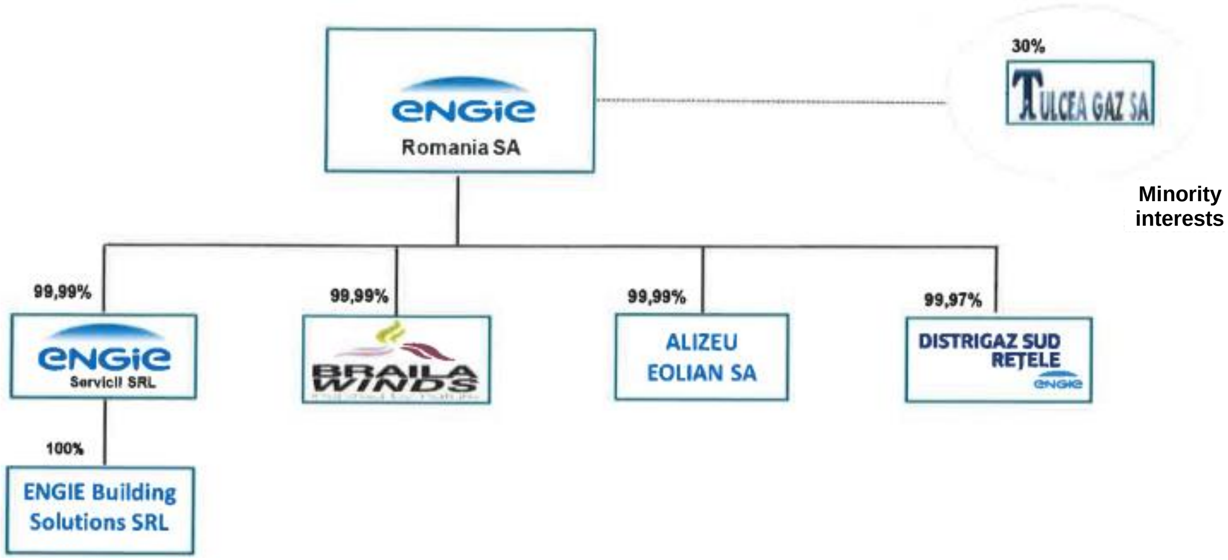
Administrators' Report
on the Consolidated Financial Statements
of ENGIE Group Romania
as at December 31, 2019

Contents

I. The Group's organisational structure

Engie Romania Group
Structure as at December 31, 2019



ENGIE Romania SA is a joint-stock company whose scope of business consists in the supply of natural gas. The Company was created pursuant to Government Decision no. 491/1998, implemented as of August 31, 1998, and its name was changed in April 2009 from S.C. DGN DISTRIGAZ SUD S.A. to S.C. GDF SUEZ Energy Romania S.A. As of March 21, 2016, the Company's initial name was changed from GDF SUEZ Energy Romania SA to ENGIE Romania.

Distrigaz Sud Retele SRL was set up in March 2008 following the process of legal and accounting separation of the natural gas supply and distribution activities, and the related services from the activities of ENGIE Energy Romania SA. The Company took over, by way of transfer, a part of the parent company's assets, and became the holder of the concession contracts concluded for the natural gas distribution service and of the distribution licence.

Distrigaz Sud Retele is a limited liability company. As at December 31, 2019, following the partition and integration process undergone by Congaz company in 2015, ENGIE Romania holds 99.9722% of the equity shares (2018: 99.9722%). The Company is coordinated by the Shareholders' General Assembly which, in turn, is led by the Management Board.

The Company's scope of business is primarily the regulated activity of natural gas distribution. In addition to this, the Company carries out other non-regulated activities such as access to the distribution system. From a territorial standpoint, it is organised into 4 Regional Directorates (not registered as legal entities) and 51 places of business not registered with the Trade Register.

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

The Company's operational activity commenced on October 1, 2009, via business transfer from S.C. Distrigaz Sud Rețele.

ENGIE Servicii is a limited liability company. 99.99% of the total equity chares is held by ENGIE Romania SA. The Company is coordinated by the Shareholders' General Assembly which, in turn, is led by a Management Board. The Company's core business consists in technical inspections and verifications of operating equipment and facilities, as well as related services. The company's current business name as of March 21, 2016 was changed from Distrigaz Confort to ENGIE Servicii.

Braila Winds SRL is a limited liability company established in 2009 and purchased 99.995% by ENGIE Energy Romania SA in December 2011. Its scope of business is wind-based electricity production. The wind-based electricity production licence was obtained in early 2013.

Alizeu Eolian SA is a public limited company, set up in 2010 and purchased 99.995% by ENGIE Romania SA in December 2012. Its scope of business is wind-based electricity production. The wind-based electricity production licence was obtained at the end of 2013.

ENGIE Building Solutions SRL is a limited liability company purchased by ENGIE Servicii in October 2016 (100% of its equity shares purchased from Cofely Holding GmbH and Cofely GEBÄUDETECHNIK GmbH). The company's core business is the performance of plumbing, heating and air conditioning works, as well as the provision of technical services for industrial customers. The company's name was changed following the purchase, from Cofely Building Services and Maintenance SRL to ENGIE Building Solutions SRL.

Wirom Gas SA is a company distributing and supplying natural gas across the territory of Turnu Măgurele, Alexandria, Giurgiu, Corabia and Oltenița cities, in which ENGIE Romania has been holding since 1994 a 48.85% stake. As of March 1, 2019, upon the purchase of 51.15% of its shares, Wirom Gas has become a consolidated subsidiary of ENGIE Romania Group.

At the end of 2019, as per Judicial Civil Ruling 2144/12.12.2019, Wirom Gas SA went through a partition process by having its assets and worth universally transferred to ENGIE Romania SA and Distrigaz Sud Rețele SRL, a transfer that included its assets and liabilities, as well as its rights and obligations.

II. Activity analysis – Consolidated results of ENGIE Romania and its subsidiaries for the year 2019

A net outturn decrease by 10%, primarily due to an decrease in the gas supply margin, increases in labour costs and operational expenditure, outcomes partially offset by an increase in the electricity supply margin and the gas distribution revenues.

Mil. RON	Note	2018	2019	Variation
Income from customer contracts		**5,791.3**	**6,794.6**	**17%**
natural gas	*1.1*	*4,674.4*	*4,814.0*	
electricity	*1.2*	*934.0*	*1,748.8*	
others		*183.0*	*231.8*	
Cost of goods sold		**-4,424.8**	**-5,354.9**	**21%**
natural gas	*1.1*	-3,531.0	-3,695.2	
electricity	*1.2*	-893.8	-1,659.8	
Other operating income and expenses	*2*	-690.8	-815.9	
Other operating expenses and provisions	*3*	-190.0	-190.0	
Operating profit/loss		**485.7**	**433.7**	**-11%**
Financial outturn	*4*	6.2	29.8	
Net outturn		**428.7**	**385.2**	**-10%**

1. Turnover analysis

1.1. Natural gas supply and distribution

The income from customer contracts (natural gas supply and distribution) recorded for the period concluded on December 31, 2019 amounted to 4,814 mil. RON, 3% higher than for the period concluded on December 31, 2018, when they were 4,674.4 mil. RON.

The gas margin for the period concluded on December 31, 2019 was 1,118.8 mil. RON, a decrease by 2% compared with the previous year, primarily on account of the following effects:

- a significantly low margin obtained on the regulated market during the first half of the year following the purchase cost increase that was not entirely reflected in the final selling price applied to end consumers;
- obtaining a lower margin on the free market as a result of certain CETs (*heating power plants*) filing for insolvency;
- diminished distributed and sold volumes compared with the previous period, due to the higher temperatures during the last quarter of 2019, a climatic effect partially offset by the consolidation of WIROM Gas company starting from March 1, 2019;

outcomes partially offset by

- higher income from natural gas distribution due to the distribution tariff increase effective starting from April 1, 2018, partially offset by the impact produced by the 6% distribution tariff reduction effective starting from July 1, 2019;
- the consolidation of the activity carried out by WIROM Gas company starting from March 1, 2019

Throughout 2019, the volumes sold were 33.4 TWh (2018: 35.9 TWh), whereas the volumes distributed were 44.4 TWh (2018: 46.1 TWh), indicating a decrease compared with the previous period.

The number of customers as at the end of 2019 was 1,861,463, 7% more than in 2018, primarily due to the increase in the number of household consumers and the integration of WIROM company's customer portfolio.

1.2. Electricity supply activity

The electricity margin is 89 mil. RON for the period concluded on December 31, 2019, 48.9 mil. RON higher compared with 2018 due to the growth of the customer portfolio, the wholesales, the electricity price increase, as well as due to the positive result from evaluating the positions open as at December 31, 2019 for the electricity trading business.

Throughout 2019, the volumes sold amounted to 5.65 TWh (2018: 3.45 TWh), 2.2 TWh higher than in 2018, primarily due to increases in sales on the wholesale market.

2. Other operating income and expenses

Other operating income and expenses amount to 815.9 mil. RON, an increase by 125.2 mil. RON compared with the previous year, primarily due to the increase in labour costs (the increase in the average number of employees in 2019 and the impact of salary increases), the impact of the licence amounting to 2% of the turnover for the natural gas distribution and supply activities, increases of other costs (facility management, utilities, security expenses, IT licences, bank charges, legal advice expenses, road paving costs), the impact of consolidating the business of WIROM, outcomes partially offset the impact of integrating WIROM Gas (the effect of accounting gains following consolidation).

The group's average number of employees in 2019 was 3,819 (2018: 3,713).

Throughout 2019, the Company's employees benefitted from various training programs, primarily in order to enhance the technical skills required as part of the operational activities.

3. Depreciation and amortization costs

Depreciation and amortization costs amount to 190 mil. RON, in line with the previous period, due to the fact that the higher expenses with the amortisation of asset capitalisations during the period were offset by the effect of revaluating the fixed assets as at December 31, 2019 and the depreciation reversal carried out for the wind farms in 2019.

4. Financial outturn

The increase in financial outturn by 23.6 mil. RON is primarily caused by higher interest income and the impact of hedging transactions carried out in 2018.

5. Investments

The total value of the investments conducted in 2019 is 305.2 mil. RON (2018: 256.5 mil. RON).

The Company's main investments comprise the "Distribution system rehabilitation" chapter, amounting to 110.6 mil. RON (2018: 91.6 mil. RON), representing 36% of the investment total. The investments in the "Pipeline extensions" chapter amount to 22.9 mil. RON (2018: 11.4 mil. RON). The investments related to "New gas connections and concessions" amount to 81.3 mil. RON (2018: 66 mil. RON).

The value of the "Meters" chapter reached 26.8 mil. RON at the end of 2019 (2018: 27.2 mil. RON), determined by regular replacements, meters purchased for new customers, as well as by replacements of defective meters.

The investments in "Technical equipment" (GPS kits, portable gas analysers, gas detection devices) and in "Non-technical equipment" (machines, laptops and other IT equipment) reached the amount of 29.7 mil. RON at the end of 2019 (2018: 32.5 mil. RON).

The value of the "IT projects" chapter for 2019 is 10.3 mil. RON (2018: 8 mil. RON), whereas 15.2 mil. RON (2018: 17.4 mil. RON) were invested in building renovations and new projects.

III. Corporate governance

1. Administrative, management and supervisory bodies

The Company is a joint-stock company established in accordance with the laws in Romania, that has a Management Board acting in a capacity of governing body and, in this capacity, having a collective responsibility for all of the Company's operations.

The Management Board's key activities focus on increasing the value of the shares, enhancing efficiency and rate of return and securing transparency across the group's activities. Furthermore, their objective is to ensure adequate risk management, environmental protection and safe working conditions.

The Management Board delegate the Company's top management to the President of the Board, who also holds the Chief Executive Officer position. The President and Chief Executive Officer coordinates the Company's leadership and delegates some of his or her responsibilities to the Executive Committee members.

The Executive Committee's objective is to lead ENGIE Romania Group pursuant to the mandate received from the Management Board, by means of regularly analysing ENGIE Romania Group's results and making sure that the financial objectives are fulfilled, discussing and adopting decisions in regard to all the significant aspects of the company and ensuring the adequate implementation of the adopted decisions.

2. Governance Code

The Parent company considers it has implemented a clearly defined and effective framework of procedures intended to prevent and settle any potential conflicts of interests. This policy has been carefully developed in accordance with all the relevant laws and ENGIE Group's policy on ethics and conflicts of interests.

Within the Parent company there is a Corporate Legislation and Shareholder Relations Department, which ensures permanent communication with, and the submission of necessary information to, the Company in its entirety and organises the shareholders' general ordinary and extraordinary assemblies in line with the legal provisions in force.

The structures of the Financial Directorate, namely the Accounting Department, the Controlling Department and the Audit Committee, make sure that financial reports are drawn up in accordance with the local and international reporting standards. At present, the Company's financial statements are audited by Ernst & Young Assurances Services SRL, a member of an international audit company.

3. Internal control system

The Group's internal control comprises the following main components: the identification of each significant process, the clear definition of occupational responsibilities and procedures, the internal communication of relevant information, the analysis of main risks and methods to manage them, control activities specific for each process.

Control focuses on how the internal control rules and procedures are applied across all hierarchical and operational tiers: approval, authorisation, review, assessing the efficiency and effectiveness of these rules and procedures and segregation of duties.

The internal control system implemented across the Company:

- is part of a control environment implemented on 3 tiers, relying on clearly defined roles and responsibilities: the first control tier is ensured by process managers, the second by the Internal Control Service, and the third by the Internal Audit Service;
- is a unified system implemented as part of all the significant processes;
- relies on identifying the significant risks, both overall and at a process level, for each activity type (financial and accounting, sales, human resources, legal, etc);

- pursues implementing the control activities intended to reduce the identified risks to acceptable levels;
- is regularly monitored and assessed.

The Internal Control Service and the Internal Audit Service are subordinated to the Deputy Chief Executive Officer and comprise teams of 3 and 6 employees, respectively. The engagements carried out are in compliance with the internal control and audit plans, approved on an annual basis by the Executive Committee and the Audit Committee.

IV. Foreseeable corporate development

In 2020, the Group will continue the development endeavours carried out over the previous years. The main development paths for the Group will continue to be: business development (retention of existing customers, acquisition of new customers, increasing in the quality of services rendered, increasing electricity sales), efforts to develop and modernise the distribution network by carrying out investments, development of energy service suites, increasing the renewable energy portfolio, optimising the Group's organisational set-up by increasing productivity and business quality, job and skill management, as well as employee motivation.

The main challenges of ENGIE Romania Group for 2020 are:

- Making sure the Company's ambitions budget-wise are fulfilled, particularly in terms of materialising margin-related expectations, lowering cost levels and executing the investment plan;
- Preparations for the deregulation of the household consumer natural gas supply market as of July 1, 2020;
- Making sure the regulations set forth by ANRE (*Regulatory Authority for Energy*) are properly applied;
- Further pursuing the network security enhancing policy by means of investments in the modernisation of assets;
- Continuing the endeavours related to the development of trade management – customer-oriented, economic and financial management, as well as of a forecast culture. To that end, provisions were issued to conduct personnel skills upgrade courses as part of a three-year plan, which is currently in progress;
- Developing/diversifying service offers and energy efficiency, extending the renewable energy portfolio, as well as identifying new business opportunities (alternative car fuels with a low environmental impact, decentralised generation);
- Continuous improvement of productivity and further pursuit of the corporate transformation process.

V. Analysis of financial risks

The Group is primarily exposed to the market risk, the credit risk and the liquidity risk.

The Group 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.

a) The market risk

The market risk is the risk of having the fair value of future cash flows of an instrument fluctuate on account of changes in market prices. Market prices are accompanied by three risk types: the commodity price risk, the interest rate risk and the foreign exchange risk.

The commodity price risk – natural gas

Since the Group operates on a regulated market that is underpinned by a pass-through mechanism, it 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 customers. The regulatory risk may appear in cases where ANRE does not acknowledge certain costs at their actual value or does not allow their subsequent recovery in accordance with the principles of the pass-through mechanism.

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

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 commodity price risk – green certificates

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

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

The interest rate risk

The cash flow risk triggered by interest rates is the risk of interest expenses and interest income fluctuating because of variable interest rates.

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

The foreign exchange risk

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

The Group conducts transactions in currencies different from its functional currency (RON), primarily for natural gas imports expressed in USD.
The foreign exchange risk associated to the regulated segment is theoretically covered by the pricing formula elaborated by ANRE, which recognises most of the gas cost under tariffs, with the exception of the foreign exchange 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 the invoice is entered in the accounting records.

The foreign exchange risk specific to the segment of customers on the free market is covered by the pricing formula applied.

b) The credit risk

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

c) Regulatory risks

The Group conducts its business within a strictly regulated environment and has to abide by the series of laws and regulations than can be amended.
In particular, many of the Group's activities, including natural gas distribution and electricity production, are subject to strict regulations at European, national and local levels (for instance, obtaining licences, permits and authorisations). Changes in regulations can affect operations, prices, margins, investments and, as a result, the Group's strategy and profitability.

d) 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 Group's revenues. In the case of gas sales, unfavourable weather effects (higher temperatures) can lead to the failure to achieve estimated sales volumes. The wind level risk is generated by the possibility that the wind levels will drop below the levels estimated at the time of project implementation approval, with a negative impact upon the Group's financial standing.

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

On the free market, the Company is facing intense competition both from domestic producers and from the other well-established suppliers, leading to a loss of customers.

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

Risks from the application of the Network Code provisions

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

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

Wind farm management risks

The curtailment risk

This risk is generated by possible measures taken by Transelectrica in order to eliminate network constraints. The Group estimates that this risk will not be significant.

The balancing risk

This risk is generated by the possible erroneous projections of hourly volumes, which can have an impact upon the Group's financial standing in the form of emergent balancing costs. The Group estimates that this risk is decreased by the implementation of an adequate forecasting methodology and the specialisation level.

e) The liquidity risk

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

VI. Events subsequent to the reporting period

In early 2020, GEO 1/2020 was published, approving the following changes with an impact upon the manner in which the electricity and natural gas market operates:

- 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 pursuant to GEO 114/2018 / 19/2019, was eliminated;
- Until June 30, 2020, the producers that conduct both the extraction and the sale of natural gas sourced on the territory of Romania are bound to sell for the price of 68 lei/MWh, under the conditions regulated by ANRE, the natural gas quantities resulted from the current internal production activity and/or the storage deposits, to suppliers of household customers and heat producers, understood as strictly the natural gas quantity used to produce heat, in combined heat and power plants and heating plants, intended for public consumption. The measure only applies if the average market price, monitored by ANRE, while also keeping in mind the quantities and prices recorded on each market segment, exceed the 68 lei/MWh threshold;
- Starting from July 1, 2020, the household consumer natural gas supply market is deregulated.
- The deregulation of the household customer electricity supply market is set forth to take effect as of January 1, 2021;
- The 6.9% rate of return on invested capital, for the calculation of electricity and natural gas transmission and distribution tariffs remains in effect until the end of April 2020.

On March 16, 2020, ENGIE Romania company received the final Tax Audit Report, which marked the end of the inspection conducted by ANAF (*National Agency for Fiscal Administration*) on the value added tax for the 2017-2018 period and the corporate income tax for the 2017 period. No significant errors were identified.

The international epidemiological situation determined by the spread of COVID-19 coronavirus debuted close to the reporting date and continued to develop throughout the period until the approval date of the financial statements. The company management analysed the situation generated by the COVID-19 coronavirus and considers it a subsequent event which does not adjusts the figures in the financial statements (in accordance with the provisions of OMF 2844/2016). As such, the financial results of the year concluded on December 31, 2019 shall not be influenced by this event.
As we found ourselves in the early stages of the event, the elevated level of uncertainties due to the unpredictable outcome of this virus makes it difficult to estimate its financial effects.

PRESIDENT OF THE MANAGEMENT BOARD

ERIC STAB
Stamp: [ENGIE Romania S.A. COMPANY
J40/5447/2000]
Signature: [illegible]

Bucharest, April 15, 2020

ENGIE Romania S.A.
and its subsidiaries

Consolidated financial statements

FOR THE YEAR CONCLUDED ON
DECEMBER 31, 2019

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, 2019

	Notes	2019 RON	2018 RON
Turnover			
Gas supply income		4,436,751,063	4,337,198,549
Gas distribution income		377,233,897	337,152,063
Electricity supply income		1,748,781,734	933,965,599
Income from green certificates		45,470,315	45,496,606
Other income	**6**	186,357,783	137,461,706
Total turnover		**6,794,594,792**	**5,791,274,523**
Other operating income	**7**	118,641,935	95,662,274
Gains from the Wirom Gas purchase	**5**	3,836,873	-
Gains from revaluating the initial investment in Wirom Gas	**5**	7,689,455	-
Gas purchase costs		(3,278,295,044)	(3,079,912,676)
Electricity purchase costs		(1,490,910,200)	(746,060,206)
Expenses with consumables		(109,982,385)	(99,385,707)
Gas transportation and storage costs		(391,862,367)	(425,275,164)
Gas distribution costs		(25,033,891)	(25,769,600)
Expenses with services related to electricity supply		(168,848,133)	(147,770,681)
Adjustments for green certificates		(1,614,019)	1,534,190
Expenses with employee benefits	**8**	(403,715,287)	(360,459,853)
Amortisation and depreciation costs	**12, 13**	(190,046,381)	(190,024,057)
Other expenses	**9**	(430,772,812)	(328,105,625)
Operating profit		**433,682,536**	**485,707,418**
Interest income	**10**	25,082,204	19,249,312
Interest expenses	**10**	(30,727)	(5,899)
Foreign exchange gains / (losses)		(1,530,995)	1,401,133
Other financial gains / (losses)	**10**	6,777,942	(9,901,515)
Net financial expenses		**30,298,424**	**10,743,031**
Share from the associates' profit / (loss)		(546,272)	(4,573,140)
Gross profit		**463,434,688**	**491,877,309**
Current corporate income tax costs	**11**	(72,985,719)	(73,813,141)
Deferred tax (costs) / credit	**11**	(5,254,718)	10,642,639
Net profit		**385,194,251**	**428,706,807**
Attributable to the parent company's shareholders		385,145,349	428,776,253
Attributable to non-controlling interests		48,902	(69,446)
Other comprehensive income elements – not to be subsequently reclassified under the profit and loss account			
Actuarial gains / (losses) from employee benefits		(13,170,723)	(5,409,186)
Deferred tax related to actuarial gains / (losses)		2,107,316	865,470
Revaluations of buildings and lands	**12**	43,804,276	-
Deferred tax pertaining to revaluations of buildings and lands	**11**	(7,008,684)	-
Other comprehensive income elements, net		**25,732,185**	**(4,543,716)**
Net comprehensive income		**410,926,436**	**424,163,091**
Attributable to the parent company's shareholders		*410,877,534*	*424,232,537*
Attributable to non-controlling interests		*48,902*	*(69,446)*

The financial statements on pages 3 – 72 were approved by the Management Board and authorised for issuance on April 15, 2020.

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

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

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

Consolidated statement of financial position
As at December 31, 2019

	Notes	December 31, 2019 RON	December 31, 2018 RON
Assets			
Long-term assets			
Tangible assets	**12**	3,598,423,371	3,385,143,088
Intangible assets	**13**	38,029,254	30,621,722
Financial investments	**14.1**	476,166	476,166
Investments in associates	**14.2**	5,247,302	13,375,423
Other financial assets	**15.1**	898,324	520,793
Deferred tax receivables	**11**	49,544,294	49,044,517
Current assets			
Stocks	**16**	805,972,770	380,005,271
Trade receivables	**17**	1,315,023,623	1,583,989,201
Other receivables and current assets	**18**	27,675,484	22,988,277
Other current financial assets	**15.1**	8,671,868	-
Cash and cash equivalents	**19**	916,629,783	1,110,975,709
TOTAL ASSETS		**6,766,592,239**	**6,577,140,167**
Own equity and debts			
Own equity			
Share capital, of which:		**257,303,358**	257,303,348
- Subscribed share capital	**20.1**	199,245,540	199,245,530
- Adjustment from share capital hyperinflation		58,057,818	58,057,818
Share premiums	**20.1**	655,809,806	653,633,485
Revaluation reserves	**20.3**	189,734,754	156,967,337
Legal reserve	**20.2**	49,014,519	47,702,078
Other reserves	**20.3**	209,421,651	215,786,903
Balance carried forward		3,648,359,457	3,402,957,796
Total own equity attributable to the parent company's shareholders		**5,009,643,545**	**4,734,350,947**
Non-controlling interests		49,358	456
TOTAL CAPITAL		**5,009,692,903**	**4,734,351,403**
Long-term liabilities			
Long-term provisions	**21**	149,795,429	126,578,350
Long-term employee benefits	**22**	112,253,630	90,749,440
Subsidies		12,187	12,187
Deferred tax debts	**11**	187,957,271	174,015,131
Current debts			
Trade payables to suppliers	**23**	939,137,725	1,098,420,908
Other current financial debts	**15.3**	-	6,635,239
Short-term provisions	**21**	24,535,933	18,920,974
Short-term employee benefits	**22**	30,436,143	33,162,930
Current corporate income tax debts		8,853,206	19,488,864
Other debts	**23**	303,917,812	274,804,741
TOTAL DEBTS AND OWN EQUITY		**6,766,592,239**	**6,577,140,167**

The financial statements on pages 3 – 72 were approved by the Management Board and authorised for issuance on April 15, 2020.

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

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

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

Consolidated statement of changes in own equity

for the fiscal year concluded on December 31, 2019

	Share capital RON	Share premiums RON	Legal reserves RON	Revaluation reserves RON	Other reserves RON	Balance carried forward RON	Attributable to the parent company's shareholders RON	Non-controlling interests RON	Capital total RON
As at January 1, 2019	**257,303,348**	**653,633,485**	**47,702,078**	**156,967,337**	**215,786,903**	**3,402,957,796**	**4,734,350,947**	**456**	**4,734,351,403**
Period profit	-	-	-	-	-	385,145,349	385,145,349	48,902	385,194,251
Revaluation reserves				43,804,276			43,804,276		43,804,276
Revaluation-related deferred tax	-	-	-	(7,008,684)	-	-	(7.008.684)	-	(7,008,684)
Actuarial gains / (losses), net of deferred tax	-	-	-	-	(11,063,407)	-	(11,063,407)	-	(11,063,407)
Total comprehensive income	-	-	**-**	**36,795,592**	**(11,063,407)**	**385,145,349**	**410,877,534**	**48,902**	**410,926,436**
Transfer of revaluation surplus	-	-	-	(8,269,943)	-	8,269,943	-	-	-
Related deferred tax				1,809,258		(1,809,258)			
Wirom Gas integration	10	2,176,321	1,312,441	2,432,510	3,505,007	(9,426,289)			
Share-based payments	-	-	-	-	1,193,148	-	1,193,148	-	1,193,148
Paid dividends						(136,778,084)	(136,778,084)	-	(136,778,084)
As at December 31, 2019	**257,303,358**	**655,809,806**	**49,014,519**	**189,734,754**	**209,421,651**	**3,648,359,457**	**5,009,643,545**	**49,358**	**5,009,692,903**

The financial statements on pages 3 – 72 were approved by the Management Board and authorised for issuance on April 15, 2020.

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

Anne-Marie Gestin
Chief Financial Officer
Signature: [illegible]

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

Consolidated statement of changes in own equity

for the fiscal year concluded on December 31, 2018

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

The financial statements on pages 3 – 72 were approved by the Management Board and authorised for issuance on April 15, 2020.

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

Anne-Marie Gestin
Chief Financial Officer
Signature: [illegible]

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

Consolidated statement of cash flows

	Notes	2020 RON	2019 RON
Operational activities			
Profit before tax		463,434,688	491,877,309
Net outturn components which do not generate cash flows pertaining to the operational activity:			
Expenses with amortisations and depreciations of tangible assets	12	178,885,671	181,404,245
Expenses with amortisations and depreciations of intangible assets	13	6,772,576	8,619,812
Expenses with share-based payments		1,193,148	1,153,622
Gains from the purchase/revaluation of Wirom Gas shares		(11,526,327)	
Unrealised value decreases / (increases) of financial instruments		(15,337,834)	8,783,519
Loss from disposals of tangible assets	9	(171,319)	(469,760)
Financial expenses	10	30,727	5,899
Interest income	10	(25,082,204)	(19,249,312)
Share in the associates' (profit) / loss		546,272	4,573,140
(Gains) / losses from receivables	17	32,413,013	5,457,736
Variation of value adjustments, provisions and post-employment benefits		30,984,445	52,730,235
Working balance (working capital) variation:			
(Increase) / Decrease of trade and other receivables		260,774,225	(477,130,002)
(Increase) / Decrease of stocks		(425,491,267)	(60,747,623)
Increase) / Decrease of trade and other payables		(183,599,138)	395,698,812
		313,826,676	**592,707,632**
Corporate income tax paid		(84,225,886)	(46,910,006)
Net cash flow (used in)/generated from operational activities		**229,600,790**	**545,797,626**
Investment activities			
Receipts from sales of tangible assets		4,862,963	1,669,857
Purchases of tangible assets	12	(318,904,547)	(274,585,851)
Purchases of intangible assets	13	(13,985,086)	(11,756,213)
Receipts of subsidies		9,501,668	15,662,522
Dividends collected from associates		3,008	1,003,460
Wirom Gas purchase, net of cash		6,271,158	
Net cash flow (used in)/generated from investment activities		**(312,250,836)**	**(268,006,225)**
Financing activities			
Interest received		25,082,204	19,249,312
Dividends paid	24	(136,778,084)	(168,656,269)
Net cash flow (used in)/generated from financing activities		**(111,695,880)**	**(149,406,957)**
Net variation of cash and cash equivalents		**(194,345,926)**	**128,384,444**
Cash and cash equivalents in the beginning of the year		1,110,975,709	982,591,265
Cash and cash equivalents at the end of the year	**19**	**916,629,783**	**1,110,975,709**

The financial statements on pages 3 – 72 were approved by the Management Board and authorised for issuance on April 15, 2020.

Eric Stab	**Anne-Marie Gestin**
President – Chief Executive Officer	Director, Financial, Purchases and General Business Directorate
Signature: [illegible]	Signature: [illegible]

1. INFORMATION ABOUT THE GROUP

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

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

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

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

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

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

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

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

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

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

The Company's registered office is at 38 Gramont str., 7th floor, District 4, Bucharest and is registered with the Trade Register under number J40/7422, having Tax Identification Number 25724432.

1. INFORMATION ABOUT THE GROUP (continued)

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

Its scope of business is wind-based electricity production.

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

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

Its scope of business is wind-based electricity production.

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

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

The Company's registered office is at 38 Gramont str., District 4, Bucharest and is registered with the Trade Register under number J40/724/2001, having Tax Identification Number 13660947.

ENGIE Romania held, since 1994, an investment amounting to 48.85% in SC **Wirom Gas SA**, a company handling natural gas distribution and supply across Turnu Măgurele, Alexandria, Giurgiu, Corabia and Oltenița cities. It became a consolidated subsidiary on March 1, 2019, when 51.15% of its shares were purchased.
At the end of 2019, as per Judicial Civil Ruling 2144/12.12.2019, Wirom Gas SA went through a partition process by having its assets and worth universally transferred to ENGIE Romania SA and Distrigaz Sud Rețele SRL, a transfer that included its assets and liabilities, as well as its rights and obligations.

These financial statements of ENGIE Romania Group, for the year concluded on December 31, 2019, are authorised for issuance as per the administrators' decision from April 15, 2020.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

2.1 Fundamentals for drawing up financial statements

Statement of compliance

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

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

2.2 Consolidation fundamentals

The consolidated financial statements comprise the financial statements of the Parent company and those of its subsidiaries, as at December 31, 2019.

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

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

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

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

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

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

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

2.3 Main accounting policies

a) Business combinations and goodwill

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

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

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

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

b) Investments in associated entities

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

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

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

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

c) Currency conversions

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

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

	December 31, 2019	December 31, 2018
RON – USD	4.2608	4.0736
RON – EUR	4.7793	4.6639

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

d) Acknowledgement of revenues

- **Revenues from customer contracts**

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

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

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

Revenues from the sale of goods

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

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

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

Revenues from services rendered

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

Variable consideration

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

Assets pertaining to customer contracts

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

Debts from customer contracts

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

- **Interest income**

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

- **Dividend-based income**

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

e) Government subsidies

Government subsidies are recognised when there are reasonable assurances that the subsidy will be received and all the related requirements will be fulfilled. If the subsidy concerns an expenditure element, it is recognised as income on a systematic basis, over the period when the costs it is designed to offset are recorded under expenses.
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.

The subsidy accounting applies to branchings and pipelines funded through co-financing with the beneficiaries, pursuant to approved ANRE orders that regulate access to the natural gas distribution system (Order 32/2017 and 71/2018 for branchings and Order 104/2015 for pipelines).

Green certificates

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

For each 1 MWh of wind power produced, the Group was entitled to receive 2 green certificates until the end of 2017. As of January 1, 2018, the Group is entitled to receive 1 green certificate for each 1 MWh produced. Green certificates are recognised when the Group is entitled to receive them. The Group is entitled to receive green certificates when it produces electricity that is registered in the power grid by Transelectrica SA.
As of July 1, 2013, the Romanian Government changed the mechanism of assistance for renewable energy producers. For the Group as a wind power producer, the effect was that, despite being entitled, as before, to receive 2 green certificates for each 1 MWh that entered Romania’s power grid, one of the 2 green certificates was suspended from trading as of July 1, 2013. The green certificates suspended from trading (“postponed green certificates”) could be traded as of January 1, 2018 over a period of 8 years (from the balance of postponed green certificates pertaining to the July 2013 – February 2017 interval, an equal number of green certificates is allocated for trading purposes).

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

f) Taxes

Current corporate income tax

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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.

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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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.

g) Tangible assets

Initial evaluation

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

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

The cost of a tangible asset comprises:

(a) its purchase price, including the customs duties and the non-reimbursable purchase taxes, after the deduction of commercial discounts and rebates.

(b) any costs that can be directly attributed to bringing the asset to the location and to the state required for it to operate in the manner intended by the management.

(c) the initial estimate of the costs required to dismantle and move the item and to rehabilitate the location where it is placed, provided that the Group has this obligation.

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

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

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

Subsequent evaluation

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Amortisation of assets

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

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

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

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

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

Derecognition

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

h) Leasing

The Group determines, on the contract start date, whether a contract is or contains a lease. In other words, whether the contract grants the rights to use an identified asset, over a period of time, in exchange of consideration.

The Group applies a unique recognition and evaluation approach to all the leases, with the exception of short-term leases and leases on low-value assets. The Group recognises leasing debts in order to make leasing payments and the right to use asses that represents the right to use supporting assets.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

i. *The right to use the assets*

The Group recognises the right to use the assets on the lease contract start date (that is, the date when the asset becomes available for use). The right to use the assets is measured at cost, less any cumulated amortisation and depreciation losses, and adjusted for any re-measurement of the leasing debts. The cost of the right to use the assets includes the amount of the recognised leasing debt, the initial direct costs and the leasing payments made on or prior to the start date, less the leasing incentives received.
The right to use the assets is straight-line amortised over the shorter duration between the lease period and the estimated useful life of the assets.

If the right of ownership upon the leased asset is transferred to the Company at the end of the lease period or the cost reflects the exercise of an option to buy, the amortisation is calculated using the asset's estimated service life. The right to use the asset is, likewise, subject to depreciation.

ii. *The leasing debt*

As at the lease contract start date, the Group recognises the leasing debt measured at the actual value of the leasing payments that have to be made throughout the lease contract term. The leasing payments include fixed payments (including fundamentally fixed payments), minus any leasing incentives received, variable payments that depend upon an index or a rate, and amounts estimated to be paid as residual value guarantees.

The leasing payments also include the price for exercising an option to buy, that the Group is reasonably certain it will exercise, and the penalty payments for the lease contract termination, provided that the lease term reflects the option to terminate exercised by the Group.

The variable leasing payments that do not depend upon an index or a rate are recognised as expenses (except for the case where they are borne in order to produce stocks) during the period when the event or condition that triggers the payment occurs.

When calculating the actual value of the leasing payments, the Group uses its incremental borrowing rate as at the lease contract start date, given that the default interest rate for the lease contract is not easily determined. After the start date, the leasing debt value is increased in order to reflect the accrual of interest and reduced with the leasing payments made. Moreover, the book value of the leasing debts is remeasured if there is any modification, any change of the lease terms (for example, changes to future payments resulted from a modification of an index or a rate used in order to determine as such leasing payments) or any modification in the assessment of an option to buy the underlying asset.

The Group's leasing debts are included in the Commitments and Contingencies note (see note 25).

iii. *Short-term leases and leases on low-value assets*

The Group applies an exemption, in the case of lease contract recognition, for short-term lease contracts (meaning those contracts the lease term of which is 12 months or less from the contract start date and with no option to buy). Furthermore, it applies an exemption, in the case of lease contract recognition, to lease contracts for low-value assets. The leasing payments for short-term lease contracts and for lease contracts for low-value assets are recognised as linear expenses throughout the lease contract term.

i) *Debt costs*

Debt costs directly attributable to the purchase, construction or production of an asset that mandatorily entails a substantial period of time to be ready for is intended use or for sale are capitalised as part of that asset's cost. All the other debt costs are recorded under expenditure during the period when they are incurred.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The debt costs represent interest and other costs incurred by the Group in order to borrow funds. The Group did not have, throughout 2019 and 2018, any debt costs directly attributable to the purchase, construction or production of an asset.

j) Intangible assets

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

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

Intangible assets with a definite useful life are amortised throughout their economic service life and depreciation assessed whenever there are indications of intangible asset depreciation. The amortisation period and the amortisation method for an intangible asset with a definite useful life are revised at least at the end of each reporting period. The changes in projected useful lives or in the projected consumption pace for the future economic benefits embedded in the assets are accounted for by altering the amortisation method or period 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 Group's intangible assets are primarily represented by software and licences. The software items are straight-line amortised over a period not exceeding 3 years, whereas licences are amortised throughout their validity period. Additionally, the intangibles generated following the purchase of subsidiaries are amortised throughout the operating life of their assets.

Goodwill

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

k) Financial instruments – initial recognition and subsequent evaluation

Initial recognition and evaluation

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

Initial and subsequent evaluation

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

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

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

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

Subsequent evaluation

For subsequent evaluation purposes, the financial assets and liabilities specific to the Group are classified into three categories:

- Financial assets measured at amortised cost (receivables and granted loans) and Trade and other payables;
- Financial assets measured at fair value by means of other comprehensive income elements;
- Derivatives and hedge accounting.

Receivables and loans

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

Trade and other payables

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Derecognition

Basically, a financial asset is de recognised when:

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

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

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

Offsets of financial instruments

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

Impairments of financial assets, also of investments in subsidiaries and associated entities

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

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Fair value of financial instruments

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

l) Derivatives and hedge accounting

Initial recognition and subsequent evaluation

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

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

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

In order to implement hedge accounting, the Group classifies hedges as follows:

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

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

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

Fair value hedging operations

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

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

Cash flow hedging operations

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

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

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

Classification as current / long-term

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

m) Stocks

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

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

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

As at December 31, 2019, the Group found no indications that might suggest a gas stock depreciation: on the regulated market, these costs are recognised in the final selling price of gas, as per the ANRE regulations, whereas on the free market the pricing mechanism entirely covers these costs.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The stock evaluation method is the weighted average cost.

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

n) Depreciation of non-financial assets, including investments in subsidiaries and associated entities

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

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

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

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

o) Cash and cash equivalents

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

p) Distribution of dividends

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

q) Provisions

General

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

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

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

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

Restructuring provisions

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

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

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

Provisions for litigations

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

r) Pensions and other long-term employee benefits

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

In accordance with Collective Labour Agreement no. 214/27.06.2019, each of the Group's employees is entitled to receive a retirement benefit, depending on their length of service within the Group, as follows:

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

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

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

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

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

s) Share-based payment

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

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

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

t) Affiliated parties

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

u) Balance carried forward and legal reserve

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

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

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

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

v) Measurement at fair value

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

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

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

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

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

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

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

- Level 3 - Valuation techniques for which the entry date with the lowest level, that is significant for the fair value measurement, is non-identifiable.

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

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

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

Judgements

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

- Purchases of assets

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

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

- Applicability of IFRIC 12

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

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

- 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, 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).

During the Engie Romania Shareholders' General Extraordinary Assembly of September 11, 2019, the Company approved opting out of the absorption-based project of merging Brăila Winds and Alizeu Eolian subsidiaries. Considering the assumptions that lead to estimating future profits based on the two wind farms' operations (Note 13.2), the Company maintained the deferred tax - receivable for these deductible temporary differences as at December 31, 2019, pertaining to the impairment basis of tangible assets.

At the end of each fiscal year, this judgment will 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.

- 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") are estimated for the invoices issued between readings, based on historical data, consumption statistics and the estimated selling price. These categories of customers primarily concern natural gas consumers included in B1-B4 categories (consumers with an annual consumption of up to 11,627.78 MWh), until June 30, 2019. As of July 1, 2019, considering the changes made in order to classify consumers in the new customer categories, the new categories are C1-C2 (consumers with an annual consumption of up to 2,800 MWh). The calculation of the estimated revenue from the metered gas was 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 / C1-C2. As of 2012, the volume related to the technological consumption is determined based on the Marcogaz (Technical Association of the European Gas Industry) technique, taking into account the technological consumption history during the 2008-2010 period, a volume which was subsequently updated on a yearly basis.

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

- Revaluation of tangible assets

The Group assesses lands and buildings at their fair value, whereas any changes to the recorded values are recognised under other comprehensive income elements. The Group contracted independent valuation specialists in order to determine the fair value as at December 31, 2019.

- Depreciation of tangible assets

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.

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

The calculation of the fair value minus the costs associated to the sale is done based on the data available from mandatory sales transactions performed as part of the transactions conducted on arm's length terms for other similar assets, or on the listed market prices, minus the asset disposal costs. The value in use calculation relies on a model of updated cash flows. Additional information is presented in Note 12.

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

A first impairment test was performed at the end of 2013, resulting in a loss 49.5 million RON. At the end of 2014, a new impairment test was performed, and revealed as the recoverable value the value in use, as well as an additional impairment loss of both intangible and tangible assets, amounting to 95 million RON. At the of 2015, the impairment test revealed an additional impairment loss of 36.6 million RON. The performance of the impairment test at the end of 2016 revealed a new loss, amounting to 18 million RON. At the end of 2017 after updating the assumptions included in the impairment test, the losses amounting to 19,6 million RON were reversed. At the end of 2018, the Group concluded that any changes to the impairment recorded during the previous years were not necessary. After updating the assumptions included in the impairment test, as at December 31, 2019, a new reversal was performed in losses amounting to 6.5 million RON.

The main assumptions employed when calculating the value in use were the discount rate (post-tax) of 8.3% (2018: 8.2% post-tax), the projected prices for electricity and green certificates, as well the operational assumptions concerning the production of the two wind farms.

- Taxes

There are uncertainties concerning the interpretation of complex fiscal regulations, of changes in the tax legislation and of the value and timing of the future taxable profit. Considering the extended range of international relations and the long-term nature and complexity of existing contractual agreements, the differences emerged between the actual results and the assumptions made, or the future alterations of these assumptions, might entail future adjustments of the revenues and expenses related to already recorded taxes.
The Romanian fiscal system is undergoing a strengthening process, as well as a process of harmonisation with the European legislation. Across fiscal authorities, there may be different interpretations in terms of fiscal legislation, that may lead to additional taxes and penalties. If the state authorities find non-compliances with fiscal and related regulations, these may lead to: the seizure of the amounts in question; additional fiscal obligations; fines and penalties. As such, the fiscal sanctions resulting from the infringement of legal provisions may lead to a significant debt. The Group believes it has paid in due time and in their entirety all of its the taxes and levies.

ENGIE Romania was inspected by the fiscal authorities, for the period until December 31, 2016, on the following taxes, duties and levies: VAT and corporate income tax. Additionally, ENGIE Romania is subject to a tax audit that covers the following duties and levies: corporate income tax for the 2017 period and VAT for the 2017-2018 period, an audit which, at the end of 2019 had not yet been completed.

The Parent company took over, on December 31, 2015, following the integration of CONGAZ SA, a litigation resulted after the latter was inspected by the fiscal authorities, on the topic of challenging the fiscal debts and accessory obligations imposed by ANAF (*National Agency for Fiscal Administration*) (primarily concerning excise duty) and paid by CONGAZ SA. As at the signing date of these financial statements, no conclusive ruling has been delivered on the settlement of this litigation, however, the Group was granted a favourable decision in appeal court in December 2016. ANAF challenged the decision before the High Court of Cassation and Justice, the court appearance being set for June 16, 2020.
The other companies within the Group were not subject to audits throughout the disclosed periods. The fiscal years remain open for verifications for 5 years after the submission of the relevant annual tax returns.

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

- Pension benefits

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

- Operating lives of fixed assets and amortisation method

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

- Impairments of receivables

The Group has adopted IFRS 9 since January 1, 2018 by using the restatement of comparative amounts and changing the figures from previous fiscal years (2016 and 2017).

An impairment analysis is conducted as at each reporting date, using a matrix in order to measure expected credit losses.

In that respect, the Group analysed the trade receivables and assessed the method used to determine impairments, keeping in mind the customer eligibility and the portfolio classification criteria:

- Customers with a confirmed risk (customers undergoing judicial proceedings: bankruptcy, insolvency or reorganisation): the expected impairment is 100% of the existing receivable.
- Customers without a confirmed risk:
  - 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;
  - 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.

The Group 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, 2019:

• IFRS 16 Leasing

The standard sets forth the principles for the recognition, assessment, disclosure and provision of information about the lease contracts of the two parties to contract, namely the client ("lessee") and the provider ("lessor"). The new standard provides that lessees are to recognise most lease contracts within their financial statements.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Lessees can make use of a single accounting model for all the contracts, save for certain exceptions. The lessor's accounting records is to remain largely unchanged. The management adopted the new standard on its entry-into-force date, the impact being insignificant to the Group's financial performance or position. As a result, the initial application date is the first day of the annual reporting period during which the Group applies for the first time the requirements of the new standard.

The Group chose to apply the standard to contracts that were previously identified as lease contracts in accordance with IAS 17 and IFRIC 4. Therefore, the Group shall not apply the standard to contracts not previously identified as having a lease content according to IAS 17 and IFRIC 4.

The Group chose to use the reliefs proposed by the standard for lease contracts the term of which ends after 12 months since initial application, as well as for lease contracts where the underlying asset is low-value.

The effect of adopting IFRS 16 on January 1, 2019 is insignificant to the Group's financial performance or position.

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

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

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

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. The management determined that there was no material impact across the Group following the application of these amendments.

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

The interpretation 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 management determined that there was no material impact across the Group following the application of these amendments.

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

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. The management determined that there was no material impact across the Company following the application of these amendments.

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

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

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

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

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

The Group did not adopt at an early stage the following standards / interpretations:

• Amendment to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in Associates and Joint Ventures*: Transactions concerning the sale of, or contributions with, certain assets between an investor and the associated entity or joint venture

The amendments concern an inconsistency identified between the requirements of IFRS 10 and those of IAS 28 in relation to the sale of, or contributions with, assets by/from an investor in favour of the associated entity or joint venture in question. The main outcome of the changes is that a total gain or loss is recognised when the transaction involves an enterprise (whether or not it operates as a subsidiary). A partial gain or loss is recognised when a transaction involves assets that do not represent an enterprise, even if they take the shape of a subsidiary. In December 2015, IASB indefinitely postponed the entry-into-force date of this change pending the results of a research project on how to account for using equity method. The changes are yet to be passed by the EU. The management determined that there was no material impact across the Company following the application of this standard.

• 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.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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. The management determined that there was no material impact across the Group following the application of this standard.

• IFRS 3: Business Combinations (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. The management determined that there was no material impact across the Group following the application of this standard.

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

The changes come into effect for annual periods beginning on or after January 1, 2020 and early application is allowed. The amendments clarify the definition of the term „material" and the manner in which it has to be applied. The new definition mentions that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Furthermore, the explanations adjacent to the definition were improved. The changes also ensure a consistent definition of the term "material" within all IFRS standards. The management determined that there was no material impact across the Group following the application of this standard.

• Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

The changes come into effect for annual periods beginning on or after January 1, 2020 and have to be retroactively applied. Early application is allowed. In September 2019, IASB published amendments to IFRS 9, IAS 39 and IFRS 7, which concluded the first stage of its activity intended to address the effects of the Interbank Offered Rates ("IBOR") reform upon financial reporting. The second stage will focus on aspects that could affect financial reporting when an existing reference value of the interest rate is replaced by a risk-free interest rate (RFR). The changes published address aspects that affect financial reporting during the period prior to replacing an interest rate existing reference value with an alternative interest rate, and well as the implications for the specific hedge accounting requirements in IFRS 9 *Financial instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*, which require a forward-looking analysis.

The changes stipulate temporary exemptions applicable to all the hedging relationships directly affected by the reference interest rate reform, exemptions that allow continuing the use of hedge accounting, throughout the uncertainty period before the replacement of an existing reference interest rate with an alternative interest rate, nearly risk-free.
There are also changes to IFRS 7 *Financial Instruments: Disclosures*, in regard to additional information concerning the uncertainty that stems from the interest reference index reform.

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

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The management determined that there was no material impact across the Group following the application of these amendments.

• IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current liabilities or Long-term liabilities (Amendments)

The changes come into force for annual reporting periods beginning on or after January 1, 2022 and early application is allowed. The amendments intend to promote consistency when applying the requirements, helping companies determine whether, in the statement of financial position, the liabilities and other payment obligations with an uncertain settlement date should be classified as current or long-term. The changes affect the disclosure of liabilities in the statement of financial position and do not alter the current requirements on the measurement or the time to recognise whichever asset, liability, revenue or expense or the information entities disclose in regard to these elements. Moreover, the changes clarify the requirements on classifying liabilities that can be settled by a company which issues own equity instruments. These changes are yet to be passed by the EU. The management determined that there was no material impact across the Company following the application of these amendments.

5. PURCHASES OF SUBSIDIARIES

The Wirom GAS SA purchase

On February 28, 2019, the Group purchased 51.15% of the Wirom Gas SA shares, thus managing to own 100% of the shareholding. The scope of business is the supply and distribution of natural gas.

The fair values of the company's identifiable assets and liabilities as at that date were:

	February 28, 2019 RON	
	Book value	**Fair value**
Assets		
Tangible assets	71,466,398	63,458,526
Intangible assets	380,170	195,022
Stocks	1,442,041	1,442,041
Deferred expenses	98,431	98,431
Trade receivables	22,689,174	22,689,174
Other receivables	22,714	22,714
Cash and cash equivalents	18,141,158	18,141,158
Total assets	**114,240,086**	**106,047,066**
Liabilities		
Trade payables	72,053,314	72,053,314
Deferred tax liability	4,597,160	3,286,277
Total liabilities	**76,650,474**	**75,339,591**
Net assets	**37,589,612**	**30,707,475**
Purchased share of the net assets (%)	-	57.15%
Value of the purchased net assets	-	15,706,873
Equivalent value paid for the purchased share of the net assets (fully in cash)	-	11,870,000
Transaction gains	-	**3,836,873**
Share previously held as an associate (%)	-	48.85%
Previous value of the investment in the associate (via the equity method)	-	7,311,146
The value of the net assets purchased for the investment in the associate	-	15,000,601
Gains from the revaluation of shares haled as an associate	-	**7,689,455**

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

5. PURCHASES OF SUBSIDIARIES (continued)

The fair values of the subsidiary's assets and liabilities, used in the purchase price allocation, were determined by Veridio SRL valuator. The valuation was conducted pursuant to ANEVAR 2018 Valuation Standards, which integrate the International Valuation Standards issued by the International Valuation Standards Council.

The book values presented according to IFRS were determined based on the Wirom Gas SA accounting records, in accordance with OMF 1802/2014, by adjusting the operating lives of the tangible and intangible assets, as well as of the deferred income from related connection fees, in order to create compliance with the operating lives of ENGIE Group (considering that the accounting operating lives employed by Wirom Gas were the fiscal ones), and by recognising the deferred tax according to IAS 12 (which was calculated for the temporary differences pertaining to the tangible and intangible assets, as well as of the deferred income from connection fees).

As at February 28, 2019, the Group recognised a transaction gain amounting to 3,836,873 RON, primarily due to the fact that the stake in Wirom Gas was a non-strategic investment for Gazprom Group.

Wirom Gas SA became divided effective from December 31, 2019. ENGIE Romania took over the gas supply activities and the support activities (together with all the related assets, liabilities, contracts, etc.), whereas Distrigaz Sud Rețele SRL took over the natural gas distribution activities (together with all the related assets, liabilities, contracts, etc.).

On February 20, 2019, the Group also took over, at their nominal value, the trade payables accumulated by Wirom Gas to Gazprom Group, amounting to 29.7 million RON (included in the above-mentioned identifiable liabilities).

Since the purchase date, Wirom Gas has contributed with 48.3 million RON to the consumption turnover. Had the purchase taken place on January 1, 2019, Wirom Gas would have contributed with 72.5 million RON to the Group's 2019 turnover.

Since the purchase date, Wirom Gas has contributed with 5.5 million RON to the Group's net profit (of which 2.5 million as recognition of the deferred tax - asset for the fiscal loss taken over by ENGIE Romania following the division).

6. OTHER INCOME

	2019 RON	2018 RON
Revenues from services rendered to third parties	161,871,533	121,510,746
Other revenues	24,486,250	15,950,960
Other revenues	**186,357,783**	**137,461,706**

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

7. OTHER OPERATING INCOME

	2019 RON	2018 RON
Income from penalties	10,936,684	14,037,588
Income from the capitalisation of gas distribution network development works	93,500,197	75,214,176
Others	14,205,054	6,410,510
Other operating income	**118,641,935**	**95,662,274**

8. 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:

	2019 RON	2020 RON
Labour costs	387,027,617	336,475,817
Social security costs	8,354,203	7,292,539
Long-term employee benefits (Note 22)	8,333,467	16,691,497
Total labour costs	**403,715,287**	**360,459,853**

In 2019, the Group's average number of employees was 3,819 (2018: 3,713).

Share-based payments

The income pertaining to share-based payments included under other labour costs amounts to 1,193,148 RON in 2019 (2018: 1,153,622 RON).

The shares granted as part of the plans are detailed below:

Plan date	"Taking effect" date	Number of shares	Fair value per share as at the "Taking effect" date
PS 16/12/2015	15.03.2020	14,395	9.92
PS 14/12/2016	14.03.2020	16,290	8.52
PS 14/12/2016	14.03.2021	3,500	8.52
PS 13/12/2017	14.03.2021	29,275	10.88
PS 11/12/2018	14.03.2022	31,275	8.62

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

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

9. OTHER EXPENSES

	2019 RON	2018 RON
Taxes and levies	106,397,805	73,260,636
Indemnifications, fines and penalties	28,410,332	32,854,965
Other costs with third-party services	40,086,231	27,269,133
Maintenance and repair costs	18,369,877	20,107,166
Postage costs and telecommunications charges	16,631,556	15,566,358
Expenses with royalties, leases and rentals	17,990,580	14,729,315
Other expenses with gas-related services	40,125,560	11,481,712
Administrative expenses	13,582,068	11,419,820
Expenses with consultancy services	12,109,823	9,983,555
Expenses with security services	10,954,771	10,515,843
Expenses with paving works	14,232,987	9,802,561
Expenses with insurance premiums	9,369,462	8,720,292
Marketing costs (commercials, advertising)	11,945,394	12,241,564
Management services	6,594,028	6,051,777
Bank commissions	6,106,057	5,779,262
Expenses with utilities	6,099,356	4,120,824
Expenses with / (reversals from) impairments of receivables	17,626,262	24,017,636
(Gains) / losses from disposals of assets	(171,319)	(469,760)
Expenses with / (reversals from) provisions	29,797,847	10,417,974
Other expenses	24,514,135	20,234,992
Total	**430,772,812**	**328,105,625**

Expenses related to taxes and levies primarily include: licences for the licenced activities (natural gas distribution, natural gas and electricity supply, electricity production), the tax on the natural gas distribution monopoly, the royalty pertaining to the gas distribution service, the high-efficiency co-generation tax.

10. INTEREST AND OTHER FINANCIAL EXPENSES / INCOME

Interest income	2019 RON	2018 RON
Income from interests on bank deposits	25,082,204	19,249,312
Total	**25,082,204**	**19,249,312**

Interest expenses	2019 RON	2018 RON
Expenses with interest on loans	30,727	5,899
Total	**30,727**	**5,899**

Other financial gains / (losses)	2019 RON	2018 RON
Discounts granted	41,004	14,592
Gains/(Losses) from cash flow hedging instruments	6,635,239	(9,15,944)
Other financial gains / (losses)	101,699	(760,163)
Total	**6,777,942**	**(9,901,515)**

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

11. CORPORATE INCOME TAX

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

	2019 RON	2018 RON
Current corporate income tax		
Current corporate income tax	72,985,719	73,813,141
Deferred tax		
Related to the temporary differences	5,254,718	(10,642,639)
Corporate income tax costs recorded in the profit and loss account	**78,240,437**	**63,170,502**
Comprehensive income statement		
Deferred tax pertaining to elements directly recognised under own equity:		
Revaluation-related deferred tax	7,008,684	-
Actuarial gains / (losses) for employee benefits	(2,107,316)	865,470
Corporate income tax recorded in the comprehensive income statement	**4,901,368**	**865,470**

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

	2019 RON	2018 RON
Gross accounting profit	**463,434,688**	**491,877,309**
Corporate income tax at the statutory tax rate (16%)	74,149,550	78,700,369
Impact of non-deductible expenses and non-taxable revenues	10,391,437	(8,376,627)
Tax credit (sponsorship costs and allowance)	(3,421,087)	(5,660,470)
Tax credit (the legal reserve)	(2,879,463)	(1,492,771)
Corporate income tax costs recorded in the profit and loss account	**78,240,437**	**63,170,502**

Non-deductible expenses and non-taxable revenues primarily concern provisions and value adjustments.

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

	Statement of financial position		Comprehensive income statement	
	December 31, 2019 RON	December 31, 2018 RON	2019 RON	2018 RON
Fiscal differences related to fixed assets	(188,026,883)	(173,327,187)	(18,422,103)	(13,010,917)
Financial investments	563,488	563,488	-	-
Fiscal differences related to Brăila Winds and Alizeu Eolian	10,730,573	12,769,192	(2,038,619)	12,769,192
Adjustments for depreciations of inventories	292,577	138,048	154,529	61,515
Impairments of current assets	32,625,529	33,635,290	(1,009,761)	2,676,683
Revaluation reserves	(27.285.863)	(28,885,059)	1,599,196	2,147,891
Long-term provisions	14,334,607	10,309,634	4,024,973	4,287,638
Long-term employee benefits	17,960,581	14,519,910	1,333,355	2,670,637
Short-term employee benefits	4,869,783	5,306,069	(436,286)	(959,999)
Fiscal loss taken over from Wirom Gas			2,531,315	
Expenses with / (income from) deferred tax recognized in the profit and loss account			**(12,263,402)**	**10.642.639**

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

11. CORPORATE INCOME TAX (continued)

	Statement of financial position		Comprehensive income statement	
	December 31, 2019 RON	December 31, 2018 RON	2019 RON	2018 RON
Fiscal differences related to fixed assets	-	-	2,107.316	865,470
Actuarial gains/(losses) for employee benefits	(7,008,684)	-	(7,008,684)	-
Revaluation-related tax	2,531,315	-	-	-
Expenses with / (income from) deferred tax recognized under other comprehensive income elements	**(138,412,977)**	**(124,970,614)**	**(4,901,368)**	**865,470**
Deferred tax taken over from Wirom Gas on the purchase date			(3,286,277)	
Recognized in the statement of financial position as follows:				
Deferred tax – receivable	49,544,294	49,044,517		
Deferred tax – liability	(187,957,271)	(174,015,131)		
Deferred tax – net item	**(138,412,977)**	**(124,970,614)**		

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.
During the Engie Romania Shareholders' General Extraordinary Assembly of September 11, 2019, the Company approved opting out of the absorption-based project of merging Brăila Winds and Alizeu Eolian subsidiaries. Considering the assumptions that lead to estimating future profits based on the two wind farms' operations, the Company maintained the deferred tax - receivable for these deductible temporary differences as at December 31, 2019, pertaining to the impairment basis of tangible assets.

The temporary difference was obtained as at December 31, 2019 in the form of the difference between the tax basis as at December 31, 2019, amounting to 409,6 million RON and the accounting basis (adjusted according to the value in use) for Brăila Winds and Alizeu Eolian, as at December 31, 2019, amounting to 342.5 million RON.

At the end of each fiscal year, this judgement shall be updated should there be any circumstantial changes.

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

12. 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, 2018	**118,667,013**	**539,110,217**	**2.791.743,523**	**961,622,112**	**19,135,801**	194,199,600	4,624,478,266
Receipts						244,725,882	244,725,882
Disposals		(118,914)	(121,636)	(8,963,360)	(676,445)	-	(9,880,355)
Transfer from investments in progress		9,436,880	109,885,416	59,908,175	1,556,411	(180,786,882)	-
As at December 31, 2018	**118,667,013**	**548,428,183**	**2,901,507,303**	**1,012,566,927**	**20,015,767**	258,138,600	4,859,323,793
Wirom Gas takeover		3,762,131	53,731,601	4,855,827	87,838	1,021,129	63,458,526
Revaluation	15,685,126	31,096,513					46,781,639
Revaluation-related transfer (cancellation of cumulated amortisation)		(53,497,536)				-	(53,497,536)
Receipts						291,005,568	291,005,568
Disposals		(46,222)	(7,320,944)	(35,748,106)	(47,558)	-	(43,162,830)
Transfer from investments in progress		23,325,101	135,684,371	50,673,159	5,831,732	(215,514,363)	-
As at December 31, 2019	**134,352,139**	**553,068,170**	**3,083,602,331**	**1,032,347,807**	**25,887,779**	334,650,934	5,163,909,160
Amortisation and impairment adjustments							
As at January 1, 2018		**191,444,922**	**693,817,776**	**404,104,695**	**11,995,753**	93,571	1,301,456,717
Year amortisation		28,072,725	79,974,647	71,321,948	2,128,498	-	181,497,818
Disposals		(7,829)	(26,657)	(7,970,403)	(675,369)	-	(8,680,258)
Depreciation / (Depreciation reversal)						(93,571)	(93,571)
As at December 31, 2018		**219,509,818**	**773,765,766**	**467,456,240**	**13,448,882**		**1,474,180,706**
Revaluation (cancellation of cumulated amortisation)		(53,497,536)					(53,497,536)
Year amortisation		24,090,305	91,637,061	67,953,155	2,485,784	-	186,166,305
Disposals		(27,349)	(3,637,739)	(34,758,540)	(47,558)	-	(38,471,186)
Depreciation reversal			(2,817,230)	(75,270)		-	(2,892,500)
As at December 31, 2019		**190,075,238**	**858,947,858**	**500,575,585**	**15,887,108**	-	**1,565,485,789**
Net book value as at December 31, 2018	**118,667,013**	**328,918,365**	**2,127,741,537**	**545,110,687**	**6,566,885**	258,138,600	3,385,143,087
Net book value as at December 31, 2019	**134,352,139**	**362,992,932**	**2,224,654,473**	**531,772,222**	**10,000,671**	334,650,934	3,598,423,371

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

12. TANGIBLE ASSETS

The total value of the investments made in 2019 amounts to 305.2 million RON (2018: 256.5 million RON), of which 291 million RON as tangible assets (2018: 244.7 million RON) and 14.1 million RON as intangible assets (2018: 11.8 million RON). The Group's main investments comprise the distribution network rehabilitation, connections to the gas grid, meters and technical equipment.

Assets held under financial lease

As at December 31, 2019, the Company does not have any financial lease contracts concluded for fixed assets.

Sold and leased tangible assets

The Group did not have throughout 2019 any tangible assets subsequently sold and leased.

Revaluation of fixed assets

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

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

As at December 31, 2019, the Group had the lands and buildings revaluated by an independent valuator. The purpose of this revaluation was to establish the market fair value of these assets.

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

Furthermore, the Group performed the fiscal revaluation of the special buildings and constructions, in order to have them taxed, pursuant to the provisions of the 2019 Valuation Standards.

The statement of revaluation reserves, following the revaluation performed as at December 31, 2019, 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	Revaluation as at Dec. 31, 2019	Total revaluations as at Dec. 31, 2019
Lands	1,586,819	78,086,315	4,904,769	2,157,336	4,290,210	15,736,636	106,762,086
Buildings/Stations	12,668,763	18,263,691	518,044	10,476,333	36,821,086	38,029,686	116,777,603
Total	**14,255,582**	**96,350,006**	**5,422,813**	**12,633,669**	**41,111,296**	**53,766,322**	**223,539,689**

The results of the revaluation as at December 31, 2019 were recorded as follows:

	Revaluation 2019
Revaluation reserve increases	53.766.322
Revaluation reserve decreases	(9.962.046)
Revaluation-based losses recorded under profit and loss	(3.079.061)
Revaluation-based increases recorded under profit and loss	6.056.425

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

12. 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, 2018		
Cost	28,394,549	640,688,488
Cumulated value adjustments	-	262,017,573
Net book value	**28,394,549**	**378,670,915**
As at December 31, 2019		
Cost	28,394,549	664,217,847
Cumulated value adjustments	-	284,814,281
Net book value	**28,394,549**	**379,403,566**

Assets encumbered by guarantees

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

The value of fully amortised tangible assets

The gross book value of fully amortised tangible assets, which are still in use as at December 31, 2019, is 271,381,983 RON (2018: 285,309,077 RON).

Provisions for depreciations of fixed assets

As at December 31, 2019, the Group recorded a specific provision amounting to 18,528,550 RON (2018: 14,880,672 RON), for the depreciation of fixed assets (pipelines and branchings in particular), for the fixed assets comprised in the Scrapping Plans for 2020 (and 2019, respectively).

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

The impairment test performed by the Group as at December 31, 2019 for the two wind farms involved 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.

The deferred green certificates, pertaining to the 2013-2017 interval, is estimated to be traded in 2020 – 2031. The cash flow projection included the assumption of receiving a green certificate per MWh produced over the period starting with 2020 (an assumption that remained unchanged compared with the test of the previous year).

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 (2020 - 2031). The energy price was estimated based on internal and external sources. The annual production intervals range between 128.8 GWh and 131 GWh, the equivalent of a 30% average capacity factor.

The value in use of cash-generating units, in the case of Brăila Winds and Alizeu Eolian, as at December 31, 2019 is 342.5 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 18.7 million RON. A 1% change in the discount rate, all other variables staying unchanged, will lead to changes in the recoverable value by approximately 18.4 million RON.

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

13. INTANGIBLE ASSETS

	Licences and concessions RON	IT systems RON	Intangible assets BW, AE RON	Intangible assets in progress RON	Goodwill RON	TOTAL RON
Cost						
As at January 1, 2018	**21,671,600**	**71,063,518**	**83,074,002**	**2,725,974**	**5,572,870**	**184,107,964**
Receipts	-	-	-	11,756,213		**11,756,213**
Disposals		-	-	-		-
Transfer from investments in progress	1,115,118	3,951,004		(5,066,122)		-
As at December 31, 2018	**22,786,718**	**75,014,522**	**83,074,002**	**9,416,065**	**5,572,870**	**195,864,177**
Wirom Gas takeover	195,022				-	195,022
Receipts	-	-	-	14,141,305	-	14,141,305
Disposals	(156,219)	-	-	-	-	-156,219
Transfer from investments in progress	1,811,979	14,965,353	-	(16,777,332)	-	-
As at December 31, 2019	**24,637,500**	**89,979,875**	**83,074,002**	**6,780,038**	**5,572,870**	**210,044,285**
Amortisation and impairment adjustments						
As at January 1, 2018	17,899,065	55,649,575	83,074,002	-	-	156,622,642
Amortisation	2,000,880	6,618,933			-	**8,619,813**
Depreciation						-
Disposals	-					-
As at December 31, 2018	**19,899,945**	**62,268,508**	**83,074,002**	-	-	**165,242,455**
Amortisation	1,106,434	5,666,142			-	**6,772,576**
Transfer from investments in progress	-	-		-	-	
Depreciation	-	-			-	
Disposals		-			-	
As at December 31, 2019	**21,006,379**	**67,934,650**	**83,074,002**	**-**	**-**	**172,015,031**

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

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

14. FINANCIAL FIXED ASSETS

The Group's financial fixed assets are divided into:
1) Financial investments
2) Investments in associates

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

14.1 Financial investments

	2019 RON	2018 RON
Book value as at January 1	**476,166**	**476,166**
Disposals	-	-
Book value as at December 31	**476,166**	**476,166**

	Equity interests %	Purchase cost RON	Impairment RON	Net value RON
2019				
Roman Brașov	1.19%	3,460,973	3,460,973	-
Other financial investments	<20%	536,995	60,830	476,166
Total		**3,997,968**	**3,521,803**	**476,166**

	Equity interests %	Purchase cost RON	Impairment RON	Net value RON
2018				
Roman Brașov	1.19%	3,460,973	3,460,973	-
Other financial investments	<20%	536,995	60,830	476,166
Total		**3,997,968**	**3,521,803**	**476,166**

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

14.2 Investments in associates

TULCEA GAZ S.A.

The Group has a 30% investment in Tulcea Gaz SA a natural gas distribution company, located in Tulcea county, the majority shareholder of which is Infochem International SA (59.35%). Its scope of business consist in the supply and distribution of gas across Tulcea county. The own equity value at the end of 2019 is 17,491,006 RON (2018: 16,052,879 RON), of which 5,129,434 RON (2018: 5,847,572 RON) as reserves, and 1,438,128 RON as profit (2018 loss: 718,138 RON).

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

14. FINANCIAL FIXED ASSETS (continued)

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

	2019 RON	2018 RON
Current assets	2,618,069	2,665,099
Fixed assets	4,994,560	5,402,490
Liabilities	2,365,327	3,251,725
Own equity	**5,247,302**	**4,815,864**
Income	8,752,544	6,689,151
Profit	431,438	(215,441)
Book value of the investment in Tulcea Gaz	**5,247,302**	**4,815,864**

WIROM GAS SA

The Group had a 48.85% investment, as at December 31, 2018, in Wirom Gas SA, a natural gas distribution and supply company located in Bucharest, the majority shareholder of which was Gazprom Schweiz AG. The own equity value at the end of 2018 was 17,529,306 RON, of which 8,428,007 RON as reserves, and 10,744,975 RON in losses.

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

	2019 RON	2018 RON
Current assets	-	13,637,455
Fixed assets	-	29,248,555
Liabilities	-	34,326,450
Own equity	-	**8,559,560**
Income	-	35,769,942
Profit / (Loss)	-	(5,246,771)
Book value of the investment in Tulcea Gaz	-	**8,559,560**

15. OTHER FINANCIAL ASSETS / LIABILITIES

15.1 Other financial assets

	2019 RON	2018 RON
Cash flow hedging instruments	8,671,868	-
Other receivables	898,324	520,793
Total other financial assets	**9,570,192**	**520,793**

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

15. OTHER FINANCIAL ASSETS / LIABILITIES (continued)

15.2 Interest-bearing loans

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

Lender	UniCredit	BRD	Raiffeisen
Amount granted	90 million RON	90 million RON	24 million RON
Type	Medium-term non-binding general-purpose loan	Non-binding general-purpose credit facility	General-purpose intraday overdraft facility
Withdrawals	The amounts were not withdrawn by December 31, 2019	The amounts were not withdrawn by December 31, 2019	The amounts were not withdrawn by December 31, 2019
Guarantees	Movable mortgage on bank accounts	Movable mortgage on bank accounts	No security
Amount granted	100 million RON	170 million RON	
Type	General-purpose overdraft	Non-binding general-purpose credit line	
Withdrawals	The amounts were not withdrawn by December 31, 2019	The amounts were not withdrawn by December 31, 2019	
Guarantees	No security available	Movable mortgage on bank accounts	

As at December 31, 2019, the Parent company also enjoyed the following letter of bank guarantee facilities:

- A credit line with B.R.D. - Groupe Societe Generale S.A., in the form of a facility to issue letters of bank guarantee for a total amount of 450,000,000 RON, valid until 30.10.2020 (the total balance used being 155,847,790 RON, of which 65,000 EUR, 154,809,962 RON ENGIE Romania, 727,224 RON Wirom Gas);

- 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 30.11.2021 (the balance used being 238,769,321 RON);

- 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 30.04.2020 (the balance used being 56,462,801 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 221,918,237 RON).

As at December 31, 2019, Distrigaz Sud Rețele subsidiary enjoyed the following letter of bank guarantee facility:

- A credit line with B.R.D. - Groupe Société Générale S.A., in the form of a facility to issue letters of bank guarantee for a total amount of 20,000,000 RON, valid until October 31, 2020 (the balance used being 11,326,457 RON).

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

15. OTHER FINANCIAL ASSETS / LIABILITIES (continued)

15.3 Debts at fair value

	2019 RON	2018 RON
Financial liabilities at fair value through other comprehensive income elements	**-**	**6,635,239**

16. STOCKS

	2019 RON	2018 RON
Gas	787,186,129	364,505,612
Spare parts	19,520	2,797
Consumables	20,595,729	16,359,661
Depreciation of stocks	(1,828,608)	(862,799)
Total	**805,972,770**	**380,005,271**

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

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

17. RECEIVABLES

	2019 RON	2018 RON
Trade receivables	1,150,664,248	1,314,897,940
Receivables from affiliated parties (Note 25)	4,264,314	29,249,015
Customers - invoices to be issued	515,830,287	566,856,675
Value adjustments for impairments of doubtful receivables	(355,735,226)	(327,014,429)
Total	**1,315,023,623**	**1,583,989,201**

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

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

17. RECEIVABLES (continued)

The Group recorded a value adjustment for projected impairment losses, amounting to 355,735,226 RON, as at December 31, 2019 (2018: 327,014,428 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, 2018	**290,320,387**
Increases throughout the year	405,054,823
Amounts used	5,457,736
Reversals throughout the year	(373,818,517)
As at December 31, 2018	**327,014,429**
Wirom Gas impairment takeover	727,866
Increases throughout the year	364,515,285
Amounts used	32,413,013
Reversals throughout the year	(368,935,367)
As at December 31, 2019	**355,735,226**

The analysis of receivables, by maturity date, is presented below:

2019	**Total**	**Within deadline**	**1-90**	**90-120**	**121-365**	**> 1 year**
Receivables of household / non-household customers	1,040,056,737	922,022,053	46,068,916	1,649,053	14,672,534	55,644,181
Provision for customers	96,615,252	18,827,261	7,997,475	786,231	13,626,659	55,377,626
% Provisioning percentage	9%	2%	17%	48%	93%	100%
Receivables of large customers	626,504,134	303,731,904	70,904,737	4,557,922	65,961,710	181,347,861
Provision for large customers	259,119,975	27,983,611	13,639,484	3,856,419	55,887,241	157,753,220
% Provisioning percentage	41%	9%	19%	85%	85%	87%
2018	**Total**	**Within deadline**	**1-90**	**90-120**	**121-365**	**> 1 year**
Receivables of household / non-household customers	1,259,328,139	1,167,211,423	27,090,623	1,067,440	11,508,414	52,450,241
Provision for customers	78,693,358	12,196,537	5,024,738	659,733	10,404,771	50,407,579
% Provisioning percentage	6%	1%	19%	62%	90%	96%
Receivables of large customers	622,426,476	291,670,487	96,305,983	7,252,506	2,417,158	224,780,342
Provision for large customers	248,321,071	21,690,026	27,961,554	4,199,508	2,426,934	192,043,049
% Provisioning percentage	40%	7%	29%	58%	100%	85%

ELCEN Bucuresti, the thermal energy producer from Bucharest, filed for insolvency on October 6, 2016. As at the insolvency date, the receivable payable by ELCEN Bucuresti to Distrigaz Sud Rețele amounted to 165 million RON, reaching 211.4 million RON as at December 31, 2019.

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

18. OTHER RECEIVABLES AND CURRENT ASSETS

Other receivables and current assets comprise:

	2019 RON	2018 RON
Receivables from levies and taxes	7,099,754	7,188,726
Sundry debtors	4,311,356	3,911,589
Other short-term receivables	**11,411,111**	**11,100,315**
Advance payments to suppliers	7,368,107	8,836,842
Deferred expenses	8,896,266	3,051,119
Advance payments and deferred expenses	**16,264,373**	**11,887,961**
Total	**27,675,484**	**22,988,277**

19. CASH AND CASH EQUIVALENTS

As at December 31, 2019 and 2018, the net resources are as follows:

	2019 RON	2018 RON
Cash and cash at bank	44,853,997	136,827,013
Other cash equivalents	505,669	28,333
Short-term bank deposits	662,950,625	773,318,743
Short-term deposits with ENGIE Treasury Management	208,319,493	200,801,621
Total	**916,629,783**	**1,110,975,709**

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, Alizeu Eolian and Wirom Gas companies are silent entities.

Of the total amount in the bank accounts, the restricted amounts as at December 31, 2019 and 2018 consist in:

	2019 RON	2018 RON
Guarantees set up by customers	98,068	94,754
Guarantees set up by managers	117,736	18,046
Other securities	335,703	252,490
Total	**551,507**	**365,290**

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

20. SHARE CAPITAL AND RESERVES

20.1 Share capital

	Number of shares	Nominal value RON	Share capital RON	Adjustment for hyperinflation RON	Share premiums RON	Total RON
Balance as at January 1, 2018	**19,924,553**	**10**	**199,245,530**	**58,057,818**	**653,633,485**	**910,936,833**
Changes Ian. - Dec. 2018			-	-	-	-
Balance as at December 31, 2018	**19,924,553**	**10**	**199,245,530**	**58,057,818**	**653,633,485**	**910,936,833**
Changes Ian. - Dec. 2019	1	10	10		2,176,321	**2,176,331**
Balance as at December 31, 2019	**19,924,554**	**10**	**199,245,540**	**58,057,818**	**655,809,806**	**913,113,164**

As at December 31, 2019, the subscribed share capital of the Parent company, ENGIE Romania, amounts to 199,245,540 RON in total, comprising 19,924,554 nominal shares amounting to 10 RON/share, distributed as follows:

2019 shareholding structure	Number of shares	Value in RON	%
Romania Gas Holding	10,160,466	101,604,660	50.994697
The Romanian State – by means of the Ministry of Energy	7,371,320	73,713,200	36.996161
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
ENGIE Dezvoltare și Consultanță	1	10	0.000005
Total	**19,924,554**	**199,245,540**	**100.000000**

On December 31, 2019, as per Judicial Civil Ruling 2144/12.12.2019, Wirom GAS SA went through a partition process by having its assets and worth transferred to ENGIE Romania SA – the parent company, and to Distrigaz Sud Rețele SRL. Following this process, the share capital of ENGIE Romania SA increased by 10 RON, reaching the amount of 199,245,540 RON. Additionally, the Company received a share premium amounting to 2,176,321 RON, a legal reserve of 1,312,441 RON, revaluation reserves amounting to 2,432,510 RON, as well as balance carried forward 9,426,289 RON in terms of debt.

The Parent company's share capital is fully paid as at December 31, 2019.

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

The share premium as at December 31, 2019 amounted to 653,633,485 RON (2019: 653,633,485 RON) and was recorded primarily under the capital increase following the Company's privatisation (610,048,663 RON).

20. SHARE CAPITAL AND RESERVES (continued)

20.2 Legal reserve

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

The Parent company's legal reserve set up for 2019 is 49,014,519 RON (including the reserve amounting to 1,312,441 RON taken over from Wirom Gas) (2018: 47,702,078 RON).

20.3 Other reserves

Other reserves primarily consist in the reserve from the investment development share (December 31, 2019 and December 31, 2018: 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. The Company took over, upon integrating Wirom Gas SA, the amount of 3,505,007 RON, representing allocations from the profit invested during the 2006-2008 period.

Furthermore, the Company is unable to distribute the balance of the revaluation reserves (December 31, 2019: 220,013,839 RON, December 31, 2018: 188,036,348 RON); these reserves may be distributed only after they are realised and transferred to the balance carried forward. The consolidated statement of financial position presents the revaluation reserves reduced with the deferred tax associated to them.

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

As at December 31, 2019, the actuarial gains from provisions related to long-term employee benefits, recorded under other reserves (net of the related deferred tax) amount to 18,661,045 RON (2018: 29,724,453 RON).

The shares received free of charge by the salaried employees, recorded as at December 31, 2019 under other reserves, amount to 26,997,231 RON (2018: 25,804,083 RON).

20.4 Share premium

The share premium as at December 31, 2019 increased, following the partition and integration of Wirom GAS SA, by an amount of 2,176,321 RON, reaching a value of 655,809,806 RON.

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

21. PROVISIONS

	Provision for litigations RON	Other provisions RON	Total RON
As at January 1, 2018	**18,861,737**	**116,219,613**	**135,081,350**
Provisions set up throughout the year	3,576,520	27,149,404	30,725,924
Provisions carried over under revenues	(3,333,363)	(16,790,667)	(20,124,030)
Provisions used	(183,920)		(183,920)
As at December 31, 2018	**18,920,974**	**126,578,350**	**145,499,324**
Provisions set up throughout the year	20,112,226	37,675,790	57,788,016
Provisions carried over under revenues	(8,828,729)	(14,458,711)	(23,287,440)
Provisions used	(5,668,538)		(5,668,538)
As at December 31, 2019	**24,535,933**	**149,795,429**	**174,331,362**
As at December 31, 2018			
In the short term	18,920,974	-	18,920,974
In the long term	-	126,578,350	126,578,350
As at December 31, 2019			
In the short term	24,535,933	-	24,535,933
In the long term	-	149,795,429	149,795,429

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

22. EMPLOYEE BENEFITS

	2019 RON	2020 RON
Net liabilities at the start of the period	**123,912,369**	**107,811,695**
Expenses with additional provisions	29,746,873	32,742,208
Reversals of provisions	(52,345)	(9,323,560)
Provisions used	(10,917,124)	(7,317,974)
Net liabilities at the end of the period	**142,689,773**	**123,912,369**

As at December 31, 2019, the Group holds a provisions amounting to 112,253,630 RON (2018: 90,749,440 RON) for long-term benefits granted to salaried employees.

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

	RON
As at January 1, 2019	**90,749,440**
Actuarial (gains) / losses	13,170,723
Discounting costs	5,261,520
Cost of current services	3,071,947
As at December 31, 2019	**112,253,630**

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

22. EMPLOYEE BENEFITS (continued)

The main assumptions employed in the actuarial calculation of these benefits are:
- A discount rate of 4.3% (2018: 5.25%)
- A salary increase rate of 5% (2018: 5%)
- Mortality: INS 2017 statistical chart (2017: INS 2010 statistical chart)
- Staff turnover: average below 1%, calculation broken down by company and employee category (2018: the same).

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

23. SUPPLIERS AND OTHER CURRENT LIABILITIES

	2019 RON	2018 RON
Suppliers	915,013,817	1,079,001,740
Liabilities to affiliated parties	24,123,908	19,419,169
Total suppliers – trade payables	**939,137,725**	**1,098,420,908**
Advance payments from customers	89,846,455	59,160,801
Sundry creditors	90,633,781	70,260,089
Salaries payable and related contributions	30,414,740	26,765,264
VAT payable	74,465,333	93,793,701
Excise and other duties	10,972,780	16,351,118
Other short-term liabilities	7,584,723	8,473,769
Total other short-term liabilities	**303,917,812**	**274,804,741**
Total suppliers and current liabilities	**1,243,055,537**	**1,373,225,649**

24. 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. The Parent company distributed dividends throughout the years 2019 and 2018 as follows:

	2019 RON	2018 RON
Dividends paid throughout the year	136,778,084	168,656,269
Dividends/share (RON/share)	6.86	8.46

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

25. PRESENTATION OF AFFILIATED PARTIES

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

The Group's affiliated companies as at December 31, 2019 are the companies from ENGIE Group (among which Depomures SA, ENGIE Dezvoltare si Consultanta, ENGIE Energy Management Romania), and associate Tulcea Gaz SA.

The details of transactions and balances with the affiliated parties, for the years 2018 and 2019, is:

Sales from transactions with affiliated parties		**2019 RON**	**2018 RON**
ENGIE	Electricity gas sales	-	21,286
	Natural gas sales	370,270	1,841,227
	Other services	1,977,484	866,974
	Deposit interest	8,168,491	6,571,194
	Total	**10,516,245**	**9,300,681**
Depomures	Contract for services	93,916	61,516
	Sales income	200,000	200,000
	Total	**293,916**	**261,516**
ENGIE Dezvoltare și Consultanță	Support services	50,760	50,329
			2,274,850
ENGIE Energy Management Romania	Natural gas sales	3,731,157	
	Other services	354,032	
	Total	**4,135,949**	**2,274,850**
Tulcea Gaz	Natural gas sales	2,597,787	-
	Other services	48,644	
	Dividends	283,179	1,003,460
	Total	**2,929,610**	**1,003,460**
Wirom Gas	Natural gas sales	-	21,592,256
Total sales from transactions with affiliated parties		**17,875,720**	**34,843,092**

Expenses with/purchases from transactions with affiliated parties and dividends paid		**2019 RON**	**2018 RON**
ENGIE	Gas purchases	271,863,099	66,961,836
	Electricity purchases	-	40,355
	Management services	6,594,028	6,051,777
	Software licence and maintenance	5,806,937	4,130,753
	Other services	1,598,170	1,377,408
	Dividends	69,749,584	85,988,409
	Total	**355,611,818**	**164,550,537**

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

25. PRESENTATION OF AFFILIATED PARTIES (continued)

Expenses with/purchases from transactions with affiliated parties and dividends paid		2019 RON	2018 RON
Tulcea Gaz	Natural gas distribution	60,687	343,459
	Gas purchases	2,243,326	-
	Total	**2,304,013**	**343,459**
Wirom Gas	Natural gas distribution	-	993,767
Depomures	Gas storage (including injection and extraction)	25,482,472	19,121,796
ENGIE Energy Management Romania	Gas purchases	28,009,832	-
Administrators	Allowances for the Parent company's administrators	678,513	619,446
Total expenses/purchases/dividends with/from transactions with affiliated parties		**412,086,648**	**185,629,005**

Receivables to affiliated parties		2019 RON	2018 RON
ENGIE	Trade receivables	1,231,092	2,096,691
Depomures	Trade receivables	67,158	73,298
ENGIE Dezvoltare și Consultanță	Trade receivables	53,666	40,483
ENGIE Energy Management Romania	Trade receivables	1,736,732	915,358
Tulcea Gaz		1,175,666	-
Wirom Gas		-	26,123,185
ENGIE Treasury Management	Deposit	208,319,493	200,801,621
Total receivables to affiliated parties		**212,583,807**	**230,050,636**

Liabilities from affiliated parties		2019 RON	2018 RON
ENGIE	Trade payables	15.113.756	16,671,697
Engie Energy Management Romania	Trade payables	7,699,452	-
Tulcea Gaz	Trade payables	11,143	58,898
Depomures	Trade payables	1,299,557	2,521,759
Wirom Gas		-	166,815
Total liabilities to affiliated parties		**24,123,908**	**19,419,169**

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

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

26. COMMITMENTS AND CONTINGENCIES

Fixed assets

The 2020 investment budget amounts to 383,249,672 RON (2019: 286,632,973 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 2020 investment budget appears as follows:

Distribution system rehabilitation	182,500,000
Pipeline extensions, CNG, specific technical equipment	142,500,000
Other investments	58,249,672
Total	**383,249,672**

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

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

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

Deferred green certificates

According to ANRE Ord. 24/2017, (current and deferred) green certificates have actual value strictly at the time when they are traded. In order to comply with this order, MFP (*Ministry of Public Finance*) issued Ord. 895/2017, pursuant to which green certificates are recognised in the balance sheet and in P&L (*the profit and loss account*) when they are traded, which is when they actually acquire value. The Group changed the accounting treatment, recording off-balance sheet the deferred green certificates.
The deferred green certificates shall be granted during the 2018-202 period.

The off-balance sheet status of the deferred green certificates as at December 31, 2019 appears as follows:

	2019		2018	
	number	**value**	**number**	**value**
Tradeable green certificates	90,408	12,367,814	90,408	12,141,984
Deferred green certificates	452,041	61,839,209	542,449	72,852,040
TOTAL	**542,449**	**74,207,023**	**632,857**	**84,994,024**

The green certificates are valuated at a price of 136.8 RON/green certificate.

26. COMMITMENTS AND CONTINGENCIES (continued)

As at 31.12.2019, the Parent company had concluded contracts for the purchase of domestically sourced and imported natural gas, in order to secure the consumption requirements of household and non-household customers and to meet the requirements on accumulating the minimum storage stocks, for the initially estimated quantity of 15.1 TWh (15.5 TWh as at 31.12.2018).

At the end of 2019, the Parent company had also concluded natural gas storage and transportation contracts with gas service suppliers, amounting to 201.1 million RON (2018: 228.6 million RON).

Environmental protection costs

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

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

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

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

In 2019, the environmental protection costs amounted to 11,786,486 RON (2018: 11,902,558 RON) and materialised into:

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

In 2019, the Group was neither involved in any major environmental pollution incidents, nor taken to court for damage inflicted upon the environment.

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

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

26. COMMITMENTS AND CONTINGENCIES (continued)

As at December 31, 2019, the Group did not have any lease contracts concluded.

Guarantees for contractual obligations

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

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

Issuer	Beneficiary	Amount	Currency	Validity
UNICREDIT	ROMGAZ	151,642,258	RON	02.06.2020
BRD	OMV PETROM	103,553,422	RON	02.06.2020
BNP Paribas	OMV PETROM	73,170,720	RON	25.01.2021
BNP Paribas	ROMGAZ	23,294,250	RON	11.03.2020
UNICREDIT	OMV PETROM	21,054,075	RON	15.01.2020
UNICREDIT	OPCOM	20,000,000	RON	31.12.2020
BNP Paribas	OMV PETROM	19,569,521	RON	02.06.2020
RAIFFEISEN BANK	TRANSGAZ	16,232,386	RON	02.03.2020
BNP Paribas	TRANSGAZ	15,166,025	RON	01.04.2020
UNICREDIT	ROMANIAN COMMODITIES EXCHANGE	15,000,000	RON	07.12.2020
RAIFFEISEN BANK	TRANSGAZ	12,753,862	RON	02.03.2020
BNP Paribas	TRANSGAZ	11,119,196	RON	01.04.2020
BNP Paribas	OMV PETROM	9,000,000	RON	10.11.2020
RAIFFEISEN BANK	TRANSGAZ	7,975,744	RON	02.06.2020
BNP Paribas	TRANSGAZ	7,600,000	RON	16.01.2020
BRD	NUCLEARELECTRICA	6,306,456	RON	25.01.2020
BRD	NUCLEARELECTRICA	6,088,056	RON	25.01.2020
UNICREDIT	COMPLEX ENERGETIC OLTENIA	5,315,328	RON	15.03.2020
BNP Paribas	TRANSGAZ	5,219,340	RON	30.01.2020
BNP Paribas	TRANSGAZ	5,094,163	RON	02.12.2020
UNICREDIT	ROMANIAN COMMODITIES EXCHANGE	5,000,000	RON	25.04.2020
BRD	ROMANIAN COMMODITIES EXCHANGE	4,750,000	RON	31.01.2020
RAIFFEISEN BANK	TRANSGAZ	4,606,680	RON	02.12.2020
BRD	NUCLEARELECTRICA	4,462,363	RON	26.01.2021
UNICREDIT	COMPLEX ENERGETIC OLTENIA	4,040,400	RON	25.01.2020
RAIFFEISEN BANK	TRANSGAZ	3,728,918	RON	02.03.2020
BRD	NUCLEARELECTRICA	3,712,800	RON	25.01.2020
BRD	NUCLEARELECTRICA	3,510,000	RON	25.01.2020
BNP Paribas	HIDROELECTRICA	3,410,628	RON	25.01.2020
RAIFFEISEN BANK	TRANSGAZ	3,409,150	RON	02.06.2020
BNP Paribas	HIDROELECTRICA	3,371,628	RON	25.01.2020
UNICREDIT	COMPLEX ENERGETIC OLTENIA	3,356,028	RON	25.01.2020
BRD	NUCLEARELECTRICA	3,137,628	RON	25.01.2020
BRD	HIDROELECTRICA	3,000,000	RON	06.02.2020
BRD	OMV PETROM	2,962,056	RON	02.06.2020
UNICREDIT	COMPLEX ENERGETIC OLTENIA	2,640,816	RON	15.03.2020
UNICREDIT	COMPLEX ENERGETIC OLTENIA	2,626,992	RON	15.03.2020
BNP Paribas	HIDROELECTRICA	2,455,280	RON	25.01.2020
BNP Paribas	HIDROELECTRICA	2,444,000	RON	25.01.2020
BNP Paribas	JOINT ALLOCATION OFFICE	2,389,250	RON	15.01.2021
BNP Paribas	MET ROMANIA ENERGY	2,380,150	RON	30.04.2020
BNP Paribas	TRANSGAZ	2,306,637	RON	30.01.2020
BRD	ELECTRIC PLANNERS	2,067,078	RON	25.01.2020
BRD	ENTREX SERVICES S.R.L.	2,028,780	RON	25.01.2020

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Issuer	Beneficiary	Amount	Currency	Validity
BNP Paribas	HIDROELECTRICA	2,005,058	RON	25.01.2020
BNP Paribas	HIDROELECTRICA	1,969,500	RON	25.01.2020
BNP Paribas	HIDROELECTRICA	1,957,800	RON	25.01.2020
UNICREDIT	OPCOM	1,785,000	RON	25.07.2020
BNP Paribas	HIDROELECTRICA	1,760,850	RON	25.01.2020
BRD	AXPO ENERGIE ROMANIA	1,731,600	RON	25.01.2020
UNICREDIT	TRANSELECTRICA	1,716,000	RON	21.01.2020
BRD	TRANSELECTRICA	1,680,342	RON	31.01.2021
BNP Paribas	HIDROELECTRICA	1,678,014	RON	25.01.2020
BNP Paribas	HIDROELECTRICA	1,670,214	RON	25.01.2020
BNP Paribas	HIDROELECTRICA	1,576,614	RON	25.01.2020
BNP Paribas	ENERGY DISTRIBUTION SERVICES	1,531,562	RON	30.04.2020
BNP Paribas	HIDROELECTRICA	1,514,214	RON	25.01.2020
RAIFFEISEN BANK	CEZ VANZARE	1,461,254	RON	25.01.2020
BNP Paribas	Electrica Furnizare	1,314,306	RON	25.01.2021
BNP Paribas	Electrica Furnizare	1,310,134	RON	25.01.2021
RAIFFEISEN BANK	TRANSGAZ	1,079,385	RON	02.03.2020
RAIFFEISEN BANK	DISTRIBUTIE ENERGIE OLTENIA	1,054,843	RON	10.01.2020
BNP Paribas	PRIMARIA BUSTENI	1,034,800	RON	01.06.2020
BNP Paribas	HIDROELECTRICA	1,012,928	RON	25.01.2020
BNP Paribas	HIDROELECTRICA	1,011,104	RON	25.01.2020
BRD	VIENNA ENERGY FORTA NATURALA SRL	1,004,672	RON	25.01.2020
UNICREDIT	ROMANIAN COMMODITIES EXCHANGE	1,000,000	RON	31.12.2020
BRD	MINISTRY OF ENERGY	1,055,855	RON	7.12.2020
BRD	MINISTRY OF ENERGY	5,577,344	RON	21.05.2020
	Others	30,879,150		
	TOTAL	**684,324,607**		

Guarantees related to contracted loans

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

Commitments received

The Group collected in 2019 guarantees set up by customers, managers, treasurers, collectors and administrators, amounting to 551,508 RON (2018: 556,041 RON).

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

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Guarantee type	Issuer	Beneficiary	Amount		Validity
PCG	TRAFIGURA GROUP PTE LTD	TRAFIGURA GROUP PTE LTD	81,805,280	RON	31.12.2019
SGB	BCR	OMV PETROM	73,170,720	RON	11.01.2021
PCG	TRAFIGURA GROUP PTE LTD	TRAFIGURA GROUP PTE LTD	13,500,000	RON	31.12.2019
SGB	BCR	OMV PETROM	9,000,000	RON	25.11.2020
PCG	AIK GROUP	AIK GROUP	7,000,000	RON	31.12.2019
SGB	CITI BANK	CEZ VANZARE	5,821,200	RON	25.01.2020
SGB	UNICREDIT	SDEE TRANSILVANIA SUD	4,602,444	RON	25.01.2020
SGB	ALPHA BANK	NUCLEARELECTRICA	3,541,318	RON	25.01.2020
SGB	ALPHA BANK	NUCLEARELECTRICA	3,418,678	RON	25 01.2020
SGB	Banca Transilvania	ELECTRICA FURNIZARE	3,017,916	RON	27.01.2020
SGB	Banca Transilvania	ELECTRICA FURNIZARE	2,334,150	RON	25.01.2021
PCG	AIK GROUP	AIK GROUP	2,333,400	RON	31.12.2019
SGB	Banca Transilvania	ELECTRICA FURNIZARE	2,326,740	RON	25.01 2021
PCG	S.C. PAYZONE S.A./PAYPOINT PLC	S.C. PAYZONE S A./PAYPOINT PLC	2,300,000	RON	31 12.2019
SGB	Banca Transilvania	COMPLEX ENERGETIC OLTENIA	2,268,840	RON	27.01.2020
SGB	BRD	DELGAZ GRID	2,254,098	RON	25.01.2020
SGB	BRD	DELGAZ GRID	2,230,536	RON	25.01.2020
SGB	UNICREDIT	ELECTRICA FURNIZARE	2,145,000	RON	25.04.2020
SGB	ALPHA BANK	NUCLEARELECTRICA	2,084,880	RON	25.01.2020
SGB	EXIM BANK	ALRO S.A.	2,069,886	RON	25.01.2020
PCG	TRAFIGURA GROUP PTE LTD	TRAFIGURA GROUP PTE LTD	2,000,000	RON	31.12.2019
PCG	VITOL HOLDING BV	VITOL HOLDING BV	2,000,000	EUR	30.11.2020
SGB	ALPHA BANK	NUCLEARELECTRICA	1,971,000	RON	25 01.2020
SGB	BCR	HIDROELECTRICA	1,915,199	RON	25.01.2020
SGB	OTP BANK	ENERGY DISTRIBUTION SERVICES	1,911,760	RON	31.12.2020
SGB	OTP BANK	ENERGY DISTRIBUTION SERVICES	1,911,760	RON	25.01.2021
SGB	BCR	HIDROELECTRICA	1,893,297	RON	25.01 2020
SGB	RAIFFEISEN BANK	COMPLEX ENERGETIC OLTENIA	1,883,400	RON	25.01.2020
SGB	Banca Transilvania	ELECTRICA FURNIZARE	1,766,700	RON	27.01.2020
SGB	ALPHA BANK	NUCLEARELECTRICA	1,761,899	RON	25.01.2020
SGB	Banca Transilvania	ELECTRICA FURNIZARE	1,704,300	RON	27.01.2020
SGB	Banca Transilvania	ELECTRICA FURNIZARE	1,554,300	RON	27.01.2020
SGB	OTP BANK	ENERGY DISTRIBUTION SERVICES	1,531,562	RON	30.04 2020
SGB	BRD	ENEL ENERGIE MUNTENIA	1,508,958	RON	25.01.2020
SGB	Banca Transilvania	HIDROELECTRICA	1,363,464	RON	25.01 2020
SGB	Banca Transilvania	HIDROELECTRICA	1,357,200	RON	25.01.2020
SGB	Banca Transilvania	INFORM LYKOS SA	1,356,503	RON	4.05.2020
SGB	BRD	DELGAZ GRID	1,312,546	RON	25.01.2020
SGB	BRD	DELGAZ GRID	1,312,546	RON	25.01.2020
SGB	CITY INSURANCE	CONI SRL	1,261,041	RON	26.03.2022

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Guarantee type	Issuer	Beneficiary	Amount		Validity
SGB	BCR	V.CALUGAREASCA TAU	1,232,630	RON	31.12.2019
SGB	RAIFFEISEN BANK	ALIVE CAPITAL	1,200,000	RON	25.07.2022
SGB	OTP BANK	ELECTRIC PLANNERS	1,160,744	RON	20 01.2020
SGB	UNICREDIT	ENTREX SERVICES	1,139,238	RON	25.01.2020
SGB	UNICREDIT	HIDROELECTRICA	1,113,447	RON	25.01.2020
SGB	Banca Transilvania	HIDROELECTRICA	1,105,950	RON	25.01.2020
SGB	Banca Transilvania	HIDROELECTRICA	1,099,380	RON	25.01.2020
SGB	BRD	DISTRIBUTIE ENERGIE OLTENIA	1,054,843	RON	10.01.2020
BO	RAIFFEISEN BANK	C-GAZ& ENERGY DISTRIBUTIE	1,000,000	RON	31.12.2019
SGB	UNICREDIT	HIDROELECTRICA	988,785	RON	25.01.2020
SGB	RAIFFEISEN BANK	AXPO ENERGIE ROMANIA	972,360	RON	25.01.2020
SGB	BCR	HIDROELECTRICA	942,269	RON	25.01.2020
SGB	BCR	HIDROELECTRICA	937,889	RON	25.01.2020
SGB	RAIFFEISEN BANK	OMV PETROM GAS	906,387	RON	15.02.2020
SGB	BCR	HIDROELECTRICA	885,329	RON	25.01.2020
SGB	BCR	HIDROELECTRICA	850,289	RON	25.01.2020
SGB	CEC BANK	MIOVENI CITY TAU	624,792	RON	11.11.2020
PA	EXIM BANK	INTERGUARD SRL	582,559	RON	26.08.2020
SGB	UNICREDIT	VIENNA ENERGY FORTA NATURALA SRL	557,914	RON	25.01.2020
SGB	LIBRA BANK	TERMO CALOR CONFORT	540,000	RON	8.10.2020
SGB	BCR	HIDROELECTRICA	534,538	RON	25.01.2020
SGB	CITY INSURANCE	IRIGC Impex SRL	528,755	RON	31.03.2022
SGB	UNICREDIT	ROMPETROL DOWNSTREAM	481,489	RON	16.09.2020
SGB	BRD	Acvatot SRL	399,555	RON	8.10.2022
SGB	CITY INSURANCE	AVIPROD GRUP	396,088	RON	24.01.2023
SGB	CITY INSURANCE	IRIGC Impex SRL	394,837	RON	3.04.2022
SGB	UNICREDIT	HIDROELECTRICA	389,172	RON	25.01.2020
SGB	BRD	ACVATOT SRL	369,496	RON	4.10.2022
SGB	CITY INSURANCE	AVIPROD GRUP	369,070	RON	10.11.2022
SGB	CITY INSURANCE	AVIPROD GRUP	356,264	RON	24.01.2023
SGB	BRD	ACVATOT SRL	338,337	RON	12.08.2022
SGB	CITY INSURANCE	IRIGC Impex SRL	319,807	RON	31.03.2022
SGB	CertAsig	AVIPROD GRUP	303,995	RON	16.01 2020
SGB	RAIFFEISEN BANK	CHISCANI TOWN TAU	301,285	RON	11.11.2021
SGB	BCR	MOBILE DISTRIBUTION	300,000	RON	12.05.2020
SGB	LIBRA BANK	AEROTEH SA	299,254	EUR	15.06.2020
SGB	CITY INSURANCE	IRIGC IMPEX SRL	292,537	RON	3 07 2022
SGB	CITY INSURANCE	IRIGC IMPEX SRL	292,537	RON	3 07 2022
SGB	CITY INSURANCE	ACVATOT SRL	276,913	RON	31.03 2022

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Guarantee type	Issuer	Beneficiary	Amount		Validity
BO	BCR	EVA ENERGY	250,000	RON	31.12.2019
BO	BCR	EVA ENERGY	250,000	RON	31 12.2019
BO	BCR	EVA ENERGY	250,000	RON	31.12.2019
BO	BCR	EVA ENERGY	250,000	RON	31.12.2019
BO	BCR	EVA ENERGY	250,000	RON	31.12.2019
BO	BCR	EVA ENERGY	250,000	RON	31.12.2019
SGB	CITY INSURANCE	IRIGC Impex SRL	248,959	RON	3.04.2022
SGB	GARANTI BANK	TINMAR ENERGY	240,000	RON	31.05.2020
SGB	BRD	UAT PLESOI	229,175	RON	16.08.2022
PA	GROUPAMA	INFO PROT IMPEX	228,546	RON	9.12.2020
SGB	BRD	ACVATOT SRL	226,963	RON	13.02.2020
SGB	LIBRA BANK	AEROTEH SA	221,216	EUR	15.06.2020
SGB	BNP Paribas	HONEYWELL ELSTER ROMANIA	210,000	EUR	27.03.2020
SGB	UNICREDIT	Tehno World S.R.L.	207,407	EUR	20.02.2020
SGB	UNICREDIT	Tehno World S.R.L.	204,405	EUR	26.09.2020
SGB	LIBRA BANK	AEROTEH SA	65,502	EUR	12.01 2020
SGB	UNICREDIT	GEORG FISCHER ROHRLEITUNGSSYSTEME	50,088	EUR	3.12.2020
SGB	ABC ASIGURARI REASIGURARI SA	AUTO COBALCESCU	50,000	EUR	11.02.2020
SGB	BNP Paribas	HONEYWELL ELSTER ROMANIA	42,193	EUR	27.03.2020
SGB	UNICREDIT	GEORG FISCHER ROHRLEITUNGSSYSTEME	41,493	EUR	10.04.2021
SGB	MKBANK BUDAPESTA	CASON Mernoki Zrt	39,622	EUR	4.11.2020
SGB	EXIM BANK	SMARTEH CONSULT S.R.L.	37,191	EUR	13.11.2020
SGB	LIBRA BANK	Aeroteh SA	36,049	EUR	20.12.2020
SGB	ING Bank	ORANGE ROMANIA SA	27,924	EUR	15.12.2024
PA	CertAsig	ACCURATE BUSINESS	27,578	EUR	30.11.2022
SGB	ALPHA BANK	TELEKOM ROMANIA COMUNICATIONS SA	23,488	EUR	26.12 2018
SGB	Banca Transilvania	SII IT&C SERVICES	21,942	EUR	3.08.2020
SGB	BCR	PRIMATECH SRL	20,000	EUR	8.04.2020
SGB	EXIM BANK	SMARTEH CONSULT S.R.L.	18,722	EUR	11.09.2020
SGB	CITY INSURANCE	VEHICLE MANAGEMENT	17,964	EUR	19.07.2021
SGB	BNP Paribas	HONEYWELL ELSTER ROMANIA	16,470	EUR	31.10.2020
SGB	UNICREDIT	ATOS IT SOLUTIONS Romania	15,282	EUR	24 12.2021
SGB	UNICREDIT	NEATWORK FACILITY MANAGEMENT	15,000	EUR	1.08.2022
SGB	CertAsig	TECHNOHUB	14,971	EUR	27.04.2022
SGB	UNICREDIT	STAR STORAGE SRL	14,225	EUR	15.09.2022
SGB	CertAsig	BRIFCO ENERGY SRL	14,035	EUR	7.05.2020
SGB	LIBRA BANK	AEROTEH SA	13,949	EUR	15.06.2020
SGB	EXIM BANK	SMARTEH CONSULT S.R.L.	11,029	EUR	18.09.2020

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Guarantee type	Issuer	Beneficiary	Amount		Validity
PA	CITY INSURANCE	S&T ROMANIA SRL	10,927	EUR	1.02.2021
SGB	RAIFFEISEN BANK	ROWALT SRL	10,773	EUR	20.07.2020
		ALTELE	4,811,692	RON	
		ALTELE	145,548	EUR	
TOTAL			**291,527,337**	**RON**	
TOTAL			**3,944,248**	**EUR**	

PCG – Parent company guarantee
SGB – Letter of bank guarantee
BO – Promissory note
TAU – Territorial-administrative unit

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

Counterparty		Amount (RON)
CONI SRL	BCR	4,889,389
IRIGC IMPEXSRL	BRD	1,543,724
INSPET SA	Garanti Bank	1,039,010
AVIPROD GRUP	BCR	1,037,651
MIRAL INSTAL COMPANY SRL	BRD	628,865
INSTANT CONSTRUCT COMPANY	CEC	527,751
GETIMROM INSTAL SRL	BCR	518,976
ELSTER AEROTEH SRL	BNP PARISBAS Fortis Bank	437,559
INSTPRO SRL	BCR	404,893
INSTAL PROIECT GAZ SRL	Piraeus Bank	401,299
MIRAL INSTAL COMPANY SRL	BCR	391,963
ROCIP INSTAL SRL	BCR	351,568
STRACO GRUP SRL	UniCredit Tiriac Bank	347,503
TEX ART CONCEPT SRL	RIB	332,475
CALIN SERVICE TOTAL SRL	BRD	328,401
ANTOPREST ACTIV SRL	BRD	323,204
BOGART BUILDING MANAGEMENT	Raiffeisen Bank	308,396
ACVATOT SRL	BRD	246,508
INSTAL GAZ IMPEXSRL	BCR	220,446
DHM PRINTING&ADVERTISING	Banca Transilvania	200,848
PRO ACVA INSTAL SRL	Raiffeisen Bank	199,536
TOTAL GAZ INDUSTRIE SA	BRD	197,815
MITREA PREST SRL	BCR	181,616
GOGAN SRL	Banca Transilvania	174,752
PETROCONST	BRD	169,696
GIMVEST SRL	Piraeus Bank	161,903
GESIC PROD SRL	BRD	159,017
INSTERMON SRL	BRD	151,205
ARENA COM SRL	Banca Transilvania	144,238
ROCIP INSTAL SRL	BRD	142,849
DIMAR SRL	BRD	137,987
PROSPER GAZ SRL	Raiffeisen Bank	137,065
COFELY BUILDING SERVICES&MAINTENANCE	Raiffeisen Bank	134,605
AEROTEH SA	BRD	134.53
STAR P&G Braila	Garanti Bank	112,697
TRANSELECTRONIC PROD SRL	BCR	103,785
	Others	1,948,388
TOTAL		**18,872,113**

26. COMMITMENTS AND CONTINGENCIES (continued)

Insurance policies

In 2019, the Group had the following insurance policies concluded:

Third party liability

In order to lower the liability risk in the event of damages incurred by third parties as both natural persons and legal entities, through the fault of ENGIE Romania SA, the liability policy for this risk was renewed and it covers, in addition to the Group's liability for damages caused to third parties, its liability for accidental pollution, the employer's liability to their employees and professional liability. This insurance is part of the ENGIE Group program, being negotiated at a centralised level and valid for the 01.07.2019 - 30.06.2020 interval. The insurance is also valid for Distrigaz Sud Rețele, ENGIE Servicii, ENGIE Building Solutions, Brăila Winds, Alizeu Eolian, Wirom Gas – companies with a co-insured status.

Insurance on buildings and property among the company's assets

ENGIE Romania SA has a building and property insurance policy for the office at 4-6 Mărășești Blvd., District 4, Bucharest, as well as for operational headquarters in the territory, concluded in 2019, 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 valid until 06.09.2020. 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.

- In order to lower the liability risk in the case of damage incurred by third parties, both as natural persons and legal entities, DGSR (*Distrigaz Sud Rețele*) is co-insured under the liability insurance policy concluded by ENGIE Romania, which legally covers civil liability, including liability for third-party damages, 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 01.07.2019 - 30.06.2020 interval.

Transfer price

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

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Local taxes

<u>*Property owner's tax*</u>

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

Other commitments and contingencies

The Network Code

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

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

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

Litigations

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

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

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

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

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

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

All of the Company's financial assets and liabilities are at Level 3 of the fair value hierarchy, with the exception of cash and cash equivalents, found at Level 1.

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

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

The market risk

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

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

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

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

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

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

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

<u>The commodity price risk – green certificates</u>

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

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

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

The interest rate risk

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

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

The foreign exchange risk

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

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

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

As at December 31, 2019 and 2018, the Group's assets and liabilities expressed in foreign currencies different from RON did not generate a significant net exposure to the foreign exchange risk, having the following balances:

	Monetary assets		Monetary liabilities	
	2019 RON	2018 RON	2019 RON	2018 RON
USD	4.324.145	136.450.208	49.871.612	69.066.359
EUR	1.506.989	22.545.179	15.563.531	20.109.337
Other foreign currencies	-	-	76,535	-

The credit risk

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

Trade receivables

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

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

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

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

<u>Cash and cash equivalents, other financial assets</u>

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

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

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

Operational risks

<u>Volume-related risks</u>

Risks concerning volumes related to weather conditions

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

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

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

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

Risks from the application of the Network Code provisions

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

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

<u>Wind farm management risks</u>

The regulatory risk

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

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

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

The wind level risk

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

The curtailment risk

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

The balancing risk

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

The technical malfunction risk

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

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

The liquidity risk

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

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

Million RON	< 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
December 31, 2019					
Trade and other payables (note 23)	866	-	-	-	**866**
Provisions	-	6	86	86	**178**
Employee benefits	-	46		119	**164**
Current corporate income tax debts			1	2	**3**
Derivatives	80	-	-	-	**80**

Million RON	< 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
December 31, 2018					
Trade and other payables (note 23)	1,244	-	-	-	**1,244**
Provisions	-	25	75	75	**175**
Employee benefits	-	30	-	112	**142**
Current corporate income tax debts	9	-	-	-	**19**
Derivatives					

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

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

Capital management

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

Considering the Group's low indebtedness levels, it did not perform an active management of its capital throughout the fiscal years concluded on December 31, 2019 and 2018 and did not quantify any objectives in that respect.

28. REPORTING BY SEGMENT

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

2019	Natural gas	Electricity	Eliminations among segments	Total
Revenues from external customers	4,977,377,074	1,817,217,718		6,794,594,792
Revenues from transactions with other segments		58,504,176	(58,504,176)	
Amortisation and depreciation costs	(170,067,584)	(19,978,797)		(190,046,381)
Interest income	32,123,623		(7,041,419)	25,082,204
Interest expenses	(7,072,146)		7,041,419	(30,727)
Share from the associates' loss	(546,272)			(546,272)
Corporate income tax costs	(73,215,471)	(12,033,650)		(85,249,121)
Segment outturn	315,008,905	63,176,662		378,185,567
Segment assets	6,171,695,709	739,106,716	(144,210,184)	6,766,592,241
Segment liabilities	(1,763,128,669)	(137,980,852)	144,210,184	(1,756,899,337)
Investments in associates (the net asset method)	5,247,302			5,247,302

2018	Natural gas	Electricity	Eliminations among segments	Total
Revenues from external customers	4,782,381,322	1,008,893,201		5,791,274,523
Revenues from transactions with other segments		51,937,764	(51,937,764)	
Amortisation and depreciation costs	(163,605,935)	(26,418,122)		(190,024,057)
Interest income	26,290,731		(7,041,419)	19,249,312
Interest expenses	(7,047,318)		7,041,419	(5,899)
Share from the associates' loss	(4,573,140)			(4,573,140)
Corporate income tax costs	(57,364,246)	(5,806,256)		(63,170,502)
Segment outturn	398,223,962	30,482,845		428,706,807
Segment assets	5,764,434,582	713,803,034	98,902,551	6,577,140,167
Segment liabilities	(1,572,271,254)	(171,614,959)	(98,902,551)	(1,842,788,764)
Investments in associates (the net asset method)	13,375,423			13,375,423

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

29. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

In early 2020, GEO 1/2020 was published, approving the following changes with an impact upon the manner in which the electricity and natural gas market operates:

- 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 pursuant to GEO 114/2018 / 19/2019, was eliminated;
- Until June 30, 2020, the producers that conduct both the extraction and the sale of natural gas sourced on the territory of Romania are bound to sell for the price of 68 lei/MWh, under the conditions regulated by ANRE, the natural gas quantities resulted from the current internal production activity and/or the storage deposits, to suppliers of household customers and heat producers, understood as strictly the natural gas quantity used to produce heat, in combined heat and power plants and heating plants, intended for public consumption. The measure only applies if the average market price, monitored by ANRE, while also keeping in mind the quantities and prices recorded on each market segment, exceed the 68 lei/MWh threshold;
- Starting from July 1, 2020, the household consumer natural gas supply market is deregulated.
- The deregulation of the household customer electricity supply market is set forth to take effect as of January 1, 2021;
- The 6.9% rate of return on invested capital, for the calculation of electricity and natural gas transmission and distribution tariffs remains in effect until the end of April 2020.

On March 16, 2020, ENGIE Romania company received the final Tax Audit Report (TAR), which marked the end of the inspection conducted by ANAF on the value added tax for the 2017-2018 period and the corporate income tax for the 2017 period. No significant errors were identified.

The international epidemiological situation determined by the spread of COVID-19 coronavirus debuted close to the reporting date and continued to develop throughout the period until the approval date of the financial statements.
The company management analysed the situation generated by the COVID-19 coronavirus and considers it a subsequent event which does not adjusts the figures in the financial statements (in accordance with the provisions of OMF 2844/2016). As such, the financial results of the year concluded on December 31, 2019 shall not be influenced by this event.
As we found ourselves in the early stages of the event, the elevated level of uncertainties due to the unpredictable outcome of this virus makes it difficult to estimate its financial effects.

The financial statements on pages 3 – 72 were approved by the Management Board and authorised for issuance on April 15, 2020.

Eric Stab	**Anne-Marie Gestin**
President – Chief Executive Officer	Director, Financial, Purchases and General Business Directorate
Signature: [illegible]	Signature: [illegible]