



**Administrators' Report
on the Individual Financial Statements
of ENGIE Romania S.A. as at December 31, 2020**

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I. Analysis of ENGIE Romania company's activity

<i>Mil. RON</i>	2019	2020	Variation
Income	6,518.9	6,113.9	-6%
<i>natural gas</i>	4,534.2	4,555.3	
<i>electricity</i>	1,737.5	1,309.4	
<i>other income</i>	247.1	249.2	
Cost of goods sold	-6,153.6	-5,492.1	-11%
<i>natural gas</i>	-4,468.8	-4,203.7	
<i>electricity</i>	-1,684.8	-1,288.4	
<i>Other operating income</i>	457.2	412.7	
<i>Other operating expenses and provisions</i>	-386.0	-412.7	
<i>Depreciation and amortization costs</i>	-163.1	-181.1	
Operating profit/loss	273.4	440.6	61%
<i>Financial outturn</i>	114.0	128.4	
Net outturn	335.7	498.4	48%

• **Natural gas supply**

Income from the supply of gas increased by 0.5% compared with the previous year, from 4,534.2 mil. RON as at December 31, 2019 to 4,555.3 mil. RON as at December 31, 2020, due to an increase in wholesale activities throughout 2020, an outcome partially offset by the decrease in income pertaining to BtB customers and household consumers as a result of the selling price decrease in 2020 compared with 2019 and a reduction of volumes sold to BtB customers.

The gas margin for the period concluded on December 31, 2020 increased from 65.4 mil. RON to 351.5 mil. RON, primarily on account of:

- obtaining a significantly higher margin from the BtB customer segment: the year 2019 was negatively affected by certain CETs (*heating power plants*) filing for insolvency;
- the higher margins from the household customer segment: the negative margin obtained in 2019 following the increase in the purchase prices, not entirely reflected in the final selling price for regulated household customers, whereas, throughout the first half of 2020, it was possible to recover these costs until the deregulation of the household consumer gas supply market starting from July 1, 2020;

outcomes partially offset by the negative impact of applying the windfall profit tax for the July – December 2020 period (recorded under “gas purchase costs”).

Throughout 2020, the volumes sold amounted to 37.9 TWh, an increase by 3.6 TWh compared with the previous year, following the increase in volume wholesales, as well as the increase in volumes sold to BtC consumers as a result of the increase in the number of customers, partially offset by the decrease in volumes sold to BtB customers.

The number of customers as at the end of 2020, was 1,922,623, 6% more than in 2019, primarily due to the increase in the number of household consumers.

• **Electricity supply and trading**

The electricity supply margin decreased by 31.7 mil. RON compared with the previous year, primarily due to a decrease in wholesales, partially offset by the development of the customer portfolio.

Throughout 2020, the sold volumes amounted to 4.06 TWh, a decrease by 1.6 TWh compared with the previous year as a result of a decrease in wholesales.

• ***Other income***

Other income from services rendered increased by 1% compared with the period concluded on December 31, 2019, especially due to an increase in income from affiliated parties (services), as well as in the income from activities carried out by ENGIE Servicii and invoiced to end customers (the corresponding cost being included in "Other operating expenses").

• ***Other operating income***

Other operating income decreased by 10% compared with the period concluded on December 31, 2019, especially due to a decrease in income from leasing assets to Distrigaz Sud Rețele and in income from late payment penalties.

• ***Other operating expenses and provisions***

The Company recorded other operating expenses amounting to 412.7 mil. RON, an increase by 26.7 mil. RON compared with 2019, primarily due to the increase in labour costs, the costs associated to the service activity of ENGIE Servicii, the increase in security costs, the costs of protection materials in the context of the COVID pandemic, the costs associated to development projects, IT licences, postage and telecommunications, marketing, setting up provisions for doubtful receivables, taking into consideration the deterioration of collection rates throughout 2020.

The average number of employees in 2020 was 753 (2019: 686).

Throughout 2020, in the context of the pandemic, the Company's employees benefitted from various training programs, shortened in comparison with the previous period, primarily in order to enhance the technical skills required as part of the operational activities.

• ***Depreciation and amortization costs***

Depreciation and amortization costs amount to 181.1 mil. RON, an increase by 18.1 mil. RON compared with the previous period, primarily due to the asset capitalisations performed during the period.

• ***Financial outturn***

The financial outturn for the period concluded on December 31, 2020 is 128.4 mil. RON (profit), an increase by 14.4 mil. RON from the financial outturn of the period concluded on December 31, 2019 (114 mil. RON in profit).

The financial outturn increase is determined by the higher dividend-based revenues received from subsidiaries, a decrease in interest expenses, outcomes partially offset by an increase in foreign exchange losses.

• ***Net outturn***

The Company's net outturn is 498.4 mil. RON (profit), compared with 335.7 mil. RON (profit) for the period concluded on December 31, 2019.

• **Main financial indicators**

INDICATOR	2019	2020
I. Liquidity indicators		
Current liquidity		
Current assets (A)	3,078,832,883	3,024,169,014
Short-term liabilities (B)	1,903,802,002	1,694,336,276
A/B - as a number of times	1.62	1.78
II. Risk indicators		
Interest coverage ratio		
Profit before interest and corporate income tax (A)	373,817,560	557,482,438
Interest expenses (B)	13,559,304	11,494,878
A/B - as a number of times	28	48
Profitability indicators		
ROCE - Return on capital employed		
Operating profit after corporate income tax (A)	387,376,864	568,977,316
Employed capital (equity plus long-term liabilities) (B)	5,104,066,393	5,523,755,021
A/B	8%	10%

The main economic and financial indicators reflect the Company's good performance.

The value of current liquidity indicates the Company's solid capacity of covering its current liabilities.

• **Investments**

Investments in assets

The total value of the investments conducted in 2020 is 408.8 mil. RON (2019: 297.7 mil. RON).

The Company's main investments comprise the "Distribution system rehabilitation" chapter, amounting to 148.2 mil. RON (2019: 110.6 mil. RON), representing 36% of the investment total. The investments in the "Pipeline extensions" chapter amount to 46.9 mil. RON (2019: 22.9 mil. RON). The investments related to "New gas connections and concessions" amount to 97.6 mil. RON (2019: 81.3 mil. RON).

The value of the "Meters" chapter reached 27.9 mil. RON at the end of 2020 (2019: 26.8 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 38.8 mil. RON at the end of 2020 (2019: 30.7 mil. RON).

The value of the "IT projects" chapter for 2020 is 9.1 mil. RON (2019: 10.3 mil. RON), whereas the investments in building renovations amount to 8.2 mil. RON (2019: 15.2 mil. RON). The purchase of assets for the production of renewable energy (solar farms) in 2020 amounted to 32.2 mil. RON.

II. Corporate governance

• 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 Company'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 the Company pursuant to the mandate received from the Management Board, by means of regularly analysing the Company'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.

• Governance Code

Since it is not listed, the Company is not bound to comply with the Corporate Governance Code of Bucharest Stock Exchange ("Codes"). However, the Company believes that its current organisational and management set-up, the internal procedures and policies of ENGIE Group are largely aligned to the provisions of the Code.

The 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 Company there is a Corporate Legislation and Shareholder Relations Department, which ensures permanent communication with, and the submission of necessary information to, all of ENGIE Romania's shareholders 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.

• **Internal control**

The Company'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 Audit Service is subordinated to the President - Chief Executive Officer and comprises a 7-employee team. The engagements carried out are in compliance with the Internal Audit Plan, approved on an annual basis by the Executive Committee and the Audit Committee.

The Internal Control activities are performed by the Process Performance Service, subordinated to the Deputy Chief Executive Officer. The engagements carried out are in compliance with the internal control plan, approved on an annual basis by the Executive Committee.

III. The company's foreseeable development

In 2021, the Company will continue the development endeavours carried out over the previous years. The main development paths for the Company 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 Company'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 for 2021 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;
- 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;
- Extending of the renewable energy portfolio by means of purchasing (photovoltaic and wind) operational power plants, as well as developing new greenfield projects aimed at building these capacities during the 2021-2030 period;
- Developing/diversifying service offers and energy efficiency, decentralised electricity production solutions (in particular, solar-powered ones and high-efficiency cogenerations) and increasing the number of alternative mobility projects;
- Attracting non-reimbursable funds in order to accelerate the development of the company;
- 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;
- Integration and promotion of sustainability criteria within the industrial and economic processes of ENGIE Romania (promoting a clean environment by way of lowering greenhouse gas emissions, promoting harmonious relationships with local communities where ENGIE or its subsidiaries operate, involving society in CSR activities, etc.);
- Continuous improvement of productivity and further pursuit of the corporate transformation process.

IV. Analysis of financial risks

The Company is exposed to the international markets and has debts in foreign currencies (mainly in USD, for gas imports). Consequently, it can be affected by changes in oil prices, foreign exchange and interest rate changes. Furthermore, the Company grants trade credits to its customers and is exposed to the default risk. The most significant risks are described 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 interest rate risk, the foreign exchange risk and the commodity price risk.

The commodity price risk – natural gas

As of July 1, 2020, the household customer natural gas supply market is deregulated.

Considering that this market was underpinned by a pass-through mechanism, the Company was 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 would have been transferred to the regulated customer by the regulatory authority. The regulatory risk could have appeared in cases where ANRE did not acknowledge certain costs at their actual value or did not allow their subsequent recovery in accordance with the principles of the pass-through mechanism.

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

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 Company.

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

The foreign exchange risk

The Company 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 was, until July 1, 2020, theoretically covered by the pricing formula elaborated by ANRE, which recognised most of the gas cost under tariffs, with the exception of the foreign exchange variation between the payment date and the date when the import invoice is entered in the accounting records. For this risk portion not covered by the tariff, the Company hedges itself by way of USD (forward or spot) purchases.

The foreign exchange risk specific to the segment of eligible customers is covered by the implemented pricing formula.

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 Company is exposed to the credit risk resulted from its operating activities (primarily in relation to trade receivables) and from its financial activities, including its deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

c) Operational risks

Risks concerning volumes related to weather conditions

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

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

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

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

Risks from the application of the Network Code provisions

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

In order to reduce this risk, the Company continuously improves its consumption estimating process and transfers this risk via the free market customer pricing system.

d) The liquidity risk

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

V. Non-financial reporting

In accordance with the legal requirements concerning the disclosure of non-financial information, the Company draws up and publishes a separate sustainability report, which includes the information required in the non-financial statement and describes our sustainability initiatives.

The company's sustainability report for 2020 will be published by June 30, 2021 on www.engie.com.

VI. Events subsequent to the reporting period

In March 2021, ANRE repealed Order 178/2020 and replaced it with Order 18/2021, which approved the Regulation on the connection to the natural gas distribution system.

The deregulation of the household customer electricity supply market is in force as of January 1, 2021.

The international epidemiological situation determined by the spread of COVID-19 coronavirus, which debuted in 2020, continued its evolution throughout 2021, as well, until the approval date of the financial statements. The Management integrated, in the estimation processes required for the preparation of financial statements, assumptions that take into account the effects of this pandemic.

PRESIDENT OF THE MANAGEMENT BOARD
ERIC STAB

Signature: [illegible]

Bucharest, April 7, 2021

ENGIE Romania S.A.

Individual financial statements

FOR THE YEAR CONCLUDED ON
DECEMBER 31, 2020

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

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ENGIE ROMANIA S.A.
Individual financial statements - OMFP 2844/2016
for the fiscal year concluded on December 31, 2020
(The amounts are expressed in RON, unless otherwise provided)

Comprehensive income statement
For the fiscal year concluded on December 31, 2020

	Notes	2020 RON	2019* RON
Income	5.1	6,113,885,366	6,518,873,909
Purchase costs and operating derivatives	5.2	(5,492,114,794)	(6,153,619,818)
Expenses with employee benefits	7	(132,478,401)	(103,162,507)
Amortisation and depreciation costs	11,12	(181,149,826)	(163,072,099)
Other operating expenses	8	(280,243,069)	(282,822,445)
Other operating income	6	412,693,844	457,157,788
Operating profit		440,593,120	273,354,828
Interest income	9	32,316,453	32,130,206
Interest expenses	9	(11,494,878)	(13,559,304)
Foreign exchange gains / (losses)		(10,681,763)	(1,542,317)
Dividend-based income	9	70,929,297	52,069,520
Provision for investment depreciations	13.2	39,036,209	38,180,705
Other financial gains / (losses)	9	8,278,878	6,743,226
Net financial income / (expenses)		128,384,196	114,022,036
Gross profit		568,977,316	387,376,864
Current corporate income tax costs	10	(57,372,486)	(43,108,302)
Deferred tax costs	10	(13,183,999)	(8,564,287)
Net profit		498,420,831	335,704,275
Other comprehensive income elements – not to be subsequently reclassified under the profit and loss account			
Actuarial gains / (losses)	21	66,781	(1,569,385)
Revaluations of buildings and lands	11	-	43,062,263
Deferred tax pertaining to revaluations of buildings and lands	10	-	(6,889,962)
Other comprehensive income elements, net		66,781	34,602,916
Net comprehensive income		498,487,612	370,307,191

* The information for the year 2019 were reclassified in accordance with the new presentation adopted by ENGIE Romania for the year 2020. Additional information is presented in note 2.2 y).

The financial statements on pages 3 – 67 were approved by the Management Board and authorised for issuance on April 7, 2021.

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

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

ENGIE ROMANIA S.A.
Individual financial statements - OMFP 2844/2016
for the fiscal year concluded on December 31, 2020
(The amounts are expressed in RON, unless otherwise provided)

Statement of financial position
As at December 31, 2020

	Notes	December 31, 2020 RON	December 31, 2019 RON
Assets			
Long-term assets			
Tangible assets	11	3,464,993,338	3,244,634,647
Intangible assets	12	36,943,814	31,197,249
Financial investments	13.1	476,165	476,165
Investments in subsidiaries	13.2	533,541,829	494,505,620
Investments in associates	13.3	3,284,796	3,284,796
Other financial assets	14.1	154,682,341	154,937,037
Current assets			
Stocks	15	446,843,968	787,196,946
Trade receivables	16	1,181,300,530	1,348,737,388
Other receivables and current assets	17	19,613,903	20,888,179
Other financial assets	14.1	101,932,272	13,039,784
Cash and cash equivalents	18	1,274,478,341	908,970,586
TOTAL ASSETS		7,218,091,297	7,007,868,397
Own equity and debts			
Own equity			
Share capital, of which:		257,303,358	257,303,358
- <i>Subscribed share capital</i>	19.1	199,245,540	199,245,540
- <i>Adjustment from share capital hyperinflation</i>		58,057,818	58,057,818
Share premiums	19.1	655,809,806	655,809,806
Revaluation reserves	19.3	171,612,167	188,087,887
Legal reserve	19.2	49,014,519	49,014,519
Other reserves	19.3	177,237,291	177,173,461
Balance carried forward		3,972,080,871	3,557,895,601
Total own equity		5,283,058,012	4,885,284,632
Long-term liabilities			
Long-term leasing debts		3,341,027	-
Long-term provisions	20	7,500,000	7,000,000
Long-term employee benefits	21	24,658,887	22,312,700
Deferred tax debts	10	205,197,095	189,469,061
Current debts			
Trade payables to suppliers	22	580,551,984	1,039,653,712
Other current financial debts	14.2	732,359,900	554,034,973
Short-term provisions	20	4,302,155	4,546,262
Short-term employee benefits	21	16,717,622	11,638,621
Current corporate income tax debts		10,721,526	15,839,725
Other debts	22	349,683,089	278,088,711
TOTAL DEBTS AND OWN EQUITY		7,218,091,297	7,007,868,397

The financial statements on pages 3 – 67 were approved by the Management Board and authorised for issuance on April 7, 2021.

Eric Stab
President – Chief Executive Officer
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Anne-Marie Gestin
Chief Financial Officer
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ENGIE ROMANIA S.A.**Individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***Statement of changes in own equity
for the fiscal year concluded on December 31, 2020**

	Share capital RON	Share premiums RON	Legal reserves RON	Revaluation reserves RON	Other reserves RON	Balance carried forward RON	Capital total RON
As at January 1, 2020	257,303,358	655,809,806	49,014,519	188,087,887	177,173,461	3,557,895,601	4,885,284,632
Period profit	-	-	-	-	-	498,420,831	498,420,831
Actuarial gains / (losses), net of deferred tax	-	-	-	-	66,781	-	66,781
Total comprehensive income	-	-	-	-	66,781	498,420,831	498,487,612
Revaluation reserve achieved throughout the year	-	-	-	(17,308,159)	-	17,308,159	-
Related deferred tax	-	-	-	832,438	-	(832,438)	-
Share-based payments	-	-	-	-	(2,951)	-	(2,951)
Paid dividends	-	-	-	-	-	(100,711,282)	(100,711,282)
As at December 31, 2020	257,303,358	655,809,806	49,014,519	171,612,167	177,237,291	3,972,080,871	5,283,058,012

The financial statements on pages 3 – 67 were approved by the Management Board and authorised for issuance on April 7, 2021.

Eric Stab

President – Chief Executive Officer

Signature: [illegible]

Anne-Marie Gestin

Chief Financial Officer

Signature: [illegible]

ENGIE ROMANIA S.A.**Individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***Statement of changes in own equity
for the fiscal year concluded on December 31, 2019**

	Share capital	Share premiums	Legal reserves	Revaluation reserves	Other reserves	Balance carried forward	Capital total
	RON	RON	RON	RON	RON	RON	RON
As at January 1, 2019	257,303,348	655,633,485	47,702,078	157,067,744	174,555,318	3,348,402,595	4,638,664,568
Period profit	-	-	-	-	-	335,704,275	335,704,275
2020 revaluation	-	-	-	43,062,263	-	-	43,062,263
Revaluation-related deferred tax	-	-	-	(6,889,962)	-	-	(6,889,962)
Actuarial gains / (losses), net of deferred tax	-	-	-	-	(1,569,385)	-	(1,569,385)
Total comprehensive income	-	-	-	36,172,301	(1,569,385)	335,704,275	370,307,191
Revaluation reserve achieved throughout the year	-	-	-	(9,393,925)	-	9,393,925	-
Related deferred tax	-	-	-	1,809,258	-	(1,809,258)	-
Integration following the Wirom Gas partition	10	2,176,321	1,312,441	2,432,510	3,505,007	2,982,148	12,408,437
Share-based payments	-	-	-	-	682,521	-	682,521
Paid dividends	-	-	-	-	-	(136,778,084)	(136,778,084)
As at December 31, 2019	257,303,358	655,809,806	49,014,519	188,087,887	177,173,461	3,557,895,601	4,885,284,632

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Eric Stab

President – Chief Executive Officer

Signature: [illegible]

Anne-Marie Gestin

Chief Financial Officer

Signature: [illegible]

ENGIE ROMANIA S.A.
Individual financial statements - OMFP 2844/2016
for the fiscal year concluded on December 31, 2020
(The amounts are expressed in RON, unless otherwise provided)

Statement of cash flows

	Notes	2020 RON	2019 RON
Operational activities			
Profit before tax		568.977.316	387.376.864
Net outturn components which do not generate cash flows pertaining to the operational activity:			
Expenses with amortisations and depreciations of tangible assets	11	172.365.069	153.443.731
Expenses with amortisations and depreciations of intangible assets	12	8.784.758	6.625.753
Expenses with share-based payments		(2.951)	682.521
Expenses with / (Reversals from) impairments of financial assets	13.2	(39.036.209)	(38.180.705)
Unrealised value decreases / (increases) of financial instruments		(3.974.515)	(15.307.107)
Loss / (profit) from disposals of tangible assets	8	174.771	1.221.574
Financial income	9	(32.316.453)	(32.130.206)
Financial expenses	9	11.494.878	13.559.304
Dividend-based income	9	(70.929.297)	(52.069.520)
(Gains) / losses from receivables	16	30.794.645	32.281.072
Variation of value adjustments, provisions and post-employment benefits		(36.189.519)	(7.978.817)
Working balance (working capital) variation:			
(Increase) / Decrease of trade and other receivables		171.468.447	475.224.717
(Increase) / Decrease of stocks		340.352.978	(414.889.707)
Increase) / Decrease of trade and other payables		(401.136.075)	(235.747.034)
		720.827.843	274.112.440
Corporate income tax paid		(59.959.371)	(45.298.018)
Net cash flow (used in)/generated from operational activities		660.868.472	228.814.422
Investment activities			
Receipts from sales of tangible assets		1.392.944	4.668.619
Purchases of tangible assets	11	(403.741.252)	(312.105.060)
Purchases of intangible assets	12	(14.531.323)	(13.387.553)
Additional investments in subsidiaries (WIROM Gas)	13.2	-	(11.870.000)
Receipts of subsidies		26.419.532	9.501.668
Interest collected		31.724.343	27.574.637
Dividends collected	9	70.929.297	52.069.520
Net cash flow (used in)/generated from investment activities		(287.806.459)	(243.548.169)
Financing activities			
Cash pooling withdrawals in relation to subsidiaries		1.374.474.697	1.471.826.064
Cash pooling payments in relation to subsidiaries		(1.269.822.793)	(1.493.327.563)
Interest paid		(11.494.878)	(13.559.304)
Dividends paid	23	(100.711.283)	(136.778.084)
Net cash flow (used in)/generated from financing activities		(7.554.257)	(171.838.887)
Net variation of cash and cash equivalents		365.507.755	(186.572.635)
Cash and cash equivalents in the beginning of the year		908.970.586	1.095.543.222
Cash and cash equivalents at the end of the year	18	1.274.478.341	908.970.586

The financial statements on pages 3 – 67 were approved by the Management Board and authorised for issuance on April 7, 2021.

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

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

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)*

1. INFORMATION ABOUT THE COMPANY

S.C. DGN DISTRIGAZ SUD S.A. was a joint-stock company whose scope of business consisted in the supply of natural gas across the southern part of Romania's territory. S.C. DGN DISTRIGAZ SUD S.A. was created pursuant to Government Decision no. 491/1998, implemented as of August 31, 1998, and its name was changed in April 2009 from S.C. DGN DISTRIGAZ SUD S.A. to S.C. GDF SUEZ Energy Romania S.A. On March 21, 2016, the Company's business name was changed from GDF SUEZ Energy Romania SA to ENGIE Romania SA ("the Company").

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

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

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

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

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

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

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

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

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

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

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)*

1. INFORMATION ABOUT THE COMPANY (continued)

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

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

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

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

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

ENGIE Romania held, since 1994, an investment amounting to 48.85% of Wirom Gas SA, a company specialised in natural gas distribution and supply within the perimeter of Turnu Măgurele, Alexandria, Oltenița, Giurgiu and Corabia 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.

On December 17, 2020, the Company completed a transfer of assets pertaining to the purchase of two solar farms located in Cristuru Secuiesc, Harghita county.

The financial statements on pages 3 – 67 were approved by the Management Board and authorised for issuance on April 7, 2021.

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)*

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS**2.1 Fundamentals for drawing up financial statements****Statement of compliance**

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

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

For all the periods until, and including, the year concluded on December 31, 2011, the Company drew up the financial statements in accordance with the Romanian accounting standards (OMFP 3055/2009 and, beforehand, OMFP 1752/2005, OMFP 94/2001, etc.). The financial statements for the year concluded on December 31, 2012, in accordance with OMFP 1286/2012, were the first financial statements drawn up in line with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

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

2.2 Main accounting policies**a) Currency conversions**

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

The transactions in foreign currencies are converted into RON using the foreign exchange rate valid on the transaction date. The monetary assets and liabilities expressed in foreign currencies at the end of the period are evaluated in RON using the foreign exchange rate valid on the fiscal year end date. The realised or unrealised gains and losses are recorded in the profit and loss account.

The RON - USD and RON - EUR foreign exchange rates as at December 31, 2020 and December 31, 2019 were:

	December 31, 2020	December 31, 2019
RON – USD	3.9660	4.2608
RON – EUR	4.8694	4.7793

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

b) Acknowledgement of revenues from customer contracts

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

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

Revenues are recognised over time provided that:

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

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

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

Revenues from the sale of goods

The revenues from the sale of commodities/goods are recognised at the time of transferring to the buyer the significant risks and benefits associated to the right of ownership over the goods, usually upon the delivery of those goods. Therefore, the Company calculated and recorded the revenues pertaining to the gas that was delivered in December 2020 and will be invoiced in January 2021 ("metered gas").

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

Revenues from services rendered

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

Variable consideration

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

Assets pertaining to customer contracts

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Debts from customer contracts

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

c) Interest income

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

d) Revenues from leases

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

e) Dividend-based income

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

f) Government subsidies

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

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

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

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 71/2019 for branchings and Order 104/2015 for pipelines; Order 32/2017 was repealed and replaced by Order 178/2020, and Order 104/2015 was replaced by Order 169/2020, whereas beneficiaries stopped co-financing branchings and pipelines up to 2.5 km long once these Orders came into effect).

g) Taxes

Current corporate income tax

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

ENGIE ROMANIA S.A.

Notes to the individual financial statements - OMFP 2844/2016

for the fiscal year concluded on December 31, 2020

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

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. There are no fiscal losses reported as at December 31, 2020.

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 if 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.

ENGIE ROMANIA S.A.

Notes to the individual financial statements - OMFP 2844/2016

for the fiscal year concluded on December 31, 2020

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

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.

h) Tangible assets

Initial evaluation

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

When significant parts of tangible assets need to be replaced at certain intervals, the Company recognises the respective parts as individual assets with a specific useful life and amortises them accordingly. Furthermore, when a general inspection takes place, its cost is recognised in the book value of that tangible asset as a replacement, provided that the recognition criteria are met.

All the other repair and maintenance costs are recognised in the profit and loss account when such works are performed. The present value of the costs projected for scrapping the asset after use is included in the cost of the respective asset provided that the recognition criteria of a provision are met.

The cost of a tangible asset comprises:

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

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

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

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

Subsequent evaluation

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

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

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)****Amortisation of assets**

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

Type	Accounting operating life (years)
Buildings	50
Light constructions (hutting, sheds)	10
Steel distribution pipelines	30
Polyethylene distribution pipelines	40
Other constructions, technological equipment, machines and machinery	10
Meters	8-15
Convectors, other metering, control and adjustment devices	10
Means of transportation and other assets	5
IT equipment	3

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

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

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

Derecognition

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

i) Leasing

The Company 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 Company 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 Company recognises leasing debts in order to make leasing payments and the right to use assets that represents the right to use supporting assets.

i. The right to use the assets

The Company 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.

ENGIE ROMANIA S.A.

Notes to the individual financial statements - OMFP 2844/2016

for the fiscal year concluded on December 31, 2020

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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 tests.

ii. The leasing debt

As at the lease contract start date, the Company 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 Company 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 Company.

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 Company 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 Company'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 Company 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.

j) Debt costs

Debt costs directly attributable to the purchase, construction or production of an asset that mandatorily entails a substantial period of time to be ready for its intended use or for sale are capitalised as part of that asset's cost. All the other debt costs are recorded under expenditure during the period when they are incurred. The debt costs represent interest and other costs incurred by the Company in order to borrow funds. The Company did not have, throughout 2020 and 2019, any debt costs directly attributable to the purchase, construction or production of an asset.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

k) Intangible assets

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

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

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

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

The Company's intangible assets are primarily represented by software and licences. The software items are straight-line amortised over a period not exceeding 3 years, whereas licences are amortised throughout their validity period.

l) Financial instruments – initial recognition and subsequent evaluation

Initial recognition and evaluation

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

Initial and subsequent evaluation

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

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

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

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.

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2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

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

Subsequent evaluation

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

- Financial assets measured at amortised cost (receivables and granted loans) and Trade and other payables;
- Financial assets measured at fair value via the profit and loss account;
- Derivatives and hedge accounting.

Receivables and loans

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

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

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

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

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

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

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

Investments in subsidiaries and associates

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

Fair value of financial instruments

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

m) Derivatives and hedge accounting

Initial recognition and subsequent evaluation

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

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

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

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

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

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

Fair value hedging operations

A modification in the fair value of the fair value hedging derivative is recognised 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.

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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).

n) Stocks

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

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

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

As at December 31, 2020, the Company found no indications that might suggest a gas stock depreciation.

The stock evaluation method is the weighted average cost.

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2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

o) Depreciation of non-financial assets

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

When evaluating value in use, the estimated future cash flows are updated to their revised value using a pre-tax rate that would reflect current market valuations on the time value of money and the asset-specific risks. When determining the fair value minus the sale costs, recent transactions on the market, if any, are taken into consideration.

If such transactions cannot be identified, an adequate valuation model shall be used. These calculations are corroborated by means of valuation multiples, listed prices of shares for listed subsidiaries or other available fair value indicators.

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

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

p) Cash and cash equivalents

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

q) Distribution of dividends

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

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2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)**r) Provisions****General**

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

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

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

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

Restructuring provisions

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

- the Company implements a detailed official plan comprising: the activity, or part of the respective activity, subject to restructuring, the location and number of concerned employees, a detailed estimate of the related costs and a corresponding timescale.
- the Company built expectations on the performance of such restructuring, beginning to implement the plan in question or communicating its main characteristics to the people concerned.

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

Provisions for litigations

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

s) Pensions and other long-term employee benefits

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

In accordance with Collective Labour Agreement no. 142/08.07.2020, each of the Company's employees is entitled to receive a retirement benefit, depending on their length of service within the Company, as follows:

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

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2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

The actuarial gains and losses related to long-term benefit plans are fully recognised in period when they occur, in the profit and loss account.

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

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

t) Share-based payment

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

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

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

u) Affiliated parties

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

v) Balance carried forward and legal reserve

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

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

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2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

w) Measurement at fair value

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

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

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

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

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

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

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

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

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

Independent valutors are employed to value significant assets, such as buildings and lands.

x) 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.

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2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

y) Changes in the presentation of the profit and loss account

In 2020, the Company decided to align the presentation of the profit and loss account to the disclosure in the consolidated financial statements of ENGIE Group and, to that end, reclassified the 2019 comparatives, as well.

The following changes were carried out:

- the profit and loss account presents a single row of "Income", and note 5.1 separately presents revenues from customer contracts (for the purposes of IFRS 15) and revenues from other contracts, respectively
- the profit and loss account has a single row of "Purchase costs", whereas its 5 components are detailed in note 5.2
- the row "Other operating expenses" includes a number of rows previously presented separately in the profit and loss account, with additional details presented in note 8
- the order of the rows in the profit and loss account was, likewise, aligned to the disclosure in the consolidated financial statements of ENGIE Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

- The accounting treatment of the gas distribution network lease contract

Given the legal obligation to separate the natural gas distribution business from the natural gas supply one, the Company kept among its assets the assets related to the distribution business, whereas Distrigaz Sud Rețele subsidiary became the holder of the concession contracts concluded for the natural gas distribution service and of the distribution licence. The assets pertaining to the distribution activity were made available to the distribution company pursuant to a lease contract. Pursuant to the same contract and the protocol on the rules governing the assets under said contract, the parent company undertook the task of carrying out the investments requested by the distribution company, within the limits of the annual financial plan approved group-wide by the parent company.

The management analysed this contract from the angle of IFRS 16 "Leases".

Keeping in mind that the lease contract price was set forth based on the ANRE-approved methodology on setting forth the distribution tariff and is part of the distribution tariff related to the capital expenditure, relying on the distribution volumes, the management concluded that the payments are entirely dependent upon on the distributed gas volumes and, therefore, operate as variable leasing payments that do not depend on an index or a rate (as such, these leasing payments were not included in the valuation of the liability resulted from the lease contract).

- 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 assumptions leading to the estimation of future profits from the activity of the two wind farms (Note 13.2), the Company recognised a deferred tax - receivable for these deductible temporary differences as at December 31, 2019 and December 31, 2020, 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.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Estimations and assumptions**

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

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

- Revaluation of tangible assets

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

As at December 31, 2020, the Company assessed the evolution of the prices throughout 2020 and concluded that the changes were not sufficiently significant to require a new valuation.

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

Depreciation exists when the book value of an asset or a cash-generating unit exceeds its recoverable value, which represents the higher between the fair value, minus the costs associated to the sale, and its value in use. The calculation of the fair value minus the costs associated to the sale is done based on the data available from mandatory sales transactions performed as part of the transactions conducted on arm's length terms for other similar assets, or on the listed market prices, minus the asset disposal costs. The value in use calculation relies on a model of updated cash flows. Additional information is presented in note 13.

- Taxes

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

ENGIE Romania was inspected by the fiscal authorities on the following taxes: corporate income tax for the period until December 31, 2017 and VAT for the 2017-2019 period.

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

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

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

The Company took over, on December 31, 2015, following the integration of CONGAZ SA, a litigation resulted after the latter was inspected by the fiscal authorities, on the topic of challenging the fiscal debts and accessory obligations imposed by ANAF (*National Agency for Fiscal Administration*) (primarily concerning excise duty) and paid by CONGAZ SA. The Company was granted a favourable decision in trial 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. During this final court appearance, the conclusive ruling of the High Court of Cassation and Justice was favourable for ENGIE Romania, stating that the amounts were not due by it and, as such, the trial court ruling to invalidate the initial documents and the payment orders for the accessory obligations to the principal were sustained. As a result, the Company submitted to ANAF, in August 2020, a request for repayment of the amounts paid and is set to receive from ANAF a decision to repay the amounts.

- Pension benefits

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

- Operating lives of fixed assets and amortisation method

The Company estimates the operating life of tangible asset elements in accordance with the consumption / wear rate for the respective assets. The Company uses the straight-line amortization method for fixed assets. The Company revised the estimated operating lives as at December 31, 2020 and concluded that no changes are required.

- Impairments of receivables

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

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

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

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

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

In the context of the COVID 19 pandemic, the Company analysed the credit risk of the customers in its gas and electricity supply portfolio, concluding that the segment of small- and medium-sized customers was directly affected by the introduction of the state of emergency / alert, which led to their businesses being partially or entirely shut down.

Upon analysing the receivables pertaining to these customers, the Company set up an additional provision, compared with the method that determines impairments strictly based on historical data, to take into account the additional credit risk generated by the pandemic.

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

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

4.1 Changes due to new standards that came into effect

The accounting policies adopted are consistent with those in the previous fiscal year, except for the following modified IFRS, adopted by the Company on January 1, 2020:

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

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 changes come into effect for annual periods beginning on or after January 1, 2020 and early application is allowed.

The management estimate that this amendment will have no impact upon the Company’s financial statements, as it corresponds to their interpretation of the term “material”.

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

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 amendments published tackle aspects with an impact upon the financial reports from periods before the replacement of an IBOR with an alternative reference rate, as well as the implications of specific requirements on the application of hedge accounting provided 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 IBOR reform, exemptions that allow continuing the use of hedge accounting, nearly risk-free, throughout the uncertainty period before the replacement of an IBOR with an alternative reference rate. There are also changes to IFRS 7 *Financial Instruments: Disclosures*, in regard to additional information concerning the uncertainty that stems from the IBOR reform. The changes come into effect for annual periods beginning on or after January 1, 2020 and have to be retroactively applied. The second stage (exposure draft) focuses on the aspects that could affect financial reporting when a reference index of the current interest rate is replaced with a risk-free interest rate (RFR).

The management estimate that these amendments will have no impact upon the Company’s financial statements as it does not carry out any transactions subject to these amendments.

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4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

• IFRS 17: Insurance contracts

The standard comes into force for annual periods beginning on or after January 1, 2021 and early application is allowed, provided that standards IFRS 15 *Revenue from Contracts with Customers*, and IFRS 9 *Financial Instruments* were applied, as well. During the meeting of March 2020, the Board decided to postpone the entry-into-force date until 2023. IFRS 17 *Insurance contracts* sets forth the principles for the recognition, assessment, disclosure and provision of information concerning issued insurance contracts. Furthermore, the standard stipulates the application of similar principles in the case of the reinsurance contracts held and of issued investment contracts with discretionary participation features. The goal is to ensure the provision of relevant information, by the issuing entities, in a manner that faithfully reflects the respective contracts. This information provides a basis for the users of financial statements to assess the effects the contracts falling under the scope of IFRS 17 have upon the entity's financial position, financial performance and cash flows. The standard is yet to be adopted by the EU.

This new standard will have no impact upon the Company's financial statements as it does not issue insurance contracts.

• 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. However, as a reaction to the COVID-19 pandemic, the Board postponed the entry-into-force date by one year, namely until January 1, 2023, in order to grant companies more time to implement the imposed classification changes. The amendments intend to promote consistency when applying the classification 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 the company through the issuance of own equity instruments. These changes are yet to be adopted by the EU.

The management estimate that these amendments will have no impact upon the Company's financial statements as it does not carry any debts subject to these amendments

• IFRS 3 Business Combinations; IAS 16 Tangible assets; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as well 2018-2020 annual improvements (Amendments)

The changes come into force for annual periods beginning on or after January 1, 2022 and early application is allowed. IASB issued amendments, restricted in scope, to the following IFRS standards:

- **IFRS 3 Business Combinations (Amendments)** updates a reference from IFRS 3 to the Conceptual Framework for Financial Reporting, without amending the accounting requirements for business combinations.
- **IAS 16 Tangible assets (Amendments)** - the changes forbid a company to deduct from the costs of tangible assets the amounts earned from the sale of produced elements while the company prepares the respective asset for operation. However, a company will recognise these receipts from sales, and the related cost, under the profit or loss account.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** - the changes specifically indicate the costs a company will include when calculating the cost required to perform a contract, in order to determine whether a contract is onerous.

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4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- The **2018-2020 annual improvements** introduce minor changes to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial instruments*, IAS 41 *Agriculture* and to the Illustrative Examples accompanying IFRS 16 *Leases*.

The changes are yet to be adopted by the EU.

The management estimate that these changes will have no impact upon the Company's financial statements.

• IFRS 16 Lease contracts for concessions granted following the COVID-19 pandemic (Amendments)

The amendments retroactively apply to annual reporting periods beginning on or after June 1, 2020. Early application is allowed, also in the case of financial statements not yet authorised to be issued by May 28, 2020. IASB amended the standard by granting lessees exemptions from the application of IFRS 16 requirements on the treatment of changes to lease contracts for lease concession emerging as a direct outcome of the COVID-19 pandemic. The amendments provide a practical solution so that lessees should be able account for any changes to the leasing payments, resulted from the lease concessions and emerged as an outcome of COVID-19, in the same way they would record the change, according to IFRS 16, if it did not represent an amendment to the lease contract. The reliefs can be applied only if all the requirements below are cumulatively met:

- The changes to the leasing payments lead to a revised consideration for the lease contract, a consideration that is substantially similar, or inferior, to the lease contract consideration immediately prior to the changes;
- Any decrease in the leasing payments only affects the payments initially due as at, or before, June 30, 2021.
- No material changes to the other terms and conditions of the lease contract have occurred.

The management estimate that this amendment will have no impact upon the Company's financial statements as the Company was not granted any lease concessions.

• Interest Rate Benchmark Reform - Phase 2 - IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, IASB published the Interest Rate Benchmark Reform - Phase 2 - Amendments brought to standards IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, supplementing its efforts in managing the IBOR reform effects. The changes provide temporary exemptions that tackle the effects upon financial reporting when IBOR is replaced with a nearly risk-free alternative (RFR). In particular, the amendments stipulate a practical solution when accounting for the changes to the basis used to determine contractual cash flows pertaining to financial assets and liabilities, imposing the adjustment of the effective interest rate – a treatment similar to that of an update to the contractual reference rate. Furthermore, the changes stipulate exemptions from terminating the hedging relationship, including a temporary exemption from the need to separately identify the hedged component when an RFR instrument is designated to operate inside a hedging relationship where a certain risk component is hedged against. Moreover, the changes brought to IFRS 4 are intended to allow insurers that continue to apply IAS 39 to obtain the same exemptions as those stipulated by the amendments to IFRS 9. Additionally, there are changes to IFRS 7 *Financial Instruments: Disclosures* intended to allow users of financial statements to understand the effects of the IBOR reform upon the financial instruments and the risk management strategy. The amendments come into force for annual periods beginning on or after January 1, 2021 and early application is allowed. Although the application is retroactive, entities do not have to issue restatements for the previous periods.

The management estimate that these amendments will have no impact upon the Company's financial statements as it does not carry out any transactions subject to these amendments.

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5. REVENUES, PURCHASE COSTS AND OPERATING DERIVATIVES

5.1 Revenues

	2020 RON	2019 RON
Revenues from customer contracts		
Revenues from the supply of gas	4,555,252,736	4,534,239,613
Revenues from the supply of electricity	597,486,548	590,333,267
Revenues from services rendered to affiliated parties (note 24)	158,028,174	145,210,451
Revenues from services rendered to third parties	84,644,970	75,794,116
Other revenues	6,513,973	26,087,322
Revenues from other contracts		
Revenues from other contracts for electricity	711,958,965	1,147,209,140
Total revenues	6,113,885,366	6,518,873,909

Revenues from services rendered primarily concern support services rendered by the parent company, ENGIE Romania, to the affiliated parties within ENGIE Romania Group, and activities such as verifications and inspections of gas use installations and heating plants, carried out by ENGIE Servicii and invoiced to end consumers.

5.2 Purchase costs and operating derivatives

	2020 RON	2019 RON
Gas purchase costs	3,082,418,390	3,250,895,204
Gas distribution service costs	798,682,405	826,041,414
Gas transportation and storage costs	322,602,748	391,862,367
Electricity purchase costs	947,898,435	1,463,060,131
Net expenses with electricity operating derivatives	167,482,597	53,386,001
Expenses with electricity-related services	173,030,219	168,374,701
	5,492,114,794	6,153,619,818

Electricity operating derivatives consist in instruments with net financial settlement (without physical delivery), primarily swaps.

Gas purchase costs also include, in 2020, the "windfall tax" value (see Note 22).

6. OTHER OPERATING INCOME

	2020 RON	2019 RON
Income from leases in relation to affiliated parties (note 24)	405,877,287	438,698,720
Penalty-based income	4,901,615	9,509,068
Other operating income	1,914,942	8,950,000
Other operating income	412,693,844	457,157,788

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***7. EXPENSES WITH EMPLOYEE BENEFITS**

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

	2020 RON	2019 RON
Labour costs	125,477,670	95,616,095
Social security costs	2,660,047	2,144,674
Long-term employee benefits	2,425,688	1,994,704
Other salaried employee costs	1,914,996	3,407,034
Total labour costs	132,478,401	103,162,507

8. OTHER EXPENSES

	2020 RON	2019 RON
Expenses with gas-related services	71,127,055	62,704,942
Indemnifications, fines and penalties	482,265	21,736,801
Other costs with third-party services	39,691,185	31,193,426
Taxes and levies	8,908,539	31,076,928
Postage costs and telecommunications charges	14,210,905	12,739,777
Expenses with royalties, leases and rentals	18,253,193	13,614,326
Expenses with consumables	12,677,534	10,977,461
Expenses with consultancy services	9,053,181	10,863,858
Expenses with security services	11,485,036	10,199,496
Marketing costs (commercials, advertising)	15,463,931	11,139,039
Administrative expenses	7,295,211	7,933,929
Maintenance and repair costs	7,126,875	7,006,497
Expenses with insurance premiums	5,105,137	4,320,337
Expenses with / (reversals from) impairments of receivables	23,794,238	11,053,182
Bank commissions	5,814,645	5,671,765
Management services	8,007,534	5,938,416
Expenses with utilities	4,147,495	4,313,615
(Gains) / losses from disposals of assets	174,771	1,221,574
Expenses with / (reversals from) provisions (note 20)	255,893	1,246,979
Other expenses	17,168,446	17,870,097
Total	280,243,069	282,822,445

Expenses with royalties, leases and rentals do not fall under the scope of IFRS 16.

Other expenses, amounting to 17,168,446 RON (2019: 17,870,097 RON) concern staff training costs, expenses with granted donations and subsidies, various non-deductible expenses, newspaper and magazine subscriptions, externally contracted manpower costs.

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***9. INTEREST AND OTHER FINANCIAL EXPENSES / INCOME****Interest income**

	2020 RON	2019 RON
Income from interests on bank deposits	17,706,077	16,641,122
Income from interests on loans granted to affiliated parties (Note 24)	7,060,711	7,041,419
Interest income from cash pooling with subsidiaries (Note 24)	7,549,666	8,447,665
Total	32,316,453	32,130,206

Interest expenses

	2020 RON	2019 RON
Expenses with interest on loans	9,023	-
Expenses with interest from cash pooling with subsidiaries (Note 24)	11,485,855	13,559,304
Total	11,494,878	13,559,304

Other financial gains / (losses)

	2020 RON	2019 RON
Discounts granted	31,637	9,295
Gains/(Losses) from cash flow hedging instruments	8,170,391	6,635,239
Other financial gains / (losses)	76,850	98,692
Total	8,278,878	6,743,226

Dividend-based income

	2020 RON	2019 RON
Tulcea Gaz	-	283,179
Distrigaz Sud Rețele	64,289,889	51,783,333
Brăila Winds	6,634,947	-
Romanian Commodities Exchange	4,461	3,008
Total	70,929,297	52,069,520

10. CORPORATE INCOME TAX

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

	2020 RON	2019 RON
Current corporate income tax		
Current corporate income tax	57.372,486	43,108,302
Deferred tax		
Related to the temporary differences	13.183,999	8,564,287
Corporate income tax costs recorded in the profit and loss account	70.556,485	51,672,589
Comprehensive income statement		
Revaluation-related deferred tax	-	6,889,962
Actuarial gains / (losses)	12,720	(381,277)
Corporate income tax recorded in the comprehensive income statement	12,720	6,508,685

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

	2020 RON	2019 RON
Gross accounting profit	568.977.316	387.376.864
Corporate income tax at the statutory tax rate (16%)	91.036.371	61.980.298
Impact of non-deductible expenses and non-taxable revenues	(11.640.926)	(6.886.622)
Tax credit (sponsorship costs and allowance)	(8.838.959)	(3.421.087)
Corporate income tax costs recorded in the profit and loss account	70.556.485	51.672.589

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

In 2020, the Company benefitted from an allowance amounting to 2.3 million RON as part of the fiscal measures taken by the Romanian state to mitigate the effects of the COVID-19 pandemic.

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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, 2020	December 31, 2019	2020	2019
	RON	RON	RON	RON
Fiscal differences related to fixed assets	(206,816,022)	(187,597,058)	(19,218,964)	(11,901,807)
Depreciation of fixed assets	2,640,607	2,963,768	(323,161)	595,704
Impairments of financial investments	563,488	563,488		
Impairments of investments in subsidiaries	9,822,503	10,730,573	(908,070)	(2,038,619)
Impairments of current assets	8,364,189	13,594,782	(5,230,593)	3,599,934
Revaluation reserves	(26,392,103)	(34,175,825)	7,783,722	1,419,459
Long-term employee benefits – different from actuarial gains and losses	3,945,422	3,570,032	388,110	(113,165)
Short-term employee benefits	2,674,820	1,862,179	812,641	(125,791)
Deferred tax on assets - Wirom takeover			3,512,315	
Expenses with / (income from) deferred tax recognized in the profit and loss account			(13,183,999)	(8,564,286)
Deferred tax on assets - Wirom takeover		(3,512,315)	-	-
Deferred tax on fiscal loss - Wirom takeover		2,531,315	-	-
Actuarial gains and losses			(12,720)	381,277
Revaluation-related deferred tax			-	(6,889,962)
Expenses with / (income from) deferred tax recognized under other comprehensive income elements	-	-	(12,720)	(6,508,685)
Net deferred tax	(205,197,095)	(189,469,061)		
Recognized in the statement of financial position as follows:				
Deferred tax – receivable	28,011,028	35,816,137		
Deferred tax – liability	(233,208,123)	(225,285,198)		
Deferred tax – net item	(205,197,095)	(189,469,061)		

The temporary difference for the impairments of investments in subsidiaries was obtained as at December 31, 2020 in the form of the difference between the tax basis amounting to 377.8 million RON and the accounting basis (adjusted according to the value in use) for Brăila Winds and Alizeu Eolian, as at December 31, 2020, amounting to 316.4 million RON.

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

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11. TANGIBLE ASSETS

	Lands	Buildings	Facilities	Machinery, equipment and motor vehicles	Furniture and accessories	Right to use the assets	Constructions in progress	Total
	RON	RON	RON	RON	RON	RON	RON	RON
Cost or fair value								
As at January 1, 2019	116,539,178	326,387,945	2,901,507,303	606,347,496	16,557,737	-	256,329,856	4,223,669,515
Wirom Gas takeover		3,863,507	56,984,005	5,732,618	174,386	-	1,301,284	68,055,800
Revaluation	15,231,607	30,833,311	-	-	-	-	-	46,064,918
Revaluation-related transfer (cancellation of cumulated amortisation)	-	(52,592,563)	-	-	-	-	-	(52,592,563)
Receipts	-	-	-	-	-	-	284,331,219	284,331,219
Disposals	-	(46,222)	(7,320,944)	(35,122,175)	(47,558)	-	-	(42,536,899)
Transfer from investments in progress	-	23,282,553	132,609,853	48,414,232	5,807,012	-	(210,113,650)	-
As at December 31, 2019	131,770,785	331,728,531	3,083,780,217	625,372,171	22,491,577	-	331,848,709	4,526,991,990
Purchase of photovoltaic panels	-	5,997,399	-	25,392,108	438,116	3,341,027	-	35,168,650
Receipts	-	-	-	-	-	-	359,122,823	359,122,823
Disposals	-	(797,669)	(2,332,828)	(14,032,747)	(187,690)	-	-	(17,350,934)
Transfer from investments in progress	-	11,233,750	199,807,223	70,156,462	1,574,006	-	(282,771,441)	-
As at December 31, 2020	131,770,785	348,162,010	3,281,254,612	706,887,993	24,316,009	3,341,027	408,200,092	4,903,932,529
Amortisation and impairment adjustments								
As at January 1, 2019	-	32,641,759	789,722,960	377,871,768	11,828,142	-	-	1,212,064,629
Wirom Gas takeover	-	267,823	1,808,437	929,303	80,014	-	-	3,085,577
Revaluation (cancellation of cumulated amortisation)	-	(52,592,563)	-	-	-	-	-	(52,592,563)
Year amortisation	-	19,978,152	77,482,241	53,173,089	2,089,716	-	-	152,723,198
Disposals	-	(27,349)	(3,637,739)	(32,934,001)	(47,558)	-	-	(36,646,647)
Depreciation / (Depreciation reversal)	-	-	3,723,148	-	-	-	-	3,723,148
As at December 31, 2019	-	267,822	869,099,047	399,040,159	13,950,314	-	-	1,282,357,342
Year amortisation	-	25,835,180	87,783,613	56,971,462	2,950,950	-	-	173,541,204
Disposals	-	(6,139)	(1,595,768)	(13,993,622)	(187,690)	-	-	(15,783,218)
Depreciation / (Depreciation reversal)	-	-	(2,019,758)	-	-	-	843,621	(1,176,137)
As at December 31, 2020	-	26,096,863	953,267,134	442,017,998	16,713,575	-	843,621	1,438,939,191
Net book value								
As at December 31, 2020	131,770,785	322,065,148	2,327,987,479	264,869,995	7,602,434	3,341,027	407,356,471	3,464,993,338
As at December 31, 2019	131,770,785	331,460,708	2,214,681,170	226,332,012	8,541,263	-	331,848,709	3,244,634,647

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***11. TANGIBLE ASSETS (continued)**

The total value of the investments made in 2020 amounts to 408.8 million RON (2019: 297.7 million RON), of which 394.3 million RON as tangible assets (2019: 284.3 million RON) and 14.5 million RON as intangible assets (2019: 13.4 million RON). The Company's main investments comprise the distribution network rehabilitation, connections to the gas grid, meters and technical equipment.

On December 17, 2020, the Company completed a transfer of assets in the context of purchasing two solar farms located in Cristuru Secuiesc, Harghita county.

Assets held under lease

On December 17, 2020 the Company took over the superficies agreement pertaining to the lands which host the photovoltaic panels.

In the financial statements concluded as at December 31, 2020, the Company recorded the right to use and the leasing debt related to these lands and amounting to 3,341,027 RON.

Sold and leased tangible assets

The Company did not have throughout 2020 any tangible assets subsequently sold and leased.

Revaluation of fixed assets

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

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

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

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

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, 2019		
Cost	26,113,788	442,004,706
Cumulated value adjustments		217,985,881
Net book value	26,113,788	224,018,825
As at December 31, 2020		
Cost	26,113,788	456,023,252
Cumulated value adjustments		228,536,448
Net book value	26,113,788	227,268,732

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***11. TANGIBLE ASSETS (continued)**Assets encumbered by guarantees

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

The value of fully amortised tangible assets

The gross book value of fully amortised tangible assets, net of the collected subsidy, which are still in use as at December 31, 2020, is 326,369,753 RON (2019: 274,684,115 RON).

Provisions for depreciations of fixed assets

As at December 31, 2020, the Company recorded a provision amounting to 16,503,791 RON (2019: 18,523,549 RON), for the depreciation of fixed assets (pipelines and branchings in particular), for the fixed assets comprised in the Scrapping Plans for 2021 (and 2020, respectively).

The Company checked for other internal or external indications of depreciation, but could not identify any.

12. INTANGIBLE ASSETS

	Licences and concessions	IT systems	Intangible assets in progress	Total
	RON	RON	RON	RON
Cost				
As at January 1, 2019	22,189,469	75,226,144	9,187,453	106,603,066
Wirom Gas takeover	28,738	-	-	28,738
Receipts	-	-	13,387,553	13,387,553
Disposals	-	-	-	-
Transfer from investments in progress	1,811,979	14,439,482	(16,251,461)	-
As at December 31, 2019	24,030,186	89,665,626	6,323,545	120,019,357
Purchase of photovoltaic panels	303,817	-	-	303,817
Receipts	-	-	14,227,506	14,227,506
Disposals	-	-	-	-
Transfer from investments in progress	2,288,662	11,641,484	(13,930,146)	-
As at December 31, 2020	26,622,664	101,307,110	6,620,906	134,550,680
Amortisation and impairment adjustments				
As at January 1, 2019	19,899,159	62,268,458	-	82,167,617
Wirom Gas takeover	28,738	-	-	28,738
Amortisation	1,067,631	5,558,122	-	6,625,753
Depreciation	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2019	20,995,528	67,826,580	-	88,822,108
Amortisation	984,862	7,799,896	-	8,784,758
Depreciation	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2020	21,980,390	75,626,477	-	97,606,867
Net book value				
As at December 31, 2020	4,642,275	25,680,633	6,620,906	36,943,814
As at December 31, 2019	3,034,658	21,839,046	6,323,545	31,197,249

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***13. FINANCIAL FIXED ASSETS**

The Company's financial fixed assets are divided into:

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

13.1 Financial investments

	2020 RON	2019 RON
Book value as at January 1	476,165	476,165
Disposals	-	-
Book value as at December 31	476,165	476,165

	Equity interests %	Purchase cost RON	Impairment RON	Net value RON
2020 and 2019				
Roman Braşov	1.19%	3,460,973	3,460,973	-
Other financial investments	<20%	536,995	60,830	476,165
Total		3,997,968	3,521,803	476,165

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

13.2 Investments in subsidiaries

	2020 RON	2019 RON
Book value as at January 1	494,505,620	451,873,255
Receipts – Wirom purchase	-	11,870,000
Transfer from Wirom associates	-	9,782,058
Partition – Wirom - cancellation of equity interests in Wirom	-	(21,652,058)
DGSR – shares received following the Wirom partition	-	4,451,660
Depreciation carry-over	39,036,209	38,180,705
Book value as at December 31	533,541,829	494,505,620

The Company held an investment amounting to 48.85% in SC Wirom Gas SA, a natural gas distribution company serving Turnu Măgurele, Alexandria, Olteniţa, Giurgiu and Corabia cities.

It became a consolidated subsidiary on March 1, 2019, when 51.15% of its share were purchased. At the end of 2019, pursuant to 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 Reţele SRL, a transfer that included its assets and liabilities, as well as its rights and obligations.

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***13. FINANCIAL FIXED ASSETS**

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

	Equity interests %	Purchase cost RON	Depreciation RON	Net value RON
2020				
Distrigaz Sud Rețele SRL	99.9738%	76,181,970	-	76,181,970
ENGIE Servicii SRL	99.99%	2,009,900	-	2,009,900
Brăila Winds SRL	99.99%	337,803,812	11,440,796	326,363,016
Alizeu Eolian SA	99.99%	191,815,701	62,828,758	128,986,943
Total		607,811,383	74,269,555	533,541,829
2019				
Distrigaz Sud Rețele SRL	99.9738%	76,181,970	-	76,181,970
ENGIE Servicii SRL	99.99%	2,009,900	-	2,009,900
Brăila Winds SRL	99.99%	337,803,812	31,004,494	306,799,318
Alizeu Eolian SA	99.99%	191,815,701	82,301,269	109,514,432
Total		607,811,383	113,305,763	494,505,620

Distrigaz Sud Rețele SRL is a natural gas distribution company established on March 1, 2008. In accordance with the obligations stipulated by the Romanian and the European legislation applicable in the natural gas sector, the distribution activity of the former ENGIE Romania company was separated from the supply activity. The new company became the natural gas distribution service concession and distribution licence holder. Following the partition and integration of Wirom Gas SA, the Company holds 99.9738% of the equity shares of Distrigaz Sud Rețele SRL. The own equity value at the end of 2020 is 154,113,969 RON (2019: 170,693,616 RON), of which 15,240,382 RON (2019: 15,240,382 RON) as reserves, and 47,727,068 RON (2019: 64,023,691 RON) as profit.

ENGIE Servicii SRL is a service provider in the natural gas sector, established on July 1, 2009, which took over the general and technical inspection and repair activities previously carried out by Distrigaz Sud Rețele SRL. This company's actual activity commenced on October 1, 2009. The company holds 99.99% of the equity shares of ENGIE Servicii SRL. The own equity value at the end of 2020 is 20,462,177 RON (2019: 12,304,932 RON), of which 402,000 RON (2019: 402,000 RON) as reserves, and 8,157,245 RON (2019: 8,326,491 RON) as profit.

Brăila Winds SRL was purchased by the Company in December 2011. The scope of business is the production of wind-powered electricity. The Company holds 99.995% of the equity shares of Brăila Winds. The own equity value at the end of 2020 is 324,854,697 RON (2019: 305,554,077 RON), of which 7,304,026 RON (2019: 5,859,354 RON) as reserves, and 25,935,567 (2019: 20,534,106 RON) as profit.

Alizeu Eolian SA was purchased by the Company in 2012. The scope of business is the production of wind-powered electricity, the company managing to obtain at the end of 2013 the power producer licence. The Company holds 99.995% of the shares of Alizeu Eolian SA. The own equity value at the end of 2020 is 127,741,530 RON (2019: 108,964,883 RON), of which 4,287,111 RON (2019: 3,276,104 RON) as reserves, and 18,776,647 (2019: 15,109,779 RON) as profit.

The depreciation carried over at the end of 2020, for the investments in Brăila Winds and Alizeu Eolian subsidiaries, relies on the estimates of cash flows generated by the subsidiaries' business (values in use). Depending on the future trends of the electricity price, but also on the green certificate regulations, changes in this depreciation may occur.

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***13. FINANCIAL FIXED ASSETS (continued)****The depreciation test**

Since 2014, the management has been performing the financial asset depreciation test where there were indications that their book value might be impaired. The depreciation found is, basically, a result of the current market condition prospects on the prices for energy and green certificates, which significantly affected the profitability of Alizeu Eolian and Brăila Winds subsidiaries. Considering this market trend, the Company revised the business plan for the remaining lifetime of the projects (2021-2033 for Alizeu Eolian and 2021-2032 for Brăila Winds).

The depreciation test the management performed as at December 31, 2020 entailed determining the recoverable value of the cash-generating units, corresponding to the values in use. The value in use is the updated value of the future cash flows estimated to be provided by a cash-generating unit.

Cash flow projections rely on the financial budgets approved by management, which cover the estimated useful life of wind farms, keeping in mind the approved amendments that supplement the legislation on the system designed to promote energy production from renewable energy sources (GEO 27/2017 on amending Law no. 220/2008). The discount rate (post-tax) taken into account was 9.18% (2019: 8.3%).

The balance of deferred green certificates, pertaining to the 2013-2017 interval and present as at December 31, 2020, is estimated to be traded in 2021 - 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 (2021 - 2031). The energy price was estimated based on internal and external sources. The annual production intervals range between 127.2 GWh and 129.2 GWh, the equivalent of a 30% average capacity factor.

The value in use of cash-generating units, in the case of Brăila Winds and Alizeu Eolian, as at December 31, 2020 is 316.4 million RON. A 5% change in the energy price every year, all other variables staying unchanged, will lead to changes in the recoverable value by approximately 17.7 million RON. A 1% change in the discount rate, all other variables staying unchanged, will lead to changes in the recoverable value by approximately 15.7 million RON.

13.3 Investments in associates

	2020 RON	2019 RON
Book value as at January 1	3,284,796	13,066,854
Transfer to subsidiaries	-	(9,782,058)
Book value as at December 31	3,284,796	3,284,796

The status of equity interests during 2019 and 2020 appears as follows:

	Equity interests %	Purchase cost RON	Depreciation RON	Net value RON
2020 and 2019				
Tulcea Gaz	30.00%	3,284,796	-	3,284,796
Total		3,284,796	-	3,284,796

Tulcea Gaz SA is a natural gas distribution company, located in Tulcea county, the majority shareholder of which is Infochem International SA (59.35%). Its scope of business consist in the supply and distribution of gas across Tulcea county. The own equity value at the end of 2020 is 17,950,953 RON (2019: 17,491,006 RON), of which 5,319,994 RON (2019: 5,129,434 RON) as reserves, and 1,707,515 RON (2019: 1,438,128 RON) as profit.

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14. OTHER FINANCIAL ASSETS / LIABILITIES

14.1 Other financial assets

	2020 RON	2019 RON
Financial instruments at fair value		
Fair value of derivatives – asset	92,237,936	8,671,868
Total financial instruments at fair value	92,237,936	8,671,868
Loans and receivables		
Loans to subsidiaries (Note 24)	154,332,469	154,332,469
Receivables from cash pooling with subsidiaries (Note 24)	9,694,336	4,367,916
Other receivables	349,872	604,568
Total loans and receivables	164,376,677	159,304,953
Total other assets	256,614,613	167,976,821
Short-term total	101,932,272	13,039,784
Long-term total	154,682,341	154,937,037

Due to the increase in the volume of electricity trading transactions (net financial settlement), in 2020, the Company presented separately the transactions for which the fair value represents an asset (note 14.1) or a liability (note 14.2). The fair value of derivatives – asset also includes the value of instruments designed to hedge cash flows against risks related to the natural gas price (note 9).

The details on the loans granted to subsidiaries as at December 31, 2020 is presented below:

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

14.2 Other financial liabilities

	2020 RON	2019 RON
Financial instruments at fair value		
Fair value of derivatives – liability	79,591,553	-
Total financial instruments at fair value	79,591,553	-
Other debts to subsidiaries		
Liabilities from cash pooling with subsidiaries (Note 24)	652,768,347	554,034,973
Total other debts to subsidiaries	652,768,347	554,034,973
Total other financial liabilities	732,359,900	554,034,973
Short-term total	732,359,900	554,034,973
Long-term total	-	-

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***14. OTHER FINANCIAL ASSETS / LIABILITIES (continued)****14.3 Interest-bearing loans**

The Company has also contracted the following credit facilities:

Lender	UniCredit	BRD	Raiffeisen	Banca Transilvania
Amount granted	90 million RON	90 million RON	24 million RON	150 million RON
Type	Medium-term non-binding general-purpose loan	Non-binding general-purpose credit facility	General-purpose intraday overdraft facility	Intraday overdraft facility
Withdrawals	The amounts were not withdrawn by December 31, 2020	The amounts were not withdrawn by December 31, 2020	The amounts were not withdrawn by December 31, 2020	The amounts were not withdrawn by December 31, 2020
Guarantees	Movable mortgage on bank accounts	Movable mortgage on bank accounts	No security	Movable mortgage on bank accounts
Amount granted	100 million RON	170 million RON	100 million RON	
Type	General-purpose overdraft	Non-binding general-purpose credit line	General-purpose overdraft facility	
Withdrawals	The amounts were not withdrawn by December 31, 2020	The amounts were not withdrawn by December 31, 2020	The amounts were not withdrawn by December 31, 2020	
Guarantees	No security available	Movable mortgage on bank accounts	Movable mortgage on bank accounts	

As at December 31, 2020, the Company also enjoyed the following letter of bank guarantee facilities:

- A credit line with B.R.D. - Groupe Societe Generale S.A., in the form of a facility to issue letters of bank guarantee for a total amount of 450,000,000 RON, valid until 30.10.2021 (the total balance used being 149,089,508.59 RON, of which 228,164 EUR, 147,977,345.99 RON);
- A credit line with UniCredit Bank S.A., in the form of a facility to issue letters of bank guarantee for an amount of 450,000,000 RON, valid until 31.03.2022 (the balance used being 150,668,564.43 RON, of which 100,000 BGN, 150,419,334.43 RON);
- A credit line with Raiffeisen Bank, in the form of a facility to issue letters of bank guarantee for an amount of 450,000,000 RON, valid until 30.06.2022 (the balance used being 271,023,300 RON, of which 5,000,000 EUR, 246,651,300 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 182,288,574.13 RON, of which 750,000 EUR, 178,632,774.13 RON).
- A credit line with Banca Transilvania, in the form of a facility to issue letters of bank guarantee for a total amount of 100,000,000 RON, valid until 13.09.2021 (the balance used being 6,840,774.90 RON).

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***15. STOCKS**

	2020 RON	2019 RON
Gas	445,808,841	787,186,129
Spare parts	7,875	10,817
Project under installation at customer	1,027,252	-
Total	446,843,968	787,196,946

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

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

The gas purchase and electricity purchase costs are presented in Note 5.2. Other expenses in relation to stocks are non-significant.

16. RECEIVABLES

	2020 RON	2019 RON
Trade receivables	755,639,898	893,886,028
Receivables from affiliated parties (Note 24)	171,086,028	126,734,269
Customers - invoices to be issued	437,010,865	523,660,534
Value adjustments for projected impairment losses	(182,436,261)	(195,591,716)
Total	1,181,300,530	1,348,737,388

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

The Company recorded a value adjustment for projected impairment losses, amounting to 182,436,261 RON, as at December 31, 2020 (2019: 195,591,716 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 to be 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, 2019	173,287,766
Increases throughout the year	354,552,199
Amounts used	(32,281,072)
Reversals throughout the year	(300,643,554)
Taken over from Wirom Gas	676,376
As at December 31, 2019	195,591,716
Increases throughout the year	387,089,756
Amounts used	(30,794,645)
Reversals throughout the year	(369,450,567)
As at December 31, 2020	182,436,261

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16. RECEIVABLES (continued)

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

2020	Total	Within deadline	0-90	90-120	121-365	> 1 year
Receivables of household / non-household customers	958,690,494	832,388,317	55,329,932	3,561,895	24,682,654	42,727,696
Provision for customers	98,678,000	20,099,218	10,054,535	3,199,477	22,544,316	42,780,454
% Provisioning percentage	10%	2%	18%	90%	91%	100%
Receivables of large customers	233,960,268	153,498,072	8,249,487	880,154	15,953,631	55,378,924
Provision for large customers	83,758,260	17,603,573	5,889,754	685,148	12,934,483	46,645,303
% Provisioning percentage	36%	11%	71%	78%	81%	84%
2019	Total	Within deadline	0-90	90-120	121-365	> 1 year
Receivables of household / non-household customers	1,013,584,312	898,467,778	43,273,315	1,645,857	14,654,131	55,543,232
Provision for customers	89,645,259	12,520,841	7,361,769	785,504	13,622,474	55,354,671
% Provisioning percentage	9%	1%	17%	48%	93%	100%
Receivables of large customers	403,962,250	277,380,899	46,887,402	4,557,922	59,963,767	15,172,259
Provision for large customers	105,946,457	26,256,044	11,920,243	3,856,419	50,846,953	13,066,798
% Provisioning percentage	26%	9%	25%	85%	85%	86%

17. OTHER RECEIVABLES AND CURRENT ASSETS

Other receivables and current assets comprise:

	2020 RON	2019 RON
Receivables from levies and taxes	3,588,325	2,950,088
Sundry debtors	2,353,406	2,893,071
Other short-term receivables	5,941,731	5,843,159
Advance payments to suppliers	40,176	7,736,202
Deferred expenses	13,631,996	7,308,818
Advance payments and deferred expenses	13,672,172	15,045,020
Total	19,613,903	20,888,179

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***18. CASH AND CASH EQUIVALENTS**

As at December 31, 2020 and 2019, the net resources are as follows:

	2020 RON	2019 RON
Cash and cash at bank	61,254,520	49,469,121
Other cash equivalents	28,141	27,474
Short-term bank deposits	797,469,804	651,154,498
Short-term deposits with ENGIE Treasury Management	415,725,876	208,319,493
Total	1,274,478,341	908,970,586

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

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

Of the total amount in the bank accounts, the restricted amounts as at December 31, 2020 and 2019 consist in:

	2020 RON	2019 RON
Guarantees set up by customers	113,191	301,963
Guarantees set up by managers	29,036	28,881
Other securities	252,996	254,467
Total	395,222	585,311

19. SHARE CAPITAL AND RESERVES**19.1 Share capital**

	Number of shares	Nominal value RON	Share capital RON	Adjustment for hyperinflation RON	Share premiums RON	Total RON
Balance as at January 1, 2019	19,924,553	10	199,245,530	58,057,818	653,633,485	910,936,833
Changes Jan. - 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
Changes Jan. - Dec. 2020	-	-	-	-	-	-
Balance as at December 31, 2020	19,924,554	10	199,245,540	58,057,818	655,809,806	913,113,164

As at December 31, 2020 and 2019, the share capital of ENGIE Romania amounts to 199,245,540 RON in total, comprising 19,924,554 nominal shares amounting to 10 RON/share, distributed as follows:

2020 shareholding structure	Number of shares	Value in RON	%
Romania Gas Holding	10,160,467	101,604,670	50.994702
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 Cogeaia de Jos Town	620	6,200	0.003112
Local council of Ovidiu City	206	2,060	0.001034
Local council of Medgidia County	206	2,060	0.001034
Total	19,924,554	199,245,540	100.000000

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***19. SHARE CAPITAL AND RESERVES (continued)**

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 Cogeaia 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

The Company's share capital is fully paid as at December 31, 2020.

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

19.2 Legal reserve

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

The legal reserve set up as at December 31, 2020 is 49,014,519 RON.

19.3 Other reserves

Other reserves primarily consist in the reserve from the investment development share (December 31, 2020 and December 31, 2019: 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, 2020: 207,292,372 RON, December 31, 2019: 220,013,839 RON); these reserves may be distributed only after they are realised and transferred to the balance carried forward. The statement of financial position presents the revaluation reserves reduced with the deferred tax associated to them.

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

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***20. PROVISIONS**

	Provision for litigations RON	Other provisions RON	Total RON
As at January 1, 2019	2,299,283	8,000,000	10,299,283
Provisions set up throughout the year	2,382,612	-	2,382,612
Provisions carried over under revenues	(41,077)	(1,000,000)	(1,041,077)
Provisions used	(94,556)	-	(94,556)
As at December 31, 2019	4,546,262	7,000,000	11,546,262
Provisions set up throughout the year	126,760	500,000	626,760
Provisions carried over under revenues	(278,467)	-	(278,467)
Provisions used	(92,400)	-	(92,400)
As at December 31, 2020	4,302,155	7,500,000	11,802,155
As at December 31, 2019			
In the short term	4,546,262	-	4,546,262
In the long term	-	7,000,000	7,000,000
As at December 31, 2020			
In the short term	4,302,155	-	4,302,155
In the long term	-	7,500,000	7,500,000

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

21. EMPLOYEE BENEFITS

	2020 RON	2019 RON
Net liabilities at the start of the period	33,951,321	30,359,831
Expenses with additional provisions	9,864,261	4,495,254
Reversals of provisions	(79,504)	2,382,542
Provisions used	(2,359,569)	(3,286,306)
Net liabilities at the end of the period	41,376,509	33,951,321

As at December 31, 2020, the Company holds a provisions amounting to 24,658,887 RON (2019: 22,312,700 RON) for long-term benefits granted to salaried employees.

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

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22. SUPPLIERS AND OTHER CURRENT LIABILITIES

	2020 RON	2019 RON
Suppliers	406,650,625	874,853,546
Liabilities to affiliated parties (Note 24)	173,901,359	164,804,066
Total suppliers – trade payables	580,551,984	1,039,653,712
Advance payments from customers	74,447,966	89,846,455
Sundry creditors	106,364,693	82,084,985
Salaries payable and related contributions	9,841,967	8,173,262
VAT payable	79,656,509	88,355,907
Excise and other duties	73,080,805	3,405,453
Other short-term liabilities	6,291,149	6,222,648
Total other short-term liabilities	349,683,089	278,088,710
Total suppliers and current liabilities	930,235,073	1,317,742,422

The “suppliers” balance decrease as at December 31, 2020 was largely determined the decrease of natural gas purchase prices in 2020.

As at December 31, 2020 the balance for “excise and other duties” includes the “windfall tax” estimate, introduced by Law 155/2020, by means of which the state collects 90% of the amount resulted from the difference between the actual purchase price and the producers’ regulated price, amounting to 68 RON/MWh, between July 2020 and June 30, 2021, in a special account, to subsequently use these amounts exclusively to protect vulnerable customers. By the approval date of the financial statements the implementation rules related to this tax had not been issued yet.

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***23. DIVIDENDS**

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

The 2020 net outturn will be appropriated in line with the Decision of the Shareholders' General Ordinary Assembly.

	2020 RON	2019 RON
Dividends paid throughout the year	100,711,283	136,778,084
Dividends/share (RON/share)	5.05	6.86

24. PRESENTATION OF AFFILIATED PARTIES

The Company's affiliated parties are:

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

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24. PRESENTATION OF AFFILIATED PARTIES (continued)

The details of transactions and balances with the affiliated parties, for the years 2020 and 2019, are:

Sales from transactions with affiliated parties		2020 RON	2019 RON
ENGIE	Gas sales	7,390,455	370,270
	Other services	1,146,836	1,977,484
	Deposit interest	7,406,383	8,168,491
	Total	15,943,674	10,516,245
Distrigaz Sud Rețele	Leases of assets	405,707,255	438,568,745
	Provision of support services	146,294,054	136,033,157
	Technological consumption invoice	97,222,522	132,087,926
	Connections to the distribution network	44,206,088	34,866,442
	Dividends	64,289,889	51,783,333
	Total	757,719,807	793,339,602
ENGIE Servicii	Leases of assets	116,032	111,975
	Sales of fixed assets	9,762	18,534
	Gas sales	35,090	35,345
	Provision of support services	6,173,052	5,316,139
	Other revenues (cash pooling interest)	37,487	225,645
	Total	6,371,424	5,707,638
Brăila Winds	Provision of support services	2,787,127	2,004,453
	Balancing services	6,714,098	5,903,238
	Leases of assets	27,000	9,000
	Electricity sales	510,938	453,414
	Dividends	6,634,947	-
	Total	16,674,110	8,370,105
Alizeu Eolian	Provision of support services	2,753,941	1,836,702
	Balancing services	5,793,053	6,557,721
	Other revenues (loan interest)	7,060,711	7,041,419
	Leases of assets	27,000	9,000
	Electricity sales	156,929	184,572
	Total	15,791,634	15,629,414
ENGIE Building Solutions	Support services	20,000	20,000
	Other revenues	113,187	60,570
	Total	133,187	80,570
Tulcea Gaz	Gas sales	3,835,012	2,597,787
	Other revenues	34,800	48,644
	Dividends	-	283,179
	Total	3,869,812	2,929,610
Depomures	Contract for services	200,000	200,000
	Electricity sales	90,536	93,916
	Total	290,536	293,916
ENGIE Energy Management Romania	Gas sales	16,975,839	3,731,157
	Other revenues	415,200	354,032
	Total	17,391,039	4,085,190
ENGIE Dezvoltare și Consultanță	Provision of support services	51,195	50,329
Total sales from transactions with affiliated parties		834,236,417	841,003,050

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24. PRESENTATION OF AFFILIATED PARTIES (continued)

Purchases from transactions with affiliated parties and dividends paid		2020 RON	2019 RON
ENGIE	Gas purchases	134,514,580	271,863,099
	Management services	8,007,534	5,938,416
	Software licence and maintenance	6,859,503	5,806,937
	Other purchases	1,846,992	1,459,846
	Total	151,228,610	285,068,298
ENGIE	Dividends paid	51,357,418	69,749,584
Distrigaz Sud Rețele	Natural gas distribution services	775,139,916	822,004,983
	Purchases of materials	650,691	43,956
	Cash pooling interest	7,353,730	9,552,544
	Quality-related services	140,000	140,000
	Works follow-up services (capitalised)	89,728,352	93,500,197
	Total	873,012,689	925,241,660
ENGIE Servicii	Miscellaneous - technical inspections, verifications	69,473,561	60,625,716
	Facility management	13,709,495	12,469,589
	Other purchases	761,440	559,483
	Purchases of assets	-	132,641
	Cash pooling interest	13,700	
	Total	83,958,196	73,787,430
Brăila Winds	Electricity purchases	29,679,289	20,224,060
	Purchases of green certificates	22,754,320	20,563,389
	Cash pooling interest	2,447,925	2,498,294
	Total	54,881,535	43,285,743
Alizeu Eolian	Electricity purchases	30,235,518	21,340,015
	Purchases of green certificates	24,486,742	22,311,037
	Cash pooling interest	1,670,500	1,508,466
	Purchases of assets	118,821	
	Total	56,511,581	45,159,518
Tulcea Gaz	Natural gas distribution	1,084,092	60,687
	Gas purchases	-	2,243,326
	Total	1,084,092	2,304,013
Depomures	Gas storage (including injection and extraction)	21,008,236	25,482,472
ENGIE Building Solutions	Energy efficiency services	4,496,585	2,966,440
ENGIE Energy Management Romania	Gas purchases	38,875,589	28,009,832
Administrators	Allowances	374,053	370,095
Total purchases from transactions with affiliated parties		1,336,788,583	1,501,425,106

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24. PRESENTATION OF AFFILIATED PARTIES (continued)

Receivables from affiliated parties		2020 RON	2019 RON
ENGIE	Trade receivables	730,919	1,231,092
Distrigaz Sud Rețele	Trade receivables	154,681,450	118,459,579
ENGIE Servicii	Trade receivables	719,165	656,785
	Cash pooling	-	1,181,403
	Total	719,165	1,838,188
ENGIE Building Solutions	Trade receivables	5,950	545,217
	Cash pooling	9,694,336	3,186,514
	Total	9,700,286	3,731,730
Brăila Winds	Trade receivables	2,970,894	877,346
Alizeu Eolian	Long-term loan	154,332,469	154,332,469
	Trade receivables	2,468,518	1,931,028
	Total	156,800,987	156,263,497
Tulcea Gaz	Trade receivables	409,765	1,175,666
Depomures	Trade receivables	74,684	67,158
ENGIE Dezvoltare și Consultanță	Trade receivables	63,197	53,666
ENGIE Energy Management Romania	Trade receivables	8,961,486	1,736,732
ENGIE Treasury Management	Deposit	415,725,876	208,319,493
Total Receivables from affiliated parties		750,838,708	493,754,147

Liabilities to affiliated parties		2020 RON	2019 RON
ENGIE	Trade payables	5,555,013	14,831,903
Distrigaz Sud Rețele	Cash pooling	369,610,358	353,544,270
	Trade payables	137,791,736	131,423,589
	Total	507,402,095	475,061,267
ENGIE Servicii	Cash pooling	6,621,707	-
	Trade payables	13,407,309	9,279,089
	Total	20,029,016	9,279,089
Brăila Winds	Cash pooling	162,183,761	124,082,147
	Trade payables	5,855,004	2,189,953
	Total	168,038,764	126,272,100
Alizeu Eolian	Cash pooling	114,352,520	76,408,556
	Trade payables	6,298,134	2,287,900
	Total	120,650,655	78,696,455
ENGIE Building Solutions	Trade payables	1,084,396	734,777
	Cash pooling	-	-
	Total	1,084,396	734,777
Engie Energy Management Romania	Trade payables	2,585,095	7,699,452
Tulcea Gaz	Trade payables	14,661	11,143
Depomures	Trade payables	1,310,011	1,299,557
Liabilities to affiliated parties		826,669,706	718,839,039

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.

25. COMMITMENTS AND CONTINGENCIES

Fixed assets

The 2021 investment budget amounts to 732,241,059 RON (2019: 382,510,672 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 2021 investment budget appears as follows:

Distribution system rehabilitation	155,500,000
Pipeline extensions, CNG, specific technical equipment	456,200,000
Other investments	120,541,059
Total	732,241,059

Natural gas

As at December 31, 2020, the Company had concluded contracts for the purchase of domestically sourced and imported natural gas, in order to secure the consumption requirements of household and non-household customers, for the initially estimated quantity of 11.66 TWh (15.1 TWh as at 31.12.2019).

At the end of 2020, the Parent company had also concluded natural gas storage and transportation contracts with gas service suppliers, amounting to 177.9 million RON (2019: 201.1 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 measures 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.

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***25. COMMITMENTS AND CONTINGENCIES (continued)**

In 2020, the environmental protection costs amounted to 3,100,905 RON and materialised into:

- Programs of measures to comply with the environmental legislation (contribution to the Ia Environmental Fund) 92 RON;
- Energy efficiency measures (including the thermal rehabilitation of buildings): 2,768,000 RON;
- Measures on selective collection, temporary storage and disposal of Group household waste: 321,483 RON;
- Programs to maintain the Environmental quality – OHS integrated Management System: 11,330 RON in expenses made.

In 2020, ENGIE Romania was neither involved in any major environmental pollution incidents, nor taken to court for damage inflicted upon the environment.

Lease contracts

On December 17, 2020, the Company took over the superficies agreement pertaining to the lands which host the photovoltaic panels (note 11).

In the financial statements concluded as at December 31, 2020, the Company recorded the right to use and the loan related to these lands.

	2020 RON
The current part	186,075
The long-term part	3,154,952
Total lease-based debt	3,341,027

Guarantees for contractual obligations

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

Issuer	Beneficiary	Amount (equivalent in RON)	Currency	Validity
RAIFFEISEN	OMV PETROM	80,325,000	RON	06.05.2021
RAI FFEISEN	ROMGAZ	79,254,000	RON	06.05.2021
BNP Paribas	OMV PETROM	73,170,720	RON	25.01.2021
BRD	ROMGAZ	72,156,840	RON	10.02.2021
UNICREDIT	ROMANIAN COMMODITIES EXCHANGE	68,000,000	RON	07.12.2021
RAI FFEISEN	OMV PETROM	55,477,800	RON	06.05.2021
UNICREDIT	OPCOM	40,000,000	RON	31.12.2021
BRD	NUCLEARELECTRICA	33,695,805	RON	25.01.2022
RAIFFEISEN	CEZ a.s	24,372,000	EUR	20.01.2023
RAI FFEISEN	OMV PETROM	23,776,200	RON	06.05.2021
BNP Paribas	TRANSGAZ	17,318,689	RON	02.04.2021
BNP Paribas	TRANSGAZ	16,270,635	RON	02.03.2021
BNP Paribas	TRANSGAZ	15,087,726	RON	31.05.2021
BNP Paribas	TRANSGAZ	13,239,725	RON	02.04.2021
BRD	ROMGAZ	13,109,040	RON	06.05.2021
BNP Paribas	TRANSGAZ	12,894,346	RON	02.03.2021
UNICREDIT	ROMGAZ	12,228,958	RON	05.02.2022
UNICREDIT	ROMGAZ	8,780,772	RON	05.02.2021
BRD	ROMANIAN COMMODITIES EXCHANGE	8,000,000	RON	31.01.2021

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***25. COMMITMENTS AND CONTINGENCIES (continued)**

Issuer	Beneficiary	Amount (equivalent in RON)	Currency	Validity
RAI FFEISEN	OMV PETROM	7,818,300	RON	06.05.2021
BNP Paribas	TRANSGAZ	7,600,000	RON	16.12.2021
UNICREDIT	ROMANIAN COMMODITIES EXCHANGE	5,000,000	RON	01.07.2021
BRD	OPCOM	5,000,000	RON	31.12.2021
UNICREDIT	TRANSGAZ	4,478,437	RON	02.03.2021
BRD	NUCLEARELECTRICA	4,464,149	RON	26.01.2021
BNP Paribas	TRANSGAZ	4,375,302	RON	31.05.2021
BNP Paribas	TRANSGAZ	3,693,631	RON	01.02.2021
BNP Paribas	JOINT ALLOCATION OFFICE	3,655,800	EUR	31.03.2022
BRD	HIDROELECTRICA	3,000,000	RON	06.02.2022
UNICREDIT	ROMGAZ	2,698,742	RON	05.05.2021
BRD	TRANSGAZ	2,582,058	RON	02.12.2021
BNP Paribas	TRANSGAZ	2,074,697	RON	01.02.2021
BNP Paribas	TÂRGOVIȘTE MAYOR'S OFFICE	1,843,250	RON	10.03.2022
UNICREDIT	OPCOM	1,785,000	RON	25.07.2021
UNICREDIT	TRANSELECTRICA	1,716,000	RON	21.01.2021
BRD	TRANSELECTRICA	1,680,342	RON	31.01.2021
UNICREDIT	OMV PETROM	1,408,544	RON	05.02.2022
BNP Paribas	Electrica Furnizare	1,314,306	RON	25.01.2021
BNP Paribas	Electrica Furnizare	1,310,134	RON	25.01.2021
Banca Transilvania	DELGAZ GRID	1,207,566	RON	25.01.2022
Banca Transilvania	SDEE TRANSILVANIA SUD	1,180,410	RON	25.01.2022
Banca Transilvania	ELECTRICA FURNIZARE	1,058,646	RON	25.01.2022
BNP Paribas	SDEE TRANSILVANIA SUD	1,009,130	RON	25.01.2021
UNICREDIT	ROMANIAN COMMODITIES EXCHANGE	1,000,000	RON	31.12.2020
BNP Paribas	BUȘTENI MAYOR'S OFFICE	953.6	RON	15.05.2022
BNP Paribas	DELGAZ GRID	871,484	RON	31.10.2021
Banca Transilvania	HIDROELECTRICA	869,472	RON	25.01.2022
Banca Transilvania	HIDROELECTRICA	859,968	RON	25.01.2022
Banca Transilvania	HIDROELECTRICA	858,326	RON	25.01.2022
BRD	ROMGAZ	835.38	RON	05.02.2021
Banca Transilvania	ELECTRICA FURNIZARE	806,387	RON	26.04.2021
BNP Paribas	E.ON ENERGIE ROMANIA	790,398	RON	11.04.2021
UNICREDIT	ROMGAZ	723,083	RON	05.08.2021
BNP Paribas	BUȘTENI MAYOR'S OFFICE	620	RON	15.05.2022
UNICREDIT	AZOMURES	499.8	RON	11.04.2021
BNP Paribas	VEOLIA	486,234	RON	11.04.2021
BRD	OMV PETROM Global Solutions	471,013	EUR	01.08.2022
BRD	SDEE TRANSILVANIA SUD	449,808	RON	25.01.2021
BNP Paribas	PREMIER ENERGY	399,641	RON	31.10.2021
BNP Paribas	BUȘTENI MAYOR'S OFFICE	322	RON	18.12.2021
BNP Paribas	SINAIA MAYOR'S OFFICE	295.2	RON	01.01.2020
BRD	OMV PETROM	292,464	EUR	30.08.2024

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***25. COMMITMENTS AND CONTINGENCIES (continued)**

Issuer	Beneficiary	Amount (equivalent in RON)	Currency	Validity
BNP Paribas	SDEE Transilvania Nord	252,216	RON	25.01.2021
BNP Paribas	TECHNICAL UNIVERSITY OF CLUJ-NAPOCA	243,846	RON	14.01.2021
BRD	UNIVERSITY OF CRAIOVA	242,486	RON	01.12.2021
BNP Paribas	TÂRGOVIȘTE MAYOR'S OFFICE	240.35	RON	15.03.2021
BNP Paribas	TÂRGOVIȘTE MAYOR'S OFFICE	224,869	RON	19.02.2021
	Others	4,433,047	Various	
TOTAL		757,153,770		

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., for the letter of bank guarantee issuance facilities contracted with B.R.D. – Groupe Société Générale S.A., Raiffeisen Bank S.A., BNP Paribas S.A Paris Sucursala Bucuresti, UniCredit Bank S.A. and Banca Transilvania S.A., as well as for the overdraft facilities contracted with B.R.D. – Groupe Société Générale S.A., Raiffeisen Bank S.A., UniCredit Bank S.A. and Banca Transilvania S.A., the Company placed under a lien the resources in the accounts opened with the respective banks.

Commitments received

The Company's balance includes guarantees set up by customers, managers, treasurers and administrators, amounting to 395,222 RON.

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***25. COMMITMENTS AND CONTINGENCIES (continued)**

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

Guarantee type	Issuer of Letter of Bank Guarantee	Issuer	Amount	Currency	Validity
PCG	AIK GROUP	AIK GROUP	2,333,400	RON	01.11.2099
PCG	AIK GROUP	AIK GROUP	7,000,000	RON	01.11.2099
SGB	RAIFFEISEN	ALIVE CAPITAL	1,200,000	RON	25.07.2022
SGB	BRD	AMRONCO ENERGY	1,936,840	RON	21.06.2021
SGB	BRD	AMRONCO ENERGY	1,936,840	RON	15.10.2021
SGB	RAIFFEISEN	AZOMURES	516.46	RON	05.05.2021
BO	RAIFFEISEN	C-GAZ & ENERGY DISTRIBUTIE	1,000,000	RON	31.12.2099
SGB	BRD	DELGAZ GRID	2,559,047	RON	25.01.2022
SGB	BRD	E-DISTRIBUTIE BANAT	563	EUR	25.01.2022
SGB	BRD	E-DISTRIBUTIE DOBROGEA	563	EUR	25.01.2022
SGB	BRD	E-DISTRIBUTIE MUNTENIA	1,125,000	EUR	25.01.2022
SGB	Banca Transilvania	ELECTRICA FURNIZARE	2,334,150	RON	25.01.2021
SGB	Banca Transilvania	ELECTRICA FURNIZARE	2,326,740	RON	25.01.2021
SGB	BCR	ELECTRICA FURNIZARE	1,885,260	RON	25.01.2022
SGB	BCR	ELECTRICA FURNIZARE	3,286,800	RON	26.04.2021
SGB	OTP BANK	ENERGY DISTRIBUTION SERVICES	2,411,760	RON	25.01.2022
SGB	OTP BANK	ENERGY DISTRIBUTION SERVICES	2,411,760	RON	25.01.2022
SGB	OTP BANK	ENERGY DISTRIBUTION SERVICES	400	RON	31.08.2021
SGB	OTP BANK	ENERGY DISTRIBUTION SERVICES	1,200,000	RON	25.01.2022
SGB	OTP BANK	ENERGY DISTRIBUTION SERVICES	1,200,000	RON	25.01.2022
BO	BCR	EVA ENERGY	250	RON	31.12.2099
BO	BCR	EVA ENERGY	250	RON	31.12.2099
BO	BCR	EVA ENERGY	250	RON	31.12.2099
BO	BCR	EVA ENERGY	250	RON	31.12.2099
BO	BCR	EVA ENERGY	250	RON	31.12.2099
BO	BCR	EVA ENERGY	250	RON	31.12.2099
PCG		FREEPOINT COMMODITIES EUROPE LLP	3,000,000	EUR	31.12.2099
PCG	MET HOLDING AG	MET ROMANIA ENERGY MARKETING	1,000,000	EUR	31.01.2021
SGB	BCR	MOBILE DISTRIBUTION	600	RON	12.05.2021
SGB	UNICREDIT	NEATWORK FACILITY MANAGEMENT	15	EUR	01.08.2022
SGB	CEC BANK	NEPTUN SA	150	RON	15.03.2021
SGB	BCR	OMV PETROM	73,170,720	RON	11.01.2021
SGB	BCR	OMV PETROM	5,212,200	RON	11.04.2021
SGB	BCR	OMV PETROM	26,775,000	RON	11.04.2021
SGB	BCR	OMV PETROM	36,985,200	RON	11.04.2021
SGB	BCR	OMV PETROM	15,850,800	RON	11.04.2021
PCG	PAYPOINT SERVICES	PAYPOINT SERVICES	17,000,000	RON	31.12.2099
SGB	BCR	ROMGAZ	52,836,000	RON	31.03.2021
SGB	BCR	ROMGAZ	8,739,360	RON	02.04.2021
SGB	UNICREDIT	SDEE TRANSILVANIA SUD	2,609,984	RON	25.01.2021
SGB	UNICREDIT	SDEE TRANSILVANIA SUD	2,132,361	RON	25.01.2021

PCG – Parent company guarantee

SGB – Letter of bank guarantee

BO – Promissory note

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***25. COMMITMENTS AND CONTINGENCIES (continued)**

Guarantee type	Issuer of Letter of Bank Guarantee	Issuer	Amount	Currency	Validity
PCG	TRAFIGURA GROUP PTE LTD	TRAFIGURA GROUP PTE LTD	2,000,000	RON	31.12.2099
PCG	TRAFIGURA GROUP PTE LTD	TRAFIGURA GROUP PTE LTD	13,500,000	RON	31.12.2099
PCG	TRAFIGURA GROUP PTE LTD	TRAFIGURA GROUP PTE LTD	81,805,280	RON	31.12.2099
Performance bond account	UNICREDIT	UNITED SYSTEM OF INSTANT PAYMENTS RO S.R.L.	160	RON	31.12.2099
SGB	BRD	VEOLIA ENERGIE ROMANIA	972,468	RON	06.05.2021
PCG	VITOL HOLDING BV	VITOL HOLDING BV	2,000,000	EUR	31.10.2022
SGB	UNICREDIT	SOCIETATEA ENERGETICA ELECTRICA	1,022,591	RON	25.01.2021
SGB	BRD	VEOLIA ENERGIE ROMANIA SA	486,234	RON	06.05.2021
SGB	BRD	VEOLIA ENERGIE ROMANIA SA	486,234	RON	06.05.2021
SGB	BRD	VEOLIA ENERGIE ROMANIA SA	972,468	RON	06.05.2021
SGB	BCR	ROMGAZ	36,078,420	RON	10.01.2021
SGB	CITY INSURANCE	VEHICLEMANAGEMENT	17,964	EUR	19.07.2021
INSURANCE POLICY	ALLIANZ TIRIAC	RIVOV	102,434	RON	27.06.2021
INSURANCE POLICY	CertAsig	TECHNOHUB	14,971	EUR	27.04.2022
INSURANCE POLICY	EXIM BANK	ROMCO SYSTEM	338,529	RON	20.05.2024
INSURANCE POLICY	CITY INSURANCE	Techno Office	554.45	RON	30.06.2021
INSURANCE POLICY	CITY INSURANCE	S&T ROMANIA SRL	10,927	EUR	01.02.2021
SGB	UNICREDIT	ATOS IT SOLUTIONS Romania	15,282	EUR	24.12.2021
SGB	UNICREDIT	STAR STORAGE SRL	14,225	EUR	15.09.2022
SGB	UNICREDIT	NEATWORK FACILITY MANAGEMENT	15	EUR	01.08.2022
SGB	ING	ORANGE ROMANIA SA	27,924	EUR	15.12.2024
INSURANCE POLICY	CertAsig	ACCURATE BUSINESS	27,578	EUR	30.11.2022
INSURANCE POLICY	ABC ASIGURARI REASIGURARI SA	Auto Cobălcescu	21.25	EUR	24.02.2021
INSURANCE POLICY	EXIM BANK	CIMA DATA ANALYTICS	29	EUR	03.10.2023
SGB	BRD	GROUPAMA ASIGURARI SA	109,553	RON	16.04.2021
INSURANCE POLICY	EXIM BANK	Interguard Group SRL	447,289	RON	31.03.2021
SGB	UNICREDIT	SMART ID DYNAMICS	97,142	RON	17.07.2021
SGB	LIBRA BANK	WORKSPACE STUDIO	181,596	RON	31.03.2023
SGB	UNICREDIT	ROMPETROL DOWNSTREAM	475	RON	30.09.2021
SGB	ING	Orange Romania SA	27,783	EUR	30.10.2021
SGB	BRD	GROUPAMA ASIGURARI SA	109,553	RON	05.11.2021
INSURANCE POLICY	CITY INSURANCE	Techno Office	425,333	RON	03.12.2023
SGB	ALPHA BANK	TELEKOM ROMANIA COMUNICATIONS SA	27,872	EUR	27.12.2023
SGB	Banca Transilvania	SII IT&C SERVICES	30.8	EUR	29.11.2021
INSURANCE POLICY	CITY INSURANCE	Smart UX development	154,368	RON	31.12.2021
		Others	704,248	RON	
		Others	63,767	EUR	
		Total	420,683,872	RON	

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***25. COMMITMENTS AND CONTINGENCIES (continued)**

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

Issuer	Issuer of bank guarantee	Amount
CONI SRL	BCR	4,642,605
IRIGC IMPEX SRL	BRD	1,583,392
AVIPROD GRUP	BCR	909,758
INSTANT CONSTRUCT COMPANY	CEC	480,267
GETIMROM INSTAL SRL	BCR	452,300
ACVATOT SRL	BRD	347,770
STRACO GRUP SRL	UniCredit Ţiriac Bank	347,503
ROCIP INSTAL SRL	BCR	341,435
TEX ART CONCEPT SRL	RIB	332,475
INSTPRO SRL	BCR	330,666
ANTOPREST ACTIV SRL	BRD	323,204
BOGART BUILDING MANAGEMENT	Raiffeisen Bank	317,835
CALIN SERVICE TOTAL SRL	BRD	234,170
MIRAL INSTAL COMPANY SRL	BRD	230,191
INSTAL GAZ IMPEX SRL	BCR	201,187
DHM PRINTING&ADVERTISING	Banca Transilvania	200,848
PRO ACVA INSTAL SRL	Raiffeisen Bank	198,948
TOTAL GAZ INDUSTRIE SA	BRD	198,392
ARENA COM SRL	Banca Transilvania	191,529
GIMVEST SRL	Piraeus Bank	187,447
MITREA PREST SRL	BCR	181,266
GOGAN SRL	Banca Transilvania	174,752
INTERMON SRL	BRD	170,460
GESIC PROD SRL	BRD	159,017
PETROCONST	BRD	149,601
MIRAL INSTAL COMPANY SRL	BCR	144,493
DIMAR SRL	BRD	141,463
INDUSTRIALMD Trading SRL	Banca Românească	135,062
COFELY BUILDING SERVICES&MAINTENANCE	Raiffeisen Bank	134,605
AEROTEH SA	BRD	134,530
JAR TERMOGAZ	Raiffeisen Bank	126,538
MONSSON OPERATION	Alpha Bank	117,633
STAR P&G Braila	Garanti Bank	113,062
GENERAL MPM IMPEX SRL	BCR	108,583
TRANSELECTRONIC PROD SRL	BCR	106,967
Univers Sandra SRL	BCR	104,233
	Others	2,004,548
Total		16,258,732

Insurance policies

In 2021, the Company 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, ENGIE Romania renewed the liability policy intended to also cover liability for accidental pollution, the liability of the producer and of the service provider, 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 01.07.2020 - 30.06.2021 interval. The insurance is also valid for Distrigaz Sud Reţele, ENGIE Servicii, ENGIE Building Solutions, Brăila Winds, Alizeu Eolian – companies with a co-insured status.

25. COMMITMENTS AND CONTINGENCIES (continued)

Insurance on buildings and property among the company's assets

As at December 31, 2020 ENGIE Romania SA had a building and property insurance concluded for the office at 4-6 Mărășești Blvd., District 4, Bucharest, as well as for operational headquarters in the territory. The insurer is Asigurarea Românească ASIROM VIENNA INSURANCE GROUP SA, and the insurance is valid until 06.05.2022.

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. The car fleet of ENGIE Romania SA is ensured (CASCO and RCA policies) by GROUPAMA ASIGURARI SA pursuant to a contract valid until 22.10.2021.
- ENGIE Romania SA has a private healthcare insurance contract concluded with GROUPAMA, valid until 31.05.2024, intended to cover the medical services accessed by the employees and their dependants (adult and/or minor) in Romania, within REGINA MARIA network, as well as outside it.

Transfer price

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

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

Local taxes - Property owner's tax

In regard to lands under the state's public or private property and under concession, leased or made available for use, the property owner's tax represents the fiscal task applicable to statutory undertakers, lessees or holders of rights to use. The 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 Company received from Transgaz invoices amounting to 46 million RON (VAT-inclusive) related to capacity overruns, for the months of November and December 2016. The Company's interpretation of the provisions in the Network Code was that these costs should only amount to 16 million RON (VAT-inclusive).

Considering this difference in interpreting the legislative framework, the Company and Transgaz requested that ANRE clarify the situation. At the end of May 2017, ANRE issued a decision in favour of the Transgaz interpretation, and the Company paid the unrecognised difference of 30 million RON (as well as all the subsequent invoices). At the same time, the Company appealed in court the ANRE decision and obtained in trial court its annulment. The trial is in progress as at the signing date of the financial statements, the date of the following court appearance being April 14, 2021.

Litigations

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)*

At the end of 2020, ENGIE Romania is in litigation with various mayor's offices due to the roads being left unpaved following the network replacement and maintenance works. Furthermore, the Company was taken to court primarily for litigations related to work and to certain ownership rights. The Company recorded provisions (Note 20) for litigations where it deems a disposal of resources to be likely, for an amount best estimated for such disposal of resources.

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

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

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

As at December 31, 2020, the management estimate that the book value is approximately equal to the fair value for all of the Company's financial assets and liabilities, with the exception of investments in subsidiaries and associates, due to the short maturity dates and/or interest rate modification deadlines (for variable interests), as well as due to the low trading costs. In regard to investments in subsidiaries and associates, as well as the loans granted to them, their fair value cannot be estimated. All of the Company's financial assets and liabilities are at Level 3 of the fair value hierarchy, with the exception of cash and cash equivalents, found at Level 1.

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

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

The market risk

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 three varieties: the interest rate risk, the foreign exchange risk and the commodity price risk.

The commodity price risk – natural gas

As of July 1, 2020, the household customer natural gas supply market is deregulated. Considering that this market was underpinned by a pass-through mechanism, the Company was 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 would have been transferred to the regulated customer by the regulatory authority. The regulatory risk could have appeared in cases where ANRE did not acknowledge certain costs at their actual value or did not allow their subsequent recovery in accordance with the principles of the pass-through mechanism.

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

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.

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***26. 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 Company does not have any variable-rate interest-bearing loans.

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

The foreign exchange risk

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

The Company conducts transactions in currencies different from its functional currency (RON), primarily for natural gas imports expressed in USD and EUR, but also for a portion of the transactions on electricity markets, expressed in EUR. For this risk portion, the Company hedges itself by way of USD and EUR forward or spot purchases.

As at December 31, 2020 and 2019, the Company's assets and liabilities expressed in foreign currencies different from RON did not generate a significant net exposure to the foreign exchange risk, having the following balances:

	Monetary assets		Monetary liabilities	
	2020 RON	2019 RON	2020 RON	2019 RON
USD	431,271	18,861,331	16,948,816	49,871,612
EUR	15,373,686	1,333,945	2,831,536	15,062,302

The credit risk

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

Trade receivables

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

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

The maximum exposure to the credit risk as at the reporting date is represented by the book value of the receivables, as they are presented in Note 16 and Note 17.

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

Cash and cash equivalents, other financial assets

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

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

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

Operational risks

Volume-related risks

Risks concerning volumes related to weather conditions

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

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

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

Furthermore, the successive increase of the final selling prices following the deregulation of the price for domestically sourced gas, or the effects of the COVID-19 pandemic, may lead to a consumption decrease for certain consumer categories, with an impact on the Company's sales volumes.

Risks from the application of the Network Code provisions

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

In order to reduce this risk, the Company continuously improves its consumption estimating process and transfers this risk via the free market customer pricing system.

ENGIE ROMANIA S.A.**Notes to the individual financial statements - OMFP 2844/2016****for the fiscal year concluded on December 31, 2020***(The amounts are expressed in RON, unless otherwise provided)***26. OBJECTIVES OF, AND POLICIES FOR, THE MANAGEMENT OF FINANCIAL RISKS (continued)*****The liquidity risk***

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

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

Million RON	< 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
December 31, 2020					
Cash pooling / Loans (note 14.2)	653	-	-	-	653
Trade and other payables (note 22)	930	-	-	-	930
Provisions (note 20)	-	4	-	8	12
Employee benefits (note 21)	-	17	-	25	41
Fair value of derivatives – liability (note 22)	80	-	-	-	80
Leasing (note 25)	-	-	1	2	3
Current corporate income tax debts	11	-	-	-	11

Million RON	< 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
December 31, 2019					
Bank loans (note 14.3)	-	-	-	-	-
Cash pooling / Loans (note 14.2)	554	-	-	-	554
Trade and other payables (note 22)	1,318	-	-	-	1,318
Provisions (note 20)	-	5	-	7	12
Employee benefits (note 21)	-	12	-	22	34
Current corporate income tax debts	16	-	-	-	16

Capital management

The capital includes share capital and the reserves attributable to shareholders. The main goal of managing the Company's capital is that of securing a constantly strong credit rating and normal capital proportions in order to support its business and maximise shareholding value. Considering the Company's low indebtedness levels, it did not perform an active management of its capital throughout the fiscal years concluded on December 31, 2020 and 2019 and did not quantify any objectives in that respect.

Fair value measurement

As at December 31, 2020 and 2019, the Company has financial assets or liabilities measured at fair value in the financial statements, for forward power purchase agreements, instruments hedging against the cash flow risk and forward foreign currency sales/purchase contracts (EUR and USD).

ENGIE ROMANIA S.A.

Notes to the individual financial statements - OMFP 2844/2016

for the fiscal year concluded on December 31, 2020

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

27. SUBSEQUENT EVENTS

In March 2021, ANRE repealed Order 178/2020 and replaced it with Order 18/2021, which approved the Regulation on the connection to the natural gas distribution system.

The deregulation of the household customer electricity supply market is in force as of January 1, 2021.

The international epidemiological situation determined by the spread of COVID-19 coronavirus, which debuted in 2020, continued its evolution throughout 2021, as well, until the approval date of the financial statements. The Management integrated, in the estimation processes required for the preparation of financial statements, assumptions that take into account the effects of this pandemic.

The financial statements on pages 3 – 67 were approved by the Management Board and authorised for issuance on April 7, 2021.

Eric Stab

President – Chief Executive Officer

Signature: [illegible]

Anne-Marie Gestin

Chief Financial Officer

Signature: [illegible]