91
MITREA PREST SRL	BCR	181,615.91
GOGAN SRL	Banca Transilvania	174,889.09
INSTERMON SRL	BRD	167,787.90
GIMVEST SRL	Piraeus Bank	101,903.48

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

25. COMMITMENTS AND CONTINGENCIES (continued)

GESIC PROD SRL	BRD	159,016.78
ARENA COM SRL	Banca Transilvania	143,856.75
DIMAR SRL	BRD	137,987.28
SOCOMIZO CONSTRUCT SRL	Banca Transilvania	135,921.03
COFELY BUILDING SERVICES&MAINTENANCE	Raiffeisen Bank	134,805.42
AEROTEH SA	BRD	134,530.40
PROSPER GAZ SRL	Raiffeisen Bank	134,470.71
TRANSELECTRONIC PROD SRL	BCR	131,085.10
MAXI GAZ	Raiffeisen Bank	126,938.66
DIVERSINST SRL	BRD	128,441.48
PREST INSTAL 2000 SRL	BRD	113,177.70
RADOC CONTROL CALOR	Banca Transilvania	113,076.26
STAR P&G Braila	Garanti Bank	112,897.05
CALIN SERVICE TOTAL SRL	BCR	100,431.13
	Others	1,719,029.85
	TOTAL 2018	**25,141,118**
	TOTAL 2017	**29,043,518**

Insurance policies

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

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 Company'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 - 30.06.2019 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.

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 3-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”.

25. COMMITMENTS AND CONTINGENCIES (continued)

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 Company benefits from lands made available for use by mayor’s offices, lands on which it owes property owner’s tax.

Other commitments and contingencies

Natural gas

As at December 31, 2016, the Company already had in place an import natural gas purchase contract concluded with one of its suppliers, for a quantity of 64 TWh for the 01.01.2017 - 31.12.2030 period, initially estimated upon signing the contract. As per the contract, the Company was bound to pay a significant portion of the total annual volumes, even if it would not purchase the volumes in question throughout the year.

In 2015, the Company exercised its right to lower the volumes taken over pursuant to the contract, which led to a litigation with the supplier and the commencement of an arbitration suit. As part of the arbitration suit, the supplier intended to obtain the payment of the invoices issued based on the original contract-based volumes for the years 2015 and 2016, amounting to approximately 130 million USD (an amount representing nearly the entire advance payment for the volumes that were to be, in any case, taken over throughout the following years).

The Company, as at December 31, 2016, was confident that, following the arbitration suit, it would not be ordered to make the advance payments in question and, as such, did not recognise a debt or a provision for these invoices issued in 2015 and 2016.

In June 2017, the Company and the import gas natural gas supplier reached an amiable settlement to their litigation. The litigation elements were stated by means of amending the purchase contract in 2017, the main effects thereof being a significant decrease of the risks the Company was being exposed to and the cancellation of the invoices issued based on the initial contractual volumes for the years 2015 - 2017. As such, the arbitration suit filed in 2015 ended with an early resolution in 2017.

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 Company received from Transgaz invoices amounting to 46 million RON (VAT-inclusive) related to capacity overruns, for the months of November and December 2016. The Company’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 Company 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 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 Company paid the unrecognised difference of 30 million RON (as well as all the subsequent invoices).

25. COMMITMENTS AND CONTINGENCIES (continued)

Consequently, the Company 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 Company 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 Company was taken to court primarily for litigations related to work and to certain ownership rights. The Company recorded provisions (Note 20) 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 Company'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 Company's operations, as well as to provide guarantees in support thereof.

The Company's main financial assets are trade receivables, cash and cash equivalents, deposits with affiliated parties, cash-pooling with subsidiaries and loans to subsidiaries, investments in subsidiaries and associates.

As at December 31, 2018, 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, the market 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 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 Company 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 Company 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 Company 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.

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

The commodity price risk – electricity

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.

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 Company does not have any variable-rate interest-bearing loans.

Since the Company 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 Company'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 Company's functional currency.

The Company 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 Company 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, 2019 and 2018, the Company'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	34,422,480	800,404	16,896,304	46,363,760
EUR	22,275,250	96,817,025	4,160,420	3,999,320

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 Company a financial loss. The Company 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.

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

Trade receivables

The credit risk associated to the customers is managed by the Company 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 16 and Note 17.

Cash and cash equivalents, other financial assets

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

The Company's maximum exposure to the credit risk, for cash and cash equivalents, is presented in Note 18, and for other financial assets in Note 14.1.

The Company 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) from one year to the next can give birth to major fluctuations of volumes, with direct effects upon the Company's revenues. In the case of gas sales, unfavourable weather effects (higher temperatures) can lead to the failure to achieve estimated sales volumes.

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

On the free market, the Company 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 and, with it, of related volumes.

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 Company's sales volumes.

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

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 make the daily balancing between sources and consumptions for the customers in their portfolio. If forecasts indicate possible imbalances, the supplier will try to cover the estimated surplus/deficit by means of transactions with other suppliers or on centralised markets. 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 Company 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.

The liquidity risk

The Company monitors the risk of facing a lack of funds by employing a recurring liquidity planning instrument. The Company carefully plans and monitors cash flows 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 Company'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					
Bank loans (note 14.3)	-	-	-	-	**-**
Bonds (note 14.3)	-	-	-	-	**-**
Cash pooling / Loans (note 14.2)	581	-	-	-	**581**
Trade and other payables (note 22)	1,564	-	-	-	**1,564**
Provisions	-	2	-	8	**10**
Employee benefits	-	12	-	-	**12**
Current corporate income tax debts	-	-	-	-	**-**

Million RON	< 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
December 31, 2017					
Bank loans (note 14.3)	-	-	-	-	**-**
Bonds (note 14.3)	-	-	-	-	**-**
Cash pooling / Loans (note 14.2)	492	-	-	-	**492**
Trade and other payables (note 22)	1,086	-	-	-	**1,086**
Provisions	-	3	-	16	**19**
Employee benefits	-	12	-	-	**12**
Current corporate income tax debts	-	-	-	-	**-**

Capital management

The capital includes share capital and the reserves attributable to shareholders. The main goal of managing the Company'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 Company's low indebtedness levels, it did not perform an active management of its capital throughout the fiscal years concluded on December 31, 2019 and 2018 and did not quantify any objectives in that respect.

Fair value measurement

As at December 31, 2018 and 2017, the Company does not have any financial assets or liabilities measured at fair value in the financial statements.

27. SUBSEQUENT EVENTS

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 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.