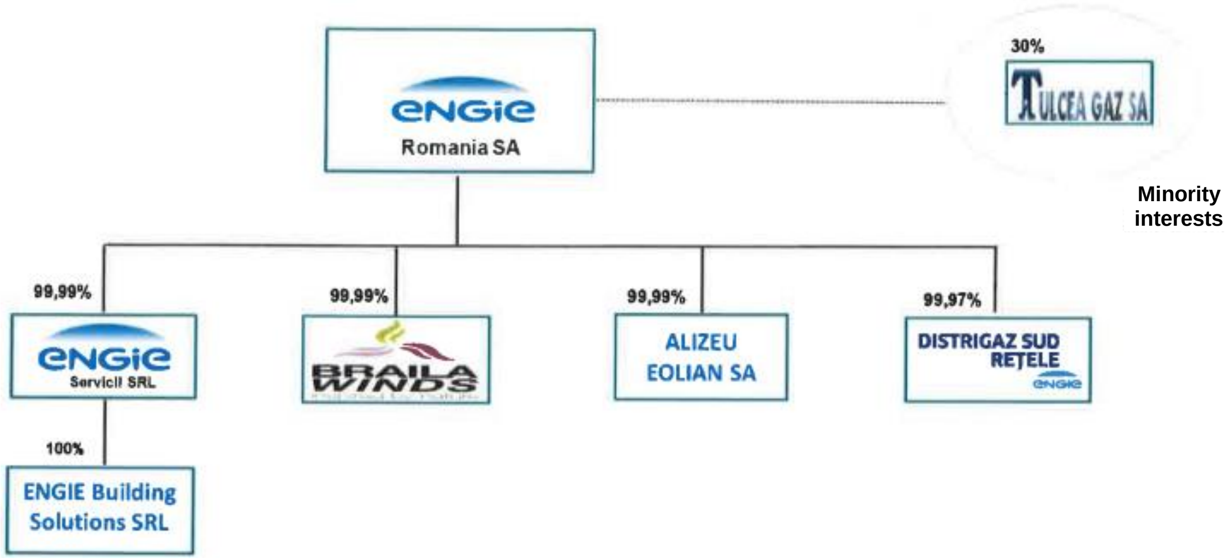
Administrators' Report
on the Consolidated Financial Statements
of ENGIE Group Romania
as at December 31, 2020

Contents

I. The Group's organisational structure

Engie Romania Group
Structure as at December 31, 2020



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

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

Distrigaz Sud Retele is a limited liability company. As at December 31, 2020, following the partition and integration process undergone by WIROM Gas SA company at the end of 2019, ENGIE Romania holds 99.9738% of the equity shares (2019: 99.9738%). The Company is coordinated by the Shareholders' General Assembly which, in turn, is led by the Management Board.

The Company's scope of business is primarily the regulated activity of natural gas distribution. In addition to this, the Company carries out other non-regulated activities such as access to the distribution system. From a territorial standpoint, it is organised into 4 Regional Directorates (not registered as legal entities) and 56 places of business not registered with the Trade Register.

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

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

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

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

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

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

II. Activity analysis – Consolidated results of ENGIE Romania and its subsidiaries for the year 2020

A net outturn increase by 28%, primarily due to an increase in the gas supply margin, an outcome partially offset by a decrease in the electricity supply margin and the gas distribution revenues, increases in labour costs and operational expenses.

Mil. RON	Note	2019	2020	Variation
Income		**6,689.1**	**6,229.0**	**-7%**
natural gas	*1.1*	*4,814.0*	*4,791.3*	
electricity	*1.2*	*1,748.8*	*1,315.8*	
others		*126.3*	*121.8*	
Cost of goods sold		**-5,354.9**	**-4,675.8**	**-13%**
natural gas	*1.1*	-3,695.2	-3,430.2	
electricity	*1.2*	-1,659.8	-1,245.7	
Other operating income and expenses	*2*	-710.4	-785.0	
Other operating expenses and provisions	*3*	-190.0	-210.6	
Operating profit/loss		**433.7**	**557.4**	**29%**
Financial outturn	*4*	29.8	22.9	
Net outturn		**385.2**	**492.8**	**28%**

1. Turnover analysis

1.1. Natural gas supply

The income (from natural gas supply and distribution) recorded for the period concluded on December 31, 2020 amounted to 4,791.3 mil. RON, 0.5% lower than for the period concluded on December 31, 2019, when they were 4,814 mil. RON.

The gas margin for the period concluded on December 31, 2020 was 1,361.1 mil. RON, an increase by 22% compared with the previous year, primarily on account of the following effects:

- 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;
- the decrease of the price associated to the technological consumption for the natural gas distribution activity;

outcomes partially offset by:

- the negative impact of applying the windfall profit tax for the July – December 2020 period (recorded under "gas purchase costs").
- lower natural gas distribution income, due to the consecutive decreases in the distribution tariff by 6% starting from July 1, 2019 and by 2.4% starting from July 1, 2020, as well as by a decrease in the volumes distributed throughout 2020 (a consumption decrease in the context of the COVID pandemic and the impact of the higher temperatures in 2020).

Throughout 2020, the volumes sold were 36.7 TWh (2019: 33.4 TWh), whereas the volumes distributed were 42.9 TWh (2019: 44.4 TWh). The increase in sold volumes is due to the increase of volumes on the wholesale market, 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, 3% more than in 2019, primarily due to the increase in the number of household consumers.

1.2. Electricity supply, trading and electricity production

The electricity margin is 70.2 mil. RON for the period concluded on December 31, 2020, 18.8 mil. RON lower compared with 2019 due to a decrease in wholesales, an outcome partially offset by the development of the customer portfolio, higher electricity production for the two wind farms, as well as due to an increase in regulated prices.

Throughout 2020, the volumes sold amounted to 4.06 TWh (2019: 5.65 TWh), 1.6 TWh lower than in 2019, primarily due to decreases in sales on the wholesale market.

2. Other operating income and expenses

Other operating income and expenses amount to 785 mil. RON, an increase by 74.6 mil. RON compared with the previous year, primarily due to:

- the increase in labour costs: the increase in the average number of employees in 2020 and the impact of salary increases;
- increases of other costs: for postage and telecommunications, maintenance, marketing, security, protection materials and equipment against COVID, IT licences, expenses with third-party services, road paving and meter replacement works carried out by third parties;
- a decrease in income from late payment penalties and income from non-technical losses;
- the impact incurred in 2019 from the integration of WIROM Gas (the effect of accounting gains following consolidation);
- recording the fine issued by the Competition Council;

increases partly offset by:

- a decrease in the mandatory payment of the distribution activity obligation (2% of the turnover in 2019 compared with 0.086 lei/MWh distributed in 2020);
- the reversal of the provision for the fine issued by the Competition Council, compared with setting up said provision in 2019, an outcome partly offset by setting up provisions for doubtful receivables, keeping in mind the decrease of collection rates throughout 2020 and the provisions set up for risks and expenditure.

The group’s average number of employees in 2020 was 4,016 (2019: 3,923).

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.

3. Depreciation and amortization costs

Depreciation and amortization costs amount to 210.6 mil. RON, an increase from the previous period due to the higher expenses with asset capitalisations during the period, the effect produced in 2019 by the revaluation of the fixed assets and the depreciation reversal in 2020, in the case of the wind farms, amounting to 0.7 mil. RON compared with 6.5 mil. RON in 2019.

4. Financial outturn

The decrease in financial outturn by 6.9 mil. RON is primarily caused by an increase in foreign exchange losses.

5. Investments

The total value of the investments conducted in 2020 is 411.1 mil. RON (2019: 305.2 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 41.1 mil. RON at the end of 2020 (2019: 38.1 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.

III. Corporate governance

1. Administrative, management and supervisory bodies

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

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

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

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

2. Governance Code

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

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

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

3. Internal control system

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

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

The internal control system implemented across the Group:

- 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.

IV. Foreseeable corporate development

In 2021, the Group will continue the development endeavours carried out over the previous years. The main development paths for the Group will continue to be: business development (retention of existing customers, acquisition of new customers, increasing in the quality of services rendered, increasing electricity sales), efforts to develop and modernise the distribution network by carrying out investments, development of energy service suites, increasing the renewable energy portfolio, optimising the 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 Group for 2021 are:

- Making sure the Group'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 Group (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.

V. Analysis of financial risks

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

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

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

a) The market risk

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

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

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

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

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

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

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

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

<u>The interest rate risk</u>

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

Since the Group 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.

<u>The foreign exchange risk</u>

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

The Group conducts transactions in currencies different from its functional currency (RON), primarily for natural gas imports expressed in USD.
The foreign exchange risk associated to the regulated segment 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 date when the import invoice is entered in the accounting records and the payment date. For this risk portion not covered by the tariff, the Group hedges itself by way of USD forward or spot purchases on the date when the invoice is entered in the accounting records.

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

b) The credit risk

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

c) Regulatory risks

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

d) Operational risks

<u>Volume-related risks</u>

Risks concerning volumes related to weather conditions

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

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

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

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

<u>Risks from the application of the Network Code provisions</u>

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

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

Wind farm management risks

The curtailment risk

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

The balancing risk

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

e) The liquidity risk

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

VI. Events subsequent to the reporting period

In early 2021, ANRE Order 1/20.01.2021 was published, approving the following changes to the methodology that sets forth the regulated tariffs for the distribution services in the natural gas sector:

- Granting a 1% incentive above the approved regulated rate of return of the invested capital, for new assets, commissioned during the fourth regulatory period. In the case of projects co-financed from non-reimbursable European funds, the incentive granted is 2%;
- Recognising in tariffs the royalty pertaining to the concession contracts, as costs directly carried over (with the exception of the period between the entry into force of Law no. 155/2020 and the entry into force of Law no. 244/2020).

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.
and its subsidiaries

Consolidated 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

Contents

(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	**6.1**	**6,228,954,757**	**6,689,101,956**
Purchase costs and operating derivatives	**6.2**	(4,675,838,374)	(5,354,949,635)
Expenses with employee benefits	**8**	(475,162,622)	(403,715,287)
Amortisation and depreciation costs	**12,13**	(210,643,873)	(190,046,381)
Other operating expenses	**9**	(463,929,397)	(482,346,695)
Income from green certificates		49,940,874	45,470,315
Other operating income	**7**	104,106,732	118,641,935
Gains from the Wirom Gas purchase	**5**	-	3,836,873
Gains from revaluating the initial investment in Wirom Gas	**5**	-	7,689,455
Operating profit		**557,428,097**	**433,682,536**
Interest income	**10**	25,123,475	25,082,204
Interest expenses	**10**	(9,145)	(30,727)
Foreign exchange gains / (losses)		(10,817,091)	(1,530,995)
Other financial gains / (losses)	**10**	8,419,584	6,777,942
Net financial income / expenses		**22,716,823**	**30,298,424**
Share from the associates' profit / (loss)		137,984	(546,272)
Gross profit		**580,282,904**	**463,434,688**
Current corporate income tax costs	**11**	(80,342.021)	(72,985,719)
Deferred tax (costs) / credit	**11**	(7,125.839)	(5,254,718)
Net profit		**492,815,044**	**385,194,251**
Attributable to the parent company's shareholders		*492,801,409*	*385,145,349*
Attributable to non-controlling interests		13,635	48,902
Other comprehensive income elements – not to be subsequently reclassified under the profit and loss account			
Actuarial gains / (losses) from employee benefits		1,544,500	(13,170,723)
Deferred tax related to actuarial gains / (losses)		(247,120)	2,107,316
Revaluations of buildings and lands	**12**	-	43,804,276
Deferred tax pertaining to revaluations of buildings and lands	**11**	-	(7,008,684)
Other comprehensive income elements, net		**1,297,380**	**25.732,185**
Net comprehensive income		**494,112,424**	**410,926,436**
Attributable to the parent company's shareholders		*494,098,789*	*410,877,534*
Attributable to non-controlling interests		*13,635*	*48,902*

** 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 x).*

The financial statements on pages 3 – 77 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]

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

Consolidated statement of financial position

As at December 31, 2020

	Notes	December 31, 2020 RON	December 31, 2019 RON
Assets			
Long-term assets			
Tangible assets	**12**	3,789,201,502	3,598,423,371
Intangible assets	**13**	45,892,548	38,029,254
Financial investments	**14.1**	476,166	476,166
Investments in associates	**14.2**	5,385,286	5,247,302
Other financial assets	**15.1**	672,626	898,324
Deferred tax receivables	**11**	55,243,714	49,544,294
Current assets			
Stocks	**16**	475,573,903	805,972,770
Trade receivables	**17**	1,110,349,781	1,315,023,623
Other receivables and current assets	**18**	35,643,835	27,675,484
Other current financial assets	**15.1**	92,237,936	8,671,868
Current corporate income tax receivables		3,415,623	-
Cash and cash equivalents	**19**	1,283,538,711	916,629,783
TOTAL ASSETS		**6,897,631,631**	**6,766,592,239**
Own equity and debts			
Own equity			
Share capital, of which:		257,303,358	257,303,358
- Subscribed share capital	**20.1**	*199,245,540*	*199,245,540*
- Adjustment from share capital hyperinflation		*58,057,818*	*58,057,818*
Share premiums	**20.1**	655,809,806	655,809,806
Revaluation reserves	**20.3**	173,168,590	189,734,754
Legal reserve	**20.2**	49014,519	49,014,519
Other reserves	**20.3**	210,784,598	209,421,651
Balance carried forward		4,057,015,759	3,648,359,457
Total own equity attributable to the parent company’s shareholders		**5,403,096,630**	**5,009,643,545**
Non-controlling interests		46,167	49,358
TOTAL CAPITAL		**5,403,142,797**	**5,009,692,903**
Long-term liabilities			
Leasing debts	**26**	3,154,952	-
Long-term provisions	**21**	171,760,917	149,795,429
Long-term employee benefits	**22**	118,839,252	112,253,630
Subsidies		12,187	12,187
Deferred tax debts	**11**	203,560,965	187,957,271
Current debts			
Trade payables to suppliers	**23**	462,335,550	939,137,725
Leasing debts	**26**	186,075	-
Other current financial debts	**15.3**	79,591,553	-
Short-term provisions	**21**	5,975,378	24,535,933
Short-term employee benefits	**22**	45,510,162	30,436,143
Current corporate income tax debts		-	8,853,206
Other debts	**23**	403,561,843	303,917,812
TOTAL DEBTS AND OWN EQUITY		**6,897,631,631**	**6,766,592,239**

The financial statements on pages 3 – 77 were approved by the Management Board and authorised for issuance on April 7, 2021.

Eric Stab	**Anne-Marie Gestin**
President – Chief Executive Officer	Chief Financial Officer
Signature: [illegible]	Signature: [illegible]

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

Consolidated statement of changes in own equity

for the fiscal year concluded on December 31, 2020

	Share capital RON	Share premiums RON	Legal reserves RON	Revaluation reserves RON	Other reserves RON	Balance carried forward RON	Attributable to the parent company's shareholders RON	Non-controlling interests RON	Capital total RON
As at January 1, 2020	**257,303,358**	**655,809,806**	**49,014,519**	**189,734,754**	**209,421,651**	**3,648,359,457**	**5,009,643,545**	**49,358**	**5,009,692,903**
Period profit	-	-	-	-	-	492,801,409	492,801,409	13,635	492,815,044
Actuarial gains / (losses), net of deferred tax	-	-	-	-	1,297,380	-	1,297,380	-	1,297,380
Total comprehensive income	-	-	-	-	**1,297,380**	**492,801,409**	**494,098,788**	**13,635**	**494,112,424**
Transfer of revaluation surplus	-	-	-	(17,398,602)	-	17,398,602	-	-	-
Related deferred tax				832,438		(832,438)			
Share-based payments	-	-	-	-	65,567	-	65,567	-	65,567
Paid dividends						(100,711,271)	(100,711,271)	(16,826)	(100,728,097)
As at December 31, 2020	**257,303,358**	**655,809,806**	**49,014,519**	**173,168,590**	**210,784,598**	**4,057,015,759**	**5,403,096,629**	**46,167**	**5,403,142,797**

The financial statements on pages 3 – 77 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]

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

Consolidated statement of changes in own equity

for the fiscal year concluded on December 31, 2019

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

The financial statements on pages 3 – 77 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]

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

Consolidated statement of cash flows

	Notes	2020 RON	2019 RON
Operational activities			
Profit before tax		580,282,904	463,434,688
Net outturn components which do not generate cash flows pertaining to the operational activity:			
Expenses with amortisations and depreciations of tangible assets	12	201,650,443	178,885,671
Expenses with amortisations and depreciations of intangible assets	13	8,993,430	6,772,576
Expenses with share-based payments		65,568	1,193,148
Gains from the purchase/revaluation of Wirom Gas shares		-	(11,526,327)
Unrealised value decreases / (increases) of financial instruments		(3,983,660)	(15,337,834)
Loss from disposals of tangible assets	9	169,068	(171,319)
Financial expenses	10	9,145	30,727
Interest income	10	(25,123,475)	(25,082,204)
Share in the associates' (profit) / loss		(137,984)	546,272
(Gains) / losses from receivables	17	31,057,722	32,413,013
Variation of value adjustments, provisions and post-employment benefits		(14,480,392)	30,984,445
Working balance (working capital) variation:			
(Increase) / Decrease of trade and other receivables		206,171,763	260,774,225
(Increase) / Decrease of stocks		330,964,337	(425,491,267)
Increase) / Decrease of trade and other payables		(391,630,803)	(183,599,138)
		924,008,066	**313,826,676**
Corporate income tax paid		(90,079,535)	(84,225,886)
Net cash flow (used in)/generated from operational activities		**833,928,531**	**229,600,790**
Investment activities			
Receipts from sales of tangible assets		1,663,379	4,862,963
Purchases of tangible assets	12	(402,641,169)	(318,904,547)
Purchases of intangible assets	13	(16,856,724)	(13,985,086)
Receipts of subsidies		26,419,532	9,501,668
Dividends collected from associates		-	3,008
Wirom Gas purchase, net of cash		-	6,271,158
Net cash flow (used in)/generated from investment activities		**(391,414,982)**	**(312,250,836)**
Financing activities			
Interest received		25,123,475	25,082,204
Dividends paid	24	(100,728,097)	(136,778,084)
Net cash flow (used in)/generated from financing activities		**(75,604,6221**	**(111,695,880)**
Net variation of cash and cash equivalents		**366,908,927**	**(194,345,926)**
Cash and cash equivalents in the beginning of the year		916,629,784	1,110,975,709
Cash and cash equivalents at the end of the year	**19**	**1,283,538,711**	**916,629,783**

The financial statements on pages 3 – 77 were approved by the Management Board and authorised for issuance on April 7, 2021.

Eric Stab	**Anne-Marie Gestin**
President – Chief Executive Officer	Chief Financial Officer
Signature: [illegible]	Signature: [illegible]

1. INFORMATION ABOUT THE COMPANY

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

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

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

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

Distrigaz Sud Retele is a limited liability company. As at December 31, 2020, following the partition and integration process undergone by WIROM Gas SA company at the end of 2019, ENGIE Romania holds 99.9738% of the equity shares (2019: 99.9738%). The Company is coordinated by the Shareholders' General Assembly, the executive body of which is a Management Board.

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

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

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

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

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

The Company's scope of business is primarily technical inspections and verifications of operating equipment and facilities and related services. Country-wise, it is organised into three regions (not registered as legal entities) and 17 agencies.

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

1. INFORMATION ABOUT THE COMPANY (continued)

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

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

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

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

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

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

ENGIE Romania held, since 1994, an investment amounting to 48.85% in SC **Wirom Gas SA**, a company handling natural gas distribution and supply across Turnu Măgurele, Alexandria, Giurgiu, Corabia and Oltenița cities. It became a consolidated subsidiary on March 1, 2019, when 51.15% of its shares were purchased.

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

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.

These financial statements of ENGIE Romania Group, for the year concluded on December 31, 2020, are authorised for issuance as per the administrators' decision from April 7, 2021.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

2.1 Fundamentals for drawing up financial statements

Statement of compliance

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

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

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

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

2.2 Consolidation fundamentals

The consolidated financial statements comprise the financial statements of the Parent company and those of its subsidiaries, as at December 31, 2020.

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

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

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

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

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

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

- ► Derecognise the subsidiary's assets (goodwill included) and liabilities
- ► Derecognise the book value of any non-controlling interests
- ► Derecognise the cumulated foreign exchange differences recorded under its own equity
- ► Recognise the fair value of the equivalent value received
- ► Rrecognise the fair value of any unappropriated investment

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

- Recognise under profit or loss any surplus or deficit
- Reclassify under profit or loss or balance carried forward, as the case may be, the portion belonging to the Parent company from the components previously recognised under other comprehensive income elements.

2.3 Main accounting policies

a) Business combinations and goodwill

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

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

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

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

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

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

b) Investments in associated entities

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

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

The profit and loss account reflects the Group's share in the associated entity's results. Where there is a modification directly recognised under the associated entity's own equity, the Group recognises the share corresponding to any changes and presents it, if necessary, in the statement of changes in own equity.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The unrealised gains and losses from transactions between the Group and the associated entity are eliminated proportionate to the stake in the associated entity.

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

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

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

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

c) Currency conversions

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

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

	December 31, 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.

d) Acknowledgement of revenues

- **Revenues from customer contracts**

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

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

Revenues are recognised over time provided that:

- the customer simultaneously receives and consumes the benefits generated through the provision of the goods and services as the Group fulfils its obligation

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

- the fulfilment by the Group creates or improves an asset which the customers controls as the asset is created or improved;
- the fulfilment by the Group does not create an asset with an alternative use for the Group.

All the other revenues which do not meet the criteria above are recognised at a specific time.
The revenues are evaluated at the fair value of the consideration received or to be received, taking into account the contractual payment terms and excluding any taxes and duties.

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

Revenues from the sale of goods

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

Therefore, the Group 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. The Group records revenues from gas distribution and from other services rendered.

Variable consideration

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

Assets pertaining to customer contracts

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

Debts from customer contracts

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

- **Interest income**

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

- **Dividend-based income**

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

e) Government subsidies

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

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).

Green certificates

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

For each 1 MWh of wind power produced, the Group was entitled to receive 2 green certificates until the end of 2017. As of January 1, 2018, the Group is entitled to receive 1 green certificate for each 1 MWh produced. Green certificates are recognised when the Group is entitled to receive them. The Group is entitled to receive green certificates when it produces electricity that is registered in the power grid by Transelectrica SA.

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

f) Taxes

Current corporate income tax

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

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

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

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.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

Value added tax

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

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

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

g) Tangible assets

Initial evaluation

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

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

The cost of a tangible asset comprises:

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

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

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Subsequent evaluation

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

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

Amortisation of assets

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

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

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

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

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

Derecognition

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

h) Leasing

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

i. *<u>The right to use the assets</u>*

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

The right to use the assets is straight-line amortised over the shorter duration between the lease period and the estimated useful life of the assets.

If the right of ownership upon the leased asset is transferred to the Group 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 the depreciation test.

ii. *<u>The leasing debt</u>*

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

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

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

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

The Group's leasing debts are included in the Commitments and Contingencies note (see note 26).

iii. *<u>Short-term leases and leases on low-value assets</u>*

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

i) Debt costs

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

The debt costs represent interest and other costs incurred by the Group in order to borrow funds. The Group did not have, throughout 2020 and 2019, any debt costs directly attributable to the purchase, construction or production of an asset.

j) Intangible assets

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

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

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

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

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

Goodwill

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

k) Financial instruments – initial recognition and subsequent evaluation

Initial recognition and evaluation

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Initial and subsequent evaluation

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

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

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

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

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

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

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

Subsequent evaluation

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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.

Derecognition

Basically, a financial asset is de recognised when:

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

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

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

Offsets of financial instruments

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

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

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

Fair value of financial instruments

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

l) Derivatives and hedge accounting

Initial recognition and subsequent evaluation

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

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

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

Fair value hedging operations

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

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

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

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

Cash flow hedging operations

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

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

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).

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

m) Stocks

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

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

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

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

The stock evaluation method is the weighted average cost.

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

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

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

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

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

o) Cash and cash equivalents

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

p) Distribution of dividends

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

q) Provisions

General

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

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

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

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

Restructuring provisions

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

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

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

Provisions for litigations

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

r) Pensions and other long-term employee benefits

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

In accordance with Collective Labour Agreement no. 142/08.07.2020, each of the Group’s employees is entitled to receive a retirement benefit, depending on their length of service within the Group, as follows:
- Less than 10 years - 5 gross salaries;
- Between 10 and 20 years - 6 gross salaries;
- Between 20 and 30 years - 7 gross salaries;
- Between 30 and 40 years - 8 gross salaries;
- More than 40 years - 9 gross salaries.

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

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

The social commitments stipulated in the Collective Labour Agreement, for which provisions are set up, are:
- Retirement benefit (detailed above);
- Illness benefits for pensioners;
- Other benefits for pensioners;
- Compensations related to restructuring plans;
- Merit salary bonuses for salaried employees;
- Company performance bonus.

s) Share-based payment

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

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

t) Affiliated parties

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

u) Balance carried forward and legal reserve

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

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

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

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

v) Measurement at fair value

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

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

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

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

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

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

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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

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

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

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

w) 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.

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

In 2020, the Group 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 6.1 separately presents revenues from customer contracts (for the purposes of IFRS 15) and revenues from other contracts, respectively; the revenues from green certificates are not included on this row as they represent government subsidies;
- the profit and loss account has a single row of “Purchase costs”, whereas its 5 components are detailed in note 6.2
- 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 9
- 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 Group's financial statements requires that the management formulate judgements, estimations and assumptions that affect the values reported for income, expenses, assets and liabilities, as well as the disclosed information accompanying these items, and to present contingent liabilities at the end of the reporting period. However, the uncertainty present in relation to these estimations and assumptions could result in a future significant adjustment for the book value of the asset or liability concerned during future periods.

Judgements

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

- Purchases of assets

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

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

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

- Applicability of IFRIC 12

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

- Recognition of deferred taxes - receivable

The 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 12), 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.

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

- Revaluation of tangible assets

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

As at December 31, 2020, the Group 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 12.

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

A first impairment test was performed at the end of 2013, resulting in a loss 49.5 million RON. At the end of 2014, a new impairment test was performed, and revealed as the recoverable value the value in use, as well as an additional impairment loss of both intangible and tangible assets, amounting to 95 million RON. At the of 2015, the impairment test revealed an additional impairment loss of 36.6 million RON.

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

The performance of the impairment test at the end of 2016 revealed a new loss, amounting to 18 million RON. At the end of 2017 after updating the assumptions included in the impairment test, the losses amounting to 19,6 million RON were reversed. At the end of 2018, the Group concluded that any changes to the impairment recorded during the previous years were not necessary. After updating the assumptions included in the impairment test, as at December 31, 2019, a new reversal was performed in losses amounting to 6.5 million RON. As at December 31, 2020 another reversal was performed on losses amounting to 0.7 million RON.

The main assumptions employed when calculating the value in use were the discount rate (post-tax) of 9.18% (2019: 8.3% post-tax), the projected prices for electricity and green certificates, as well the operational assumptions concerning the production of the two wind farms.

- *Taxes*

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

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

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

The Parent company took over, on December 31, 2015, following the integration of CONGAZ SA, a litigation resulted after the latter was inspected by the fiscal authorities, on the topic of challenging the fiscal debts and accessory obligations imposed by ANAF (*National Agency for Fiscal Administration*) (primarily concerning excise duty) and paid by CONGAZ SA. 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.

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

- *Pension benefits*

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

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

- Operating lives of fixed assets and amortisation method

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

- Impairments of receivables

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

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

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

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

In the context of the COVID 19 pandemic, the Group 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 Group 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 Group analysed the possibility of calculating sensitivity scenarios and concluded that such calculations were not necessary, given the calculation method for impairments of receivables.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

4.1 Changes due to new standards that came into effect

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

• IFRS 3: Business combinations (Amendments)

IASB issued changes to the definition of an enterprise (Amendments to IFRS 3) in order to address challenges that occur when an entity determines whether it has purchased an enterprise or a group of assets. The changes are in effect for business combinations in the case of which the purchase date falls during the annual reporting period starting from, or after, January 1, 2020, as well as for asset purchases that take place at, or after, the start of that, whereas early application is allowed.

The Group did not purchase any enterprises throughout 2020.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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 Group's consolidated 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 Group's consolidated financial statements as it does not carry out any transactions subject to these amendments.

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

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

• 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 Group's consolidated financial statements as it does not issue insurance contracts.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

The amendments concern an inconsistency identified between the requirements of IFRS 10 and those of IAS 28 in relation to the sale of, or contributions with, assets by/from an investor in favour of the associated entity or joint venture in question. The main outcome of the changes is that a total gain or loss is recognised when the transaction involves an enterprise (whether or not it operates as a subsidiary). A partial gain or loss is recognised when a transaction involves assets that do not represent an enterprise, even if they take the shape of a subsidiary. In December 2015, IASB indefinitely postponed the entry-into-force date of this change pending the results of a research project on how to account for using equity method. The changes are yet to be passed by the EU.

The management determined that no significant impact was reflected into the Group's consolidated financial statements following the application of these amendments.

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

The changes come into force for annual reporting periods beginning on or after January 1, 2022 and early application is allowed. 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 Group's consolidated 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.
- 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*.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The changes are yet to be adopted by the EU.

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

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

5. PURCHASES OF SUBSIDIARIES

The Wirom GAS SA purchase

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

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

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

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

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

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

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

5. PURCHASES OF SUBSIDIARIES (continued)

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

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

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

Since the purchase date, Wirom Gas has contributed with 5.5 million RON to the Group's 2019 net profit (of which 2.5 million as recognition of the deferred tax - asset for the fiscal loss taken over by ENGIE Romania following the division).

6. REVENUES, PURCHASE COSTS AND OPERATING DERIVATIVES

6.1 Revenues

	2020 RON	2019 RON
Revenues from customer contracts		
Revenues from the supply of gas	4,458,001,486	4,436,751,063
Revenues from the electricity supply and electricity production	616,394,056	614,033,553
Revenues from the gas distribution service and related services	333,297,168	377,233,897
Revenues from other services	117,218,967	101,849,012
Other revenues	4,591,267	24,486,250
Revenues from other contracts		
Revenues from other contracts for electricity	699,451,813	1,134,748,181
Total revenues	**6,228,954,757**	**6,689,101,956**

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

6. REVENUES, PURCHASE COSTS AND OPERATING DERIVATIVES (continued)

6.2 Purchase costs and operating derivatives

	2020 RON	2019 RON
Gas purchase costs	3,082,418,390	3,278,295,044
Gas distribution service costs	25,162,504	25,033,891
Gas transportation and storage costs	322,602,748	391,862,367
Electricity purchase costs	904,588,502	1,437,524,199
Net expenses with electricity operating derivatives	167,482,597	53,386,001
Expenses with electricity-related services	173,583,633	168,848,133
	4,675,838,374	**5,354,949,635**

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 23).

7. OTHER OPERATING INCOME

	2020 RON	2019 RON
Income from penalties	7,788,669	10,936,684
Income from the capitalisation of gas distribution network development works	89,728,352	93,500,197
Others	6,589,711	14,205,054
Other operating income	**104,106,732**	**118,641,935**

8. EXPENSES WITH EMPLOYEE BENEFITS

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

	2020 RON	2019 RON
Labour costs	457,579,461	387,027,617
Social security costs	9,453,040	8,354,203
Long-term employee benefits (Note 22)	8,130,122	8,333,467
Total labour costs	**475,162,622**	**403,715,287**

In 2020, the Group’s average number of employees was 4,016 (2019: 3,819).

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

8. EXPENSES WITH EMPLOYEE BENEFITS (continued)

Share-based payments

The income pertaining to share-based payments included under other labour costs amounts to 65,568 RON in 2020 (2019: 1,193,148 RON).

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

Plan date	"Taking effect" date	Number of shares	Fair value per share as at the "Taking effect" date
PS 14/12/2016	14.03.2021	3,500	7.91
PS 13/12/2017	14.03.2021	23,450	11.03
PS 11/12/2018	14.03.2022	25,175	8.95
PS 17/12/2019	15.03.2023	27,200	10.84
PS 17/12/2020	15.03.2024	30,350	9.44

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

9. OTHER EXPENSES

	2020 RON	2019 RON
Expenses with consumables	123,259,576	109,982,385
Taxes and levies	64,948,856	106,397,805
Indemnifications, fines and penalties	21,088,586	28,410,332
Other costs with third-party services	48,501,036	40,086,231
Maintenance and repair costs	23,513,261	18,369,877
Postage costs and telecommunications charges	18,766,100	16,631,556
Expenses with royalties, leases and rentals	20,259,054	17,990,580
Other expenses with gas-related services	5,131,744	5,259,118
Administrative expenses	12,779,199	13,582,068
Expenses with consultancy services	10,317,728	12,109,823
Expenses with security services	12,264,797	10,954,769
Expenses with paving works	16,941,102	14,232,987
Expenses with insurance premiums	10,769,752	9,369,462
Marketing costs (commercials, advertising)	15,999,657	11,945,394
Management services	8,743,407	6,594,028
Bank commissions	6,010,729	6,106,057
Expenses with utilities	4,283,230	6,099,356
Expenses with green certificates	810,847	1,614,019
Expenses with / (reversals from) impairments of receivables	27,888,201	17,626,262
(Gains) / losses from disposals of assets	169,068	(171,319)
Expenses with / (reversals from) provisions	(9,883,610)	4,641,768
Other expenses	21,367,080	24,514,135
Total	**463,929,397**	**482,346,696**

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

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

10. INTEREST AND OTHER FINANCIAL EXPENSES / INCOME

Interest income	**2020 RON**	**2019 RON**
Income from interests on bank deposits	25,123,475	25,082,204
Total	**25,123,475**	**25,082,204**

Interest expenses	**2020 RON**	**2019 RON**
Expenses with interest on loans	(9,145)	30,727
Total	**(9,145)**	**30,727**

Other financial gains / (losses)	**2020 RON**	**2019 RON**
Discounts granted	167,918	41,004
Gains/(Losses) from cash flow hedging instruments	8,170,391	6,635,239
Other financial gains / (losses)	81,275	101,699
Total	**8,419,584**	**6,777,942**

11. 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	80,342,021	72,985,719
Deferred tax		
Related to the temporary differences	7,125,839	5,254,718
Corporate income tax costs recorded in the profit and loss account	**87,467,860**	**78,240,437**
Comprehensive income statement		
Deferred tax pertaining to elements directly recognised under own equity:		
Revaluation-related deferred tax		7,008,684
Actuarial gains / (losses) for employee benefits	247,120	(2,107,316)
Corporate income tax recorded in the comprehensive income statement	**247,120**	**4,901,368**

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

11. CORPORATE INCOME TAX

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

	2020 RON	2019 RON
Gross accounting profit	**580,282,904**	**463,434,688**
Corporate income tax at the statutory tax rate (16%)	92,845,265	74,149,550
Impact of non-deductible expenses and non-taxable revenues	7,757,166	10,391,437
Tax credit (sponsorship costs and allowance)	(10,588,448)	(3,421,087)
Tax credit (the legal reserve)	(2,546,123)	(2,879,463)
Corporate income tax costs recorded in the profit and loss account	**87,467,860**	**78,240,437**

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

In 2020, the Group benefitted from an allowance amounting to 4.0 million RON as part of the fiscal measures taken by the Romanian state to mitigate the effects of the COVID-19 pandemic.

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 RON	December 31, 2019 RON	2020 RON	2019 RON
Fiscal differences related to fixed assets	(204,175,415)	(188,026,883)	(16,148,532)	(11,413,419)
Financial investments	563,488	563,488	-	-
Fiscal differences related to Brăila Winds and Alizeu Eolian	9,822,503	10,730,573	(908,070)	(2,038,619)
Adjustments for depreciations of inventories	202,102	292,577	(90,475)	154,529
Impairments of current assets	27,394,936	32,625,529	(5,230,593)	(1,009,761)
Revaluation reserves	(26,392,103)	(34,294,547)	7,902,444	1,599,196
Long-term provisions	17,971,331	14,334,607	3,636,724	4,024,973
Long-term employee benefits	19,014,280	17,960,581	1,300,819	1,333,355
Short-term employee benefits	7,281,626	4,869,783	2,411,843	(436,286)
Fiscal loss taken over from Wirom Gas		2,531,315	-	2,531,315
Expenses with / (income from) deferred tax recognized in the profit and loss account			**(7,125,840)**	**(5,254,718)**
Actuarial gains/(losses) for employee benefits	-	-	(247,120)	2,107,316
Revaluation-related tax	-	-	-	(7,008,684)
Expenses with / (income from) deferred tax recognized under other comprehensive income elements	**(148,317,251)**	**(138,412,977)**	**(247,120)**	**(4,901,368)**
Recognized in the statement of financial position as follows:				
Deferred tax – receivable	55,243,714	49,544,294		
Deferred tax – liability	(203,560,965)	(187,957,271)		
Deferred tax – net item	**(148,317,251)**	**(138,412,977)**		

The temporary difference related to Brăila Winds and Alizeu Eolian 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.

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

12. TANGIBLE ASSETS

	Lands RON	Buildings RON	Facilities RON	Machinery, equipment and motor vehicles RON	Furniture and accessories RON	Constructions in progress RON	Right to use the assets RON	Total RON
Cost or fair value								
As at January 1, 2019	**118,667,013**	**548,428,183**	**2,901,507,303**	**1,012,566,927**	**20,015,767**	**258,138,600**	-	**4,859,323,793**
Wirom Gas takeover		3,762,131	53,731,601	4,855,827	87,838	1,021,129	-	63,458,526
Revaluation	15,685,126	31,096,513	-	-	-	-	-	46,781,639
Revaluation-related transfer (cancellation of cumulated amortisation)	-	(53,497,536)	-	-	-	-	-	**(53,497,536)**
Receipts						291,005,568	-	**291,005,568**
Disposals		(46,222)	(7,320,944)	(35,748,106)	(47,558)	-	-	**(43,162,830)**
Transfer from investments in progress		23,325,101	135,684,371	50,673,159	5,831,732	(215,514,363)	-	-
As at December 31, 2019	**134,352,139**	**553,068,170**	**3,083,602,331**	**1,032,347,807**	**25,887,779**	**334,650,934**	-	**5,163,909,160**
Purchase of photovoltaic panels		5,997,399		25,392,108	438,116		3,341,027	**35,168,650**
Receipts	-	-	-	-	-	359,092,371	-	**359,092,371**
Disposals	(56,434)	(797,669)	(2,332,828)	(14,575,785)	(187,690)	-	-	**(17,950,405)**
Transfer from investments in progress	51,568	11,233,750	199,807,223	73,067,364	1,585,133	(285,745,038)	-	-
As at December 31, 2020	**134,347,273**	**569,501,649**	**3,281,076,727**	**1,116,231,493**	**27,723,339**	**407,998,268**	**3,341,027**	**5,540,219,776**
Amortisation and impairment adjustments								
As at January 1, 2019	-	**219,509,818**	**773,765,766**	**467,456,240**	**13,448,882**	-	-	**1,474,180,706**
Revaluation (cancellation of cumulated amortisation)		(53,497,536)	-	-	-	-	-	(53,497,536)
Amortisation	-	24,090,305	91,637,061	67,953,155	2,485,784	-	-	186,166,305
Disposals		(27,349)	(3,637,739)	(34,758,540)	(47,558)	-	-	(38,471,186)
Depreciation / (depreciation carryover)			(2,817,230)	(75,270)	-	-		(2,892,500)
As at December 31, 2019	-	**190,075,238**	**858,947,858**	**500,575,585**	**15,887,108**	-	-	**1,565,485,789**
Year amortisation	-	37,334,238	85,336,852	80,197,228	3,266,904	-	-	206,135,222
Disposals		(6,139)	(1,595,768)	(14,328,361)	(187,690)	-	-	(16,117,958)
Depreciation reversal		-	(5,325,201)	(3,199)	-	843,621		(4,484,779)
As at December 31, 2020	-	**227,403,337**	**937,363,741**	**566,441,251**	**18,966,323**	**843,621**	-	**1,751,018,274**
Net book value as at December 31, 2019	**134,352,139**	**362,992,932**	**2,224,654,473**	**531,772,222**	**10,000,671**	**334,650,934**	-	**3,598,423,371**
Net book value as at December 31, 2020	**134,347,273**	**342,098,312**	**2,343,712,985**	**549,790,242**	**8,757,016**	**407,154,647**	**3,341,027**	**3,789,201,502**

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

12. TANGIBLE ASSETS (continued)

The total value of the investments made in 2020 amounts to 411.1 million RON (2019: 305.2 million RON), of which 394.3 million RON as tangible assets (2019: 291 million RON) and 16.9 million RON as intangible assets (2019: 14.1 million RON). The Group's main investments comprise the distribution network rehabilitation, connections to the gas grid, meters and technical equipment.

On December 17, 2020, the Parent 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 Parent 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 Parent company recorded the right to use and the loan related to these lands and amounting to 3,341,027 RON.

Sold and leased tangible assets

The Group 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.

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

As at December 31, 2019, the Group had the lands and buildings revaluated by an independent valuator. The purpose of this revaluation was to establish the market fair value of these assets.
The fair value was determined in relation to market information, using the market-based approach (the market comparison), the cost-based approach and the income-based approach (level 3 on the fair value measurement hierarchy) – the main input data being price per sq m and lease per sq m. The valuation techniques applied by the independent valuator are in compliance with the International Valuation Standards.

Furthermore, as at December 31, 2019, the Group 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». Given the legislative changes on taxing wind turbine platforms, Brăila Winds and Alizeu Eolian companies carried out the fiscal revaluation of these items as at December 31, 2020.

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	28,394,549	664,217,847
Cumulated value adjustments	-	284,814,281
Net book value	**28,394,549**	**379,403,566**
As at December 31, 2020		
Cost	28,418,937	678,236,393
Cumulated value adjustments	-	304,901,024
Net book value	**28,418,937**	**373,117,298**

12. TANGIBLE ASSETS (continued)

Assets encumbered by guarantees

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

The value of fully amortised tangible assets

The gross book value of fully amortised tangible assets, net of the collected subsidy, which are still in use as at December 31, 2020, is 327,348,424 RON (2019: 271,381,983 RON).

Provisions for depreciations of fixed assets

As at December 31, 2020, the Group recorded a specific provision amounting to 16,505,593 RON (2019: 18,528,550 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 Group checked for other internal or external indications of depreciation in regard to the gas segment, but could not identify any.

The impairment test performed by the Group as at December 31, 2020 for the two wind farms involved determining the recoverable value of the cash-generating units, corresponding to the values in use. The value in use is the updated value of the future cash flows estimated to be provided by a cash-generating unit.

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.

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

13. INTANGIBLE ASSETS

	Licences and concessions RON	IT systems RON	Intangible assets BW, AE RON	Intangible assets in progress RON	Goodwill RON	TOTAL RON
Cost						
As at January 1, 2019	**22,786,718**	**75,014,522**	**83,074,002**	**9,416,065**	**5,572,870**	**195,864,177**
Wirom Gas takeover	195,022	-	-	-	-	195,022
Receipts	-	-	-	14,141,305	-	14,141,305
Disposals	(156,219)	-	-	-	-	(156,219)
Transfer from investments in progress	1,811,979	14,965,353	-	(16,777,332)	-	-
As at December 31, 2019	**24,637,500**	**89,979,875**	**83,074,002**	**6,780,038**	**5,572,870**	**210,044,285**
Solar farm purchases	303,817	-	-	-	-	303,817
Receipts	-	-	-	16,552,904	-	16,552,904
Disposals	-	-	-	-	-	-
Transfer from investments in progress	2,359,392	11,641,484	-	(14,000,876)	-	-
As at December 31, 2020	**27,300,709**	**101,621,359**	**83,074,002**	**9,332,066**	**5,572,870**	**226,901,007**
Amortisation and impairment adjustments						
As at January 1, 2019	**19,899,945**	**62,268,508**	**83,074,002**	-	**-**	**165,242,455**
Amortisation	1,106,434	5,666,142	-	-	-	**6,772,576**
Depreciation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at December 31, 2019	**21,006,379**	**67,934,650**	**83,074,002**	-	**-**	**172,015,031**
Amortisation	984,862	8,008,568	-	-	-	**8,993,430**
Transfer from investments in progress	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Disposals	-	-	-	-	-	
As at December 31, 2020	**21,991,241**	**75,943,219**	**83,074,002**	-	**-**	**181,008,461**

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

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

14. FINANCIAL FIXED ASSETS

The Group's financial fixed assets are divided into:

1) Financial investments
2) Investments in associates

The Group analysed the activity of its associated enterprises within the market context applicable to 2020, taking into account the results achieved and their financial position, and concluded that neither setting up an impairment provision, nor reversing the existing ones is necessary.

14.1 Financial investments

	2020 RON	2019 RON
Book value as at January 1	**476,166**	**476,166**
Disposals	-	-
Book value as at December 31	**476,166**	**476,166**

	Equity interests %	Purchase cost RON	Impairment RON	Net value RON
2020				
Roman Brașov	1.19%	3,460,973	3,460,973	-
Other financial investments	<20%	536,995	60,830	476,166
Total		**3,997,968**	**3,521,803**	**476,166**

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

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

14.2 Investments in associates

TULCEA GAZ S.A.

The Group has a 30% investment in Tulcea Gaz SA a natural gas distribution company, located in Tulcea county, the majority shareholder of which is Infochem International SA (59.35%). Its scope of business consist in the supply and distribution of gas across Tulcea county. The own equity value at the end of 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.

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

14. FINANCIAL FIXED ASSETS (continued)

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

	2020 RON	2019 RON
Current assets	2,050,623	2,618,069
Fixed assets	4,942,778	4,994,560
Liabilities	1,608,115	2,365,327
Own equity	**5,385,286**	**5,247,302**
Income	7,263,710	8,752,544
Profit	512,255	431,438
Book value of the investment in Tulcea Gaz	**5,385,286**	**5,247,302**

15. OTHER FINANCIAL ASSETS / LIABILITIES

15.1 Other financial assets

	2020 RON	2019 RON
Fair value of derivatives – asset	92,237,936	8,671,868
Other receivables	672,626	898,324
Total other financial assets	**92,910,562**	**9,570,192**

Due to the increase in the volume of electricity trading transactions (net financial settlement), in 2020, the Group presented separately the transactions for which the fair value represents an asset (note 15.1) or a liability (note 15.3). 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 10).

15.2 Interest-bearing loans

The Parent 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	

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

15. OTHER FINANCIAL ASSETS / LIABILITIES (continued)

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

- A credit line with B.R.D. - Groupe Société Générale S.A., in the form of a facility to issue letters of bank guarantee for a total amount of 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).

As at December 31, 2020, Distrigaz Sud Rețele subsidiary enjoyed the following letter of bank guarantee facility:

- A credit line with B.R.D. - Groupe Société Générale S.A., in the form of a facility to issue letters of bank guarantee for a total amount of 40,000,000 RON, valid until October 31, 2021 (the balance used being 10,695,251.62 RON).

15.3 Other financial liabilities

	2020 RON	2019 RON
Financial instruments at fair value		
Fair value of derivatives – liability	79,591,553	-
Fair value of derivatives – liability	**79,591,553**	-

16. STOCKS

	2020 RON	2019 RON
Gas	445,808,841	787,186,129
Spare parts	18,365	19,520
Consumables	29,982,582	20,595,729
Project under installation at customer	1,027,252	-
Depreciation of stocks	(1,263,138)	(1,828,608)
Total	**475,573,903**	**805,972,770**

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

The natural gas stock value includes only the value of the gas molecule, whereas the related services, such as storage and transportation, are directly recorded under costs.
The gas purchase and electricity purchase costs are presented in Note 6.2 and the expenses with consumables in Note 9. Other expenses in relation to stocks are non-significant.

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

17. RECEIVABLES

	2020 RON	2019 RON
Trade receivables	1,005,749,765	1,150,664,248
Receivables from affiliated parties (Note 25)	10,240,051	4,264,314
Customers - invoices to be issued	440,628,918	515,830,287
Value adjustments for impairments of doubtful receivables	(346,268,953)	(355,735,226)
Total	**1,110,349,781**	**1,315,023,623**

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

The Group recorded a value adjustment for projected impairment losses, amounting to 346,268,952 RON, as at December 31, 2020 (2019: 355,735,226 RON). This adjustment covers the risk of default in relation to doubtful customers and was set up considering the equivalent value of both gas/electricity consumption invoices issued and the penalty ones.

The variations displayed by the value adjustments for impairments of receivables were as follows:

	Total RON
As at January 1, 2019	**327,014,429**
Wirom Gas impairment takeover	727,866
Increases throughout the year	364,515,285
Amounts used	(32,413,013)
Reversals throughout the year	(304,109,342)
As at December 31, 2019	**355,735,226**
Increases throughout the year	393,763,520
Amounts used	(31,057,722)
Reversals throughout the year	(372,172,072)
As at December 31, 2020	**346,268,952**

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

2020	Total	Within deadline	0-90	90-120	121-365	> 1 year
Receivables of household / non-household customers	998,124,081	850,885,106	76,144,159	3,561,895	24,682,656	42,850,265
Provision for customers	107,945,689	24,605,985	14,787,585	3,199,477	22,544,316	42,808,326
% Provisioning percentage	11%	3%	19%	90%	91%	100%
Receivables of large customers	448,254,602	192,050,655	10,707,054	880,154	17,064,270	227,552,469
Provision for large customers	238,323,263	18,825,998	7,954,936	685,148	13,867,794	196,989,388
% Provisioning percentage	53%	10%	74%	78%	81%	87%
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%

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

17. RECEIVABLES (continued)

ELCEN Bucuresti, the thermal energy producer from Bucharest, filed for insolvency on October 6, 2016. As at the insolvency date, the receivable payable by ELCEN Bucuresti to Distrigaz Sud Rețele amounted to 165 million RON, reaching 202.2 million RON as at December 31, 2020.

18. OTHER RECEIVABLES AND CURRENT ASSETS

Other receivables and current assets comprise:

	2020 RON	2019 RON
Receivables from levies and taxes	8,808,928	7,099,754
Sundry debtors	10,535,936	4,311,356
Other short-term receivables	**19,344,864**	**11,411,110**
Advance payments to suppliers	893,489	7,368,107
Deferred expenses	15,405,483	8,896,266
Advance payments and deferred expenses	**16,298,972**	**16,264,373**
Total	**35,643,835**	**27,675,483**

19. 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	70,310,594	44,853,997
Other cash equivalents	35,017	505,669
Short-term bank deposits	797,467,224	662,950,625
Short-term deposits with ENGIE Treasury Management	415,725,876	208,319,493
Total	**1,283,538,711**	**916,629,784**

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 26.

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	98,068
Guarantees set up by managers	106,424	117,736
Other securities	334,232	335,703
Total	**553,846**	**551,507**

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

20. SHARE CAPITAL AND RESERVES

20.1 Share capital

	Number of shares	Nominal value	Share capital	Adjustment for hyperinflation	Share premiums	Total
		RON	RON	RON	RON	RON
Balance as at January 1, 2019	**19,924,553**	**10**	**199,245,530**	**58,057,818**	**653,633,485**	**910,936,833**
Changes Ian. - Dec. 2019	1	10	10	-	2,176,321	2,176,331
Balance as at December 31, 2019	**19,924,554**	**10**	**199,245,540**	**58,057,818**	**655,809,806**	**913,113,164**
Changes Ian. - 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, the subscribed share capital of the Parent company, ENGIE Romania, amounts to 199,245,540 RON in total, comprising 19,924,554 nominal shares amounting to 10 RON/share, distributed as follows:

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 Cogealac Town	620	6,200	0.003112
Local council of Ovidiu City	206	2,060	0.001034
Local council of Medgidia County	206	2,060	0.001034
Total	**19,924,554**	**199,245,540**	**100.000000**

2019 shareholding structure	Number of shares	Value in RON	%
Romania Gas Holding	10,160,466	101,604,660	50.994697
The Romanian State – by means of the Ministry of Energy	7,371,320	73,713,200	36.996161
Fondul Proprietatea	2,390,698	23,906,980	11.998753
GDF International SAS	2	20	0.000010
Cogac S.A.S.	1	10	0.000005
Local council of M. Kogalniceanu Town	1,034	10,340	0.005190
Local council of Cogealac Town	620	6,200	0.003112
Local council of Ovidiu City	206	2,060	0.001034
Local council of Medgidia County	206	2,060	0.001034
ENGIE Dezvoltare și Consultanță	1	10	0.000005
Total	**19,924,554**	**199,245,540**	**100.000000**

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

20. SHARE CAPITAL AND RESERVES (continued)

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

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

The share premium as at December 31, 2020 amounted to 655,809,806 RON (2019: 655,809,806 RON) and was recorded primarily under the capital increase following the Company's privatisation (610,048,663 RON).

20.2 Legal reserve

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

The Parent company's legal reserve set up for 2020 is 49,014,519 RON (2019: 49,014,519 RON).

20.3 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 Parent company strictly for investments in the natural gas distribution network. If it is used for other purposes, the reserve becomes taxable in full. The management do not intend to use this reserve.

Furthermore, the Parent 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 consolidated statement of financial position presents the revaluation reserves reduced with the deferred tax associated to them.

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

As at December 31, 2020, the actuarial gains from provisions related to long-term employee benefits, recorded under other reserves (net of the related deferred tax) amount to 19,958,425 RON (2019: 18,661,045 RON).

The shares received free of charge by the salaried employees, recorded as at December 31, 2020 under other reserves, amount to 27,062,799 RON (2019: 26,997,231 RON).

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

21. PROVISIONS

	Provision for litigations RON	Other provisions RON	Total RON
As at January 1, 2019	**18,920,974**	**126,578,350**	**145,499,324**
Provisions set up throughout the year	20,112,226	37,675,790	57,788,016
Provisions carried over under revenues	(8,828,729)	(14,458,711)	(23,287,440)
Provisions used	(5,668,538)	-	(5,668,538)
As at December 31, 2019	**24,535,933**	**149,795,429**	**174,331,362**
Provisions set up throughout the year	179,593	28,617,576	28,797,169
Provisions carried over under revenues	(1,059,220)	(6,652,088)	(7,711,308)
Provisions used	(17,680,928)	-	(17,680,928)
As at December 31, 2020	**5,975,378**	**171,760,917**	**177,736,296**
As at December 31, 2019			
In the short term	24,535,933	-	24,535,933
In the long term	-	149,795,429	149,795,429
As at December 31, 2020			
In the short term	5,975,378	-	5,975,378
In the long term	-	171,760,917	171,760,917

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

22. EMPLOYEE BENEFITS

	2020 RON	2019 RON
Net liabilities at the start of the period	**142,689,774**	**123,912,369**
Expenses with additional provisions	33,568,530	29,746,873
Reversals of provisions	(1,623,000)	(52,345)
Provisions used	(10,285,890)	(10,917,124)
Net liabilities at the end of the period	**164,349,414**	**142,689,773**

As at December 31, 2020, the Group holds a provisions amounting to 118,839,252 RON (2019: 112,253,630 RON) for long-term benefits granted to salaried employees. The variations undergone by this provision throughout the year were as follows:

	RON
As at January 1, 2020	112,253,630
Actuarial (gains) / losses	(1,544,500)
Discounting costs	4,508,587
Cost of current services	3,621,535
As at December 31, 2020	**118,839,252**

The main assumptions employed in the actuarial calculation of these benefits are:
● A discount rate of 4.3% (2019: 4.3%)
● A salary increase rate of 5% (2019: 5%)
● Mortality: INS 2017 statistical chart (2017: INS 2010 statistical chart)
● Staff turnover: average below 1%, calculation broken down by company and employee category (2019: the same).
The other provisions for salaried employee benefits are in the short term and concern both the performance company bonus and individual performance bonuses.

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

23. SUPPLIERS AND OTHER CURRENT LIABILITIES

	2020 RON	2019 RON
Suppliers	452,724,809	915,013,817
Liabilities to affiliated parties	9,610,741	24,123,908
Total suppliers – trade payables	**462,335,550**	**939,137,725**
Advance payments from customers	74,567,300	89,846,455
Sundry creditors	116,397,848	90,633,781
Salaries payable and related contributions	34,344,397	30,414,740
VAT payable	90,909,322	74,465,333
Excise and other duties	81,396,796	10,972,780
Other short-term liabilities	5,946,180	7,584,723
Total other short-term liabilities	**403,561,843**	**303,917,812**
Total suppliers and current liabilities	**865,897,393**	**1,243,055,537**

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.

24. DIVIDENDS

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

The 2020 net outturn will be appropriated in line with the Decision of the Shareholders’ General Ordinary Assembly. The Parent company distributed dividends throughout the years 2020 and 2019 as follows:

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

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

25. PRESENTATION OF AFFILIATED PARTIES

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

The Group's affiliated companies as at December 31, 2020 are the companies from ENGIE Group (among which Depomures SA, ENGIE Dezvoltare si Consultanta, ENGIE Energy Management Romania), and associate Tulcea Gaz SA.

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

Sales from transactions with affiliated parties		**2020 RON**	**2019 RON**
ENGIE	Natural 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**
Depomures	Contract for services	90,536	93,916
	Sales income	200,000	200,000
	Total	**290,536**	**293,916**
ENGIE Dezvoltare și Consultanță	Support services	51,195	50,760
ENGIE Energy Management Romania	Natural gas sales	16,975,839	3,731,157
	Other services	415,200	354,032
	Total	**17,391,039**	**4,085,190**
Tulcea Gaz	Natural gas sales	3,835,012	2,597,787
	Other services	34,800	48,644
	Dividends	-	283,179
	Total	**3,869,812**	**2,929,610**
Total sales from transactions with affiliated parties		**37.546.255**	**17.875.721**

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

25. PRESENTATION OF AFFILIATED PARTIES (continued)

Expenses with/purchases from transactions with affiliated parties and dividends paid		**2020 RON**	**2019 RON**
ENGIE	Gas purchases	134,514,580	271,863,099
	Management services	8,743,407	6,594,028
	Software licence and maintenance	6,859,503	5,806,937
	Other services	1,985,315	1,598,170
	Dividends	51,357,418	69,749,584
	Total	**203,460,224**	**355,611,818**
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 Energy Management Romania	Gas purchases	38,875,589	28,009,832
Administrators	Allowances for the Parent company's administrators	640,282	678,513
Total expenses/purchases/dividends with/from transactions with affiliated parties		**265,068,423**	**412,086,648**

Receivables to affiliated parties		**2020 RON**	**2019 RON**
ENGIE	Trade receivables	730,919	1,231,092
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
Tulcea Gaz		409,765	1,175,666
ENGIE Treasury Management	Deposit	415,725,876	208,319,493
Total receivables to affiliated parties		**425,965,927**	**212,583,807**

Liabilities from affiliated parties		**2020 RON**	**2019 RON**
ENGIE	Trade payables	5,700,974	15.113.756
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
Total liabilities to affiliated parties		**9,610,741**	**24,123,908**

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

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

26. COMMITMENTS AND CONTINGENCIES

Fixed assets

The 2021 investment budget amounts to 733,463,683 RON (2020: 383,249,672 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	121,763,683
Total	**733,463,683**

Deferred green certificates

According to ANRE Order 24/2017, (current and deferred) green certificates have actual value strictly at the time when they are traded. In order to comply with this order, MFP (*Ministry of Public Finance*) issued Order 895/2017, pursuant to which green certificates are recognised in the balance sheet and in the profit and loss account when they are traded, which is when they actually acquire value. The Group changed the accounting treatment, recording off-balance sheet the deferred green certificates.
The deferred green certificates shall be granted during the 2018-2025 period.

The off-balance sheet status of the deferred green and current certificates, not traded as at December 31, 2020, appears as follows:

	2020		2019	
	number	**value**	**number**	**value**
Current green certificates	31,071	4,334,716	-	-
Deferred green certificates	459,575	64,114,817	542,449	74,207,023
Tradeable green certificates	*90,408*	*12,612,721*	*90,408*	*12,367,814*
Long-term green certificates	*369,167*	*51,502,096*	*452,041*	*6,839,209*
TOTAL	**490,646**	**68,449,533**	**542,449**	**74,207,023**

The green certificates are valuated at a price of 139.51 RON/green certificate.

Natural gas

As at December 31, 2020, the Parent company had concluded contracts for the purchase of domestically sourced and imported natural gas in order to secure the consumption requirements of household and non-household customers 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 measured suitable to this purpose, to protect human health, to rationally capitalise on renewable and non-renewable resources and to maintain a national ecological balance.

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

26. COMMITMENTS AND CONTINGENCIES (continued)

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

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

In 2020, the environmental protection costs amounted to 10,218,740 RON (2019: 11,786,486 RON) and materialised into:

- Programs of measures to comply with the environmental legislation (contribution to the la Environmental Fund, water rights permits);
- Monitoring of environmental factors (rebuilding embankments);
- Monitoring of own energy consumption and energy efficiency measures;
- Measures for the thermal rehabilitation of buildings and enhancing thermal efficiency;
- Measures on selective collection, temporary storage and disposal of household waste;
- Programs to maintain the Environmental Management System;
- Programs of measures to comply with the legislation – obtaining environmental permits for investment works;
- Monitoring of environmental factors: expenses made with restoring lands to their initial state.

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

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

Lease contracts

On December 17, 2020, the Company took over the superficies agreement pertaining to the lands which host the photovoltaic panels (note 12).
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**

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Guarantees for contractual obligations

In order to guarantee the fulfilment of contractual obligations, the Group 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
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

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Issuer	Beneficiary	Amount (equivalent in RON)	Currency	Validity
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
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**		

Furthermore, the Group set up guarantees for concessions of distribution services in favour of the Ministry of Energy, as follows:

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

Beneficiary	Locality	Concession contract: no./date	Valid until	Value in RON
MINISTRY OF ENERGY	IASI-GORJ, PART OF DRAGUȚEȘTI TOWN	AA 5 TO CONCESSION CNT NO. 120/18.02.2005	21.12.2022	54,362.41
MINISTRY OF ENERGY	LACUL SARAT, CHISCANI TOWN (BR)	AA 12 TO CONCESSION CNT NO. 120/18.02.2005	28.03.2022	71,587.00
MINISTRY OF ENERGY	BALTITA, COM MANESTI (OT)	AA 17 TO CONCESSION CNT NO..120/18.02.2005	04.04.2021	34,577.00
MINISTRY OF ENERGY	OREAVU ȘI RUBLA, VALEA RÂMNICULUI TOWN (BZ)	AA 18 TO CONCESSION CNT NO. 120/18.02.2005	19.06.2022	94,435.00
MINISTRY OF ENERGY	VALUL LUI TRAIAN (CT)	1/04.01.2011	04.07.2021	520,538.00
MINISTRY OF ENERGY	NOVACI AND POPEȘTI, MIHAILEȘTI CITY (GR)	AA 31 TO CONCESSION CNT NO. 120/18.02.2005	12.06.2022	110,279.07

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

Beneficiary	Locality	Concession contract: no./date	Valid until	Value in RON
MINISTRY OF ENERGY	COSLEGI, DÂRVARI, PANTAZI AND RADILA, VALEA CĂLUGĂREASCĂ TOWN (PH)	AA 30 TO CONCESSION CNT NO. 120/18.02.2005	12.06.2022	134,843.64
MINISTRY OF ENERGY	ARCESTI, ARCESTI COT, SCHITU DIN DEAL, SCHITU DIN VALE, PLESOIU TOWN (OT)	AA 32 TO CONCESSION CNT NO. 120/18.02.2005	10.10.2022	229,175.40
MINISTRY OF ENERGY	BORDENII MARI, BORDENII MICI AND SARCA, SCORȚENI TOWN	AA NR. 33 TO CONCESSION CNT NO. 120/2005	07.01.2024	110,713.14
MINISTRY OF ENERGY	VALUL LUI TRAIAN (CT)	1/04.01.2011	24.02.2021	9,709.06
MINISTRY OF ENERGY	SLĂTIOARA TOWN (OT)	AA 5/2020 TO CONCESSION CNT NO. 113/15.12.2004	12.03.2024	39,419.40
MINISTRY OF ENERGY	BUCSANI (DB)	85/06.10.2004	16.03.2021	2,939.44
MINISTRY OF ENERGY	GLODEANU SILISTEA (DB)	82/06.10.2004	16.03.2021	571.38
MINISTRY OF ENERGY	CONSTANȚA, MAMAIA AND PALAZU MARE	96/15.12.2004	19.04.2021	285,821.54
MINISTRY OF ENERGY	OVIDIU, POIANA (CT)	97/15.12.2004	19.04.2021	9,837.90
MINISTRY OF ENERGY	MAMAIA SAT AND NĂVODARI (CT)	95/15.12.2004	19.04.2021	52,865.49
MINISTRY OF ENERGY	TARGȘORU NOU, ARICESTII RAHTIVANI TOWN	XVII261470/10.02.2009	03.04.2021	657.18
MINISTRY OF ENERGY	MINIERI, FILIPEȘTII DE PADURE TOWN	XVII261472/10.02.2009	03.04.2021	598.48
MINISTRY OF ENERGY	ZALHANAUA, MĂNEȘTI TOWN	XVII261471/10.02.2009	03.04.2021	388.16
MINISTRY OF ENERGY	According to OMEC 747/2004	120/18.02.2005	21.05.2021	5,141,531.68
MINISTRY OF ENERGY	Viștea (BV)	131/04.03.2005	21.05.2021	82.66
MINISTRY OF ENERGY	Cosoveni and Carcea (DJ)	34/11.05.2004	21.05.2021	19,248.54
MINISTRY OF ENERGY	Lelești (GJ)	58/29.06.2004	21.05.2021	1,800.55
MINISTRY OF ENERGY	Domnești (IF) – Tegheș village	149/17.01.2006	21.05.2021	460.98
MINISTRY OF ENERGY	Tunari (IF)	80/06.10.2004	21.05.2021	1,373.50
MINISTRY OF ENERGY	Colonești (OT)	41/28.05.2004	21.05.2021	1,139.31
MINISTRY OF ENERGY	Poiana Campina (PH)	86/06.10.2004	21.05.2021	1,290.34
MINISTRY OF ENERGY	Bărcănești (PH)	104/15.12.2004	21.05.2021	453.68
MINISTRY OF ENERGY	Mătăsari (GJ)	181/04.08.2006	21.05.2021	1,276.11
MINISTRY OF ENERGY	Vădeni (BR)	39/28.05.2004	21.05.2021	270.14
MINISTRY OF ENERGY	Potlogi (DB)	180/04.08.2006	21.05.2021	2,217.17
MINISTRY OF ENERGY	Balești (GJ)	123/04.03.2005	21.05.2021	137.38
MINISTRY OF ENERGY	Manasia (IL)	128/04.03.2005	21.05.2021	3,283.27
MINISTRY OF ENERGY	Chitila (IF)	90/01.11.2004	21.05.2021	3,238.56
MINISTRY OF ENERGY	Caracal (OT)	25/15.04.2004	21.05.2021	61,051.10
MINISTRY OF ENERGY	Ceptura (PH)	45/28.05.2004	21.05.2021	5,557.49
MINISTRY OF ENERGY	Rucăr (AG)	182/04.08.2006	21.05.2021	2,816.69
MINISTRY OF ENERGY	Lerești (AG)	179/04.08.2006	21.05.2021	2,472.80

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

Beneficiary	Locality	Concession contract: no./date	Valid until	Value in RON
MINISTRY OF ENERGY	Nucet (DB)	33/11.05.2004	21.05.2021	4,830.51
MINISTRY OF ENERGY	Bezdead (DB)	43/28.05.2004	21.05.2021	1,979.76
MINISTRY OF ENERGY	Răcari (DB)	64/05.07.2004	21.05.2021	5,307.46
MINISTRY OF ENERGY	Podari (DJ)	20/11.02.2004	21.05.2021	3,190.46
MINISTRY OF ENERGY	Ștefăneștii de Jos (IF)	21/16.03.2004	21.05.2021	25,758.23
MINISTRY OF ENERGY	Periș (IF)	75/23.08.2004	21.05.2021	10,609.54
MINISTRY OF ENERGY	Călimănești (VL)	152/17.01.2006	21.05.2021	3,349.21
MINISTRY OF ENERGY	Băile Olănești (VL)	151/17.01.2006	21.05.2021	4,309.12
MINISTRY OF ENERGY	Vânători (GL)	178/04.08.2006	21.05.2021	3,261.86
MINISTRY OF ENERGY	Ulmi (DB)	84/06.10.2004	21.05.2021	3,260.82
MINISTRY OF ENERGY	Băleni (DB)	44/28.05.2004	21.05.2021	12,365.45
MINISTRY OF ENERGY	Runcu (DB)	112/15.12.2004	21.05.2021	157.31
MINISTRY OF ENERGY	Dragodana (DB)	162/17.04.2006	21.05.2021	1,247.86
MINISTRY OF ENERGY	Cornești (DB)	116/23.12.2004	21.05.2021	1,121.09
MINISTRY OF ENERGY	Dâmbovicioara (AG)	76/27.08.2004	21.05.2021	1,058.01
MINISTRY OF ENERGY	Drăgănești Olt (OT)	100/15.12.2004	21.05.2021	333.92
MINISTRY OF ENERGY	Plopu (PH)	81/06.10.2004	21.05.2021	3,056.77
MINISTRY OF ENERGY	Văcărești (DB)	163/17.04.2006	21.05.2021	1,537.38
MINISTRY OF ENERGY	Buciumeni (DB)	101/15.12.2004	21.05.2021	2,708.21
MINISTRY OF ENERGY	Slătioara (OT)	113/15.12.2004	21.05.2021	4,348.48
MINISTRY OF ENERGY	Mihăești (AG)	42/28.05.2004	21.05.2021	3,116.98
MINISTRY OF ENERGY	Tulucești (GL)	37/28.05.2004	21.05.2021	1,428.55
MINISTRY OF ENERGY	Schitu Golești (AG)	69/10.08.2004	21.05.2021	6,106.29
MINISTRY OF ENERGY	Munteni (GL)	166/17.04.2006	21.05.2021	587.47
MINISTRY OF ENERGY	Modelu (CL)	107/15.12.2004	21.05.2021	13,713.66
MINISTRY OF ENERGY	Melinesti(DJ)	99/15.12. 2004	21.05.2021	27.62
MINISTRY OF ENERGY	Tichilești (BR)	165/17.04.2006	21.05.2021	883.82
MINISTRY OF ENERGY	Glina (IF)	87/13.10.2004	21.05.2021	2,075.30
MINISTRY OF ENERGY	Albota (AG)	109/15.12. 2004	21.05.2021	7,078.83
MINISTRY OF ENERGY	Domnești (AG)	115/23.12. 2004	21.05.2021	4,508.67
MINISTRY OF ENERGY	Moșoaia (AG)	150/17.01.2006	21.05.2021	3.464,24
MINISTRY OF ENERGY	Păușești – Maglași (VL)	111/ 15.12.2004	21.05.2021	1.665,18
MINISTRY OF ENERGY	Mihăești (VL)	110/15.12.2004	21.05.2021	13.576,36
MINISTRY OF ENERGY	Albeștii de Argeș (AG)	98/15.12.2004	21.05.2021	4.036,63

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

Beneficiary	Locality	Concession contract: no./date	Valid until	Value in RON
MINISTRY OF ENERGY	Brădești (DJ)	125/04.03.2005	21.05.2021	890.50
MINISTRY OF ENERGY	Bobicești (OT)	124/04.03.2005	21.05.2021	134.75
MINISTRY OF ENERGY	Bustuchin (GJ)	183/04.08.2006	21.05.2021	5.44
MINISTRY OF ENERGY	Târgșoru Vechi (PH)	164/17.04.2006	21.05.2021	980.42
MINISTRY OF ENERGY	ȘERBĂNEȘTI TOWN (OLT)	130/04.03.2005	19.06.2021	469.77
MINISTRY OF ENERGY	NEGRU VODĂ (CT)	171/18.04.2006	23.06.2021	1,926.97
MINISTRY OF ENERGY	LUMINA (CT)	170/18.04.2006	23.06.2021	7,720.60
MINISTRY OF ENERGY	CUMPĂNA (CT)	391167 / 11.04.2008	23.06.2021	13,264.42
MINISTRY OF ENERGY	AGIGEA, EFORIE NORD AND EFORIE SUD (CT)	191/07.06.2012	06.08.2021	4,526.18
MINISTRY OF ENERGY	BERCENI (PH)	106/15.12.2004	30.07.2021	11,816.06
MINISTRY OF ENERGY	AGIGEA, LAZU VILLAGE (CT)	185/21.07.2011	10.09.2021	2,112.58
MINISTRY OF ENERGY	CRIZBAV (BV)	62/18.08.2015	04.09.2021	285.52
MINISTRY OF ENERGY	DUMITRANA AND PRUNI, MĂGURELE CITY (IF)	145/05.07.2011	12.09.2021	227.48
MINISTRY OF ENERGY	COGEALAC (CT)	67/08.07.2004	07.10.2021	4,420.00
MINISTRY OF ENERGY	MIHAIL KOGĂLNICEANU (CT)	68/08.07.2004	07.10.2021	20,688.84
MINISTRY OF ENERGY	VALEA POPII, VALEA POIENII, VALEA NICOVANI, VALEA LARGĂ AND RĂCHIERI, part of VALEA CĂLUGĂREASCĂ TOWN (PH)	202/11.08.2011	21.10.2021	1,000.21
MINISTRY OF ENERGY	ALBEȘTI-PALEOLOGU, ALBEȘTI-MURU, VADU PĂRULUI (PH)	203/11.08.2011	20.10.2021	2,997.90
MINISTRY OF ENERGY	AMARA (IL)	5/19.12.2003	30.10.2021	9,764.69
MINISTRY OF ENERGY	FETEȘTI (IL)	133/30.03.2005	30.10.2021	17,354.93
MINISTRY OF ENERGY	SINCA NOUĂ (BV)	118/01.02.2005	30.10.2021	216.62
MINISTRY OF ENERGY	ȚĂNDĂREI (IL)	02/19.12.2003	30.10.2021	25,692.11
MINISTRY OF ENERGY	RECEA (BV)	3/19.12.2003	30.10.2021	3,857.92
MINISTRY OF ENERGY	SINCA (BV)	4/19.12.2003	30.10.2021	3,495.63
MINISTRY OF ENERGY	AGIGEA, EFORIE SUD AND EFORIE NORD (CT)	191/2012	07.12.2021	372,288.60
VULTURU TOWN	VULTURU TOWN	4430/02.06.2020 (STATUTORY UNDERTAKER NO. 1434/26.06.20201)	02.02.2023	14,150.00
VULTURU TOWN	VULTURU TOWN	4430/02.06.2020 (STATUTORY UNDERTAKER NO. 1434/26.06.2020)	03.07.2021	51.51
GRĂDINARI TOWN	GRĂDINARI TOWN	1802/06.05.2020	06.05.2024	29,724.00
GRĂDINARI TOWN	GRĂDINARI TOWN	1802/06.05.2020	26.05.2021	536.06
LISA TOWN	LISA (BV)	3616/02.10.2019	02.04.2022	20,008.88
LISA TOWN	LISA (BV)	3616/02.10.2019	11.10.2021	15.99
NICULEȘTI TOWN	NICULEȘTI TOWN	2874/29.05.2020 (STATUTORY UNDERTAKER NO. 1435/26.06.2020)	29.05.2023	38,409.00

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

Beneficiary	Locality	Concession contract: no./date	Valid until	Value in RON
NICULEȘTI TOWN	NICULEȘTI TOWN	2874/29 05 2020 (STATUTORY UNDERTAKER NO. 1435/26.06.2020)	03.07.2021	86.46
POIANA TOWN	POIAN AND POIENIȚA	1524/19.03.2020	19.06.2022	18,240.00
POIANA TOWN	POIAN AND POIENIȚA	1524/19.03.2020	16.04.2021	54.17
ȘENDRENI TOWN	ȘENDRENI	1249-2020/4031/2020	18.02.2021	35.89
ȘENDRENI TOWN	ȘENDRENI	1249-2020/4031/2020	05.02.2023	21,721.00
STREJEȘTI TOWN	STREJEȘTI	1802/06.05.2020	06.05.2024	32,034.00
STREJEȘTI TOWN	STREJESTI	1802/06.05.2020	26.05.2021	577.71
ADJUD CITY	ADJUD	74/18.02.2020	03.06.2021	1,093.00
TISMANA CITY	TISMANA (GJ)	13874/11.10.2019	25.10.2021	23.06
TISMANA CITY	TISMANA (GJ)	13874/11.10.2019	11.10.2024	5,468.49
ALEXANDRIA MAYOR'S OFFICE	ALEXANDRIA	71/23.08.2004	18.06.2021	640.00
GIURGIU MAYOR'S OFFICE	GIURGIU CITY (GR)	135/12.07.2005	06.07.2021	41,966.81
OLTENIȚA MAYOR'S OFFICE	OLTENITA	57/21.06.2004	18.06.2021	996.00
CORABIA CITY MAYOR'S OFFICE	CORABIA (OT)	322/30.11.2011	30.10.2021	85,719.15
CORABIA CITY MAYOR'S OFFICE	CORABIA (OT)	322/30.11.2011	04.02.2021	16,842.43
TURNU MĂGURELE MAYOR'S OFFICE	TURNU MĂGURELE	50/11.06.2004	18.06.2021	124.00
ALEXANDRIA MAYOR'S OFFICE	ALEXANDRIA	70/23.08.2004	18.06.2021	1,492.00
CHISCANI TOWN TAU	LACU SĂRAT, CHISCANI TOWN	10943/9.10.2018	08.04.2023	408,622.47
MIOVENI TOWN TAU	CLUCEREASA, MIOVENI CITY	14672/15.05.2018	20.06.2021	23,399.71
ADERRO GP ENERGY		AA 29/11.02.2019 TO CNT NO. 1 ADERRO G.P. ENERGY/2018	31.05.2021	120,000.00
AIK ENERGY LTD LONDRA		NATURAL GAS DISTRIBUTION CNT NO. 1 AIK ENERGY/2020	30.06.2021	170,000.00
AIK ENERGY ROMANIA		NATURAL GAS DISTRIBUTION CNT NO. 1 AIK ENERGY ROMANIA/2020	15.08.2021	15,000.00
CIS GAZ		AA 30/01.01.2019 TO NAT. GAS DISTRIB. CNT NO. 1 CIS GAZ/2018	31.05.2021	100,000.00
DACIA ENERGY SOLUTIONS		NATURAL GAS DISTRIBUTION CNT NO. 1 DACIA ENERGY SOLUTIONS/2020	15.06.2021	7,000.00
ELECTRIC PLANNERS		AA 3 TO CNT NO.1 ELECTRIC PLANNERS/2019	12.01.2021	28,000.00
ELECTRIC&GAS POWER TRADE		M 39 TO NAT. GAS DISTRIBUTION CNT ELECTRIC&GAS POWER NR.1/2018	31.05.2021	1,000.00
ENERGIA GAS&POWER		AA 26 TO CNT NO. 1 ENERGIA GAS/2018	31.05.2021	50,000.00
ENTREX SERVICES		AA 8/01.02.2019 TO CNT NO. 1 ENTREX SERVICES/2018	31.05.2021	30,000.00
EURO SEVEN INDUSTRY		AA 1/08.02.2019 TO CNT NO. 1 EURO SEVEN INDUSTRY/2018	31.05.2021	2,000.00
GAZ VEST		NAT. GAS DISTRIBUTION CNT NO. 1 GAZ VEST/2020	31.08.2021	500.00
NEXT ENERGY DISTRIBUTION		AA 9/30.01.2019 TO NAT. GAS DISTRIB. CNT NO. 1 NEXT ENERGY /2018	31.05.2021	70,000.00

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

Beneficiary	Locality	Concession contract: no./date	Valid until	Value in RON
NORD GAZ	51	NAT. GAS DISTRIBUTION CNT NO. 1 NORD GAZ/2020	31.08.2021	1,500.00
OLIGOPOL		AA5 TO NAT. GAS DISTRIB. CNT NO. 1 OLIGOPOL/2018	12.01.2021	55,000.00
PREMIER ENERGY		AA 45 TO NAT. GAS DISTRIB. CNT NO. 1 PREMIER ENERGY/2018	31.05.2021	220,000.00
PREMIER ENERGY TRADING		AA 21 TO NAT. GAS DISTRIB. CNT NO. 1 FORTE GAZ/2018	31.05.2021	448,000.00
RENOVATIO TRADING		AA11 TO NAT. GAS DISTRIB. CNT NO. 2 RENOVATIO/2018	31.05.2021	60,000.00
RESTART ENERGY ONE		AA 62 TO CNT NO. 1 RESTART ENERGY/2018	31.05.2021	100,000.00
TERMO CALOR CONFORT		NAT. GAS DISTRIBUTION CNT NO. 1 TERMO CALOR/2019	31.05.2021	540,000.00
TINMAR ENERGY		AA 82/2018 TO NAT. GAS DISTRIB. CNT NO. 1 TINMAR ENERGY/2018	31.05.2021	240,000.00

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.

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Commitments received

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

The Parent 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	563,000	EUR	25.01.2022
SGB	BRD	E-DISTRIBUTIE DOBROGEA	563,000	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	400,000	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	250,000	RON	31.12.2099
BO	BCR	EVA ENERGY	250,000	RON	31.12.2099
BO	BCR	EVA ENERGY	250,000	RON	31.12.2099
BO	BCR	EVA ENERGY	250,000	RON	31.12.2099
BO	BCR	EVA ENERGY	250,000	RON	31.12.2099
BO	BCR	EVA ENERGY	250,000	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	600,000	RON	12.05.2021
SGB	UNICREDIT	NEATWORK FACILITY MANAGEMENT	15,000	EUR	01.08.2022
SGB	CEC BANK	NEPTUN SA	150,000	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	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	UNICREDIT	UNITED SYSTEM OF INSTANT PAYMENTS	160,000	RON	31.12.2099
SGB	BRD	VEOLIA ENERGIE ROMANIA	972,468	RON	06.05.2021

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

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

Guarantee type	Issuer of Letter of Bank Guarantee	Issuer	Amount	Currency	Validity
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	15,000	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	29,000	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	475,000	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	30,800	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**	

Furthermore, the Group 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 Țiriac Bank	347,503
ROCIP INSTAL SRL	BCR	341,435
TEX ART CONCEPT SRL	RIB	332,475
INSTPRO SRL	BCR	330,666

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

Issuer	Issuer of bank guarantee	Amount
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
INSTERMON 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**

26. COMMITMENTS AND CONTINGENCIES (continued)

Insurance policies

In 2021, the Group had the following insurance policies concluded:

Third party liability
In order to lower the liability risk in the event of damages incurred by third parties as both natural persons and legal entities, 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 Rețele, ENGIE Servicii, ENGIE Building Solutions, Brăila Winds, Alizeu Eolian – companies with a co-insured status.

Insurance on buildings and property among the company's assets
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 Group 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.
- In order to lower the liability risk in the case of damage incurred by third parties, both as natural persons and legal entities, DGSR (*Distrigaz Sud Rețele*) is co-insured under the liability insurance policy concluded by ENGIE Romania, which also covers liability for accidental pollution, the employer's liability to their employees, professional liability and the service provider' liability. This insurance is part of the ENGIE Group program, being negotiated at a centralised and valid for the 01.07.2020 - 30.06.2021 interval.

Transfer price

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

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

Local taxes - Property owner's tax

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

26. COMMITMENTS AND CONTINGENCIES (continued)

Other commitments and contingencies

The Network Code

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

In February 2017, the Group received from Transgaz invoices amounting to 46 million RON (VAT-inclusive) related to capacity overruns, for the months of November and December 2016. The 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 Parent-company and Transgaz requested that ANRE clarify the situation. At the end of May 2017, ANRE issued a decision in favour of the Transgaz interpretation, and the Group paid the unrecognised difference of 30 million RON (as well as all the subsequent invoices). At the same time, the Group appealed in court the ANRE decision and obtained in trial court its annulment. The trial is in progress as at the signing date of the financial statements, the date of the following court appearance being April 14, 2021.

Litigations

At the end of 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 Group was taken to court primarily for litigations related to work and to certain ownership rights. The Group recorded provisions (Note 21) for litigations where it deems a disposal of resources to be likely, for an amount best estimated for such disposal of resources.

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

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

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

As at December 31, 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.

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

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 Parent 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 Parent 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.

The commodity price risk – green certificates

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

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

The interest rate risk

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

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

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

The foreign exchange risk

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

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

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

	Monetary assets		Monetary liabilities	
	2020 RON	2019 RON	2020 RON	2019 RON
USD	438,487	18.866,930	16,948,816	49,871,612
EUR	16,288,913	1.520,025	2,831,536	15,563,531
Other foreign currencies	-	-	-	76,535

The credit risk

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

Trade receivables

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

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

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

Cash and cash equivalents, other financial assets

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

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

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

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

Regulatory risks

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

Operational risks

<u>Volume-related risks</u>

Risks concerning volumes related to weather conditions

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

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

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

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

Risks from the application of the Network Code provisions

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

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

<u>Wind farm management risks</u>

The regulatory risk

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

The wind level risk

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

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

The curtailment risk

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

The balancing risk

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

The technical malfunction risk

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

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

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

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

The liquidity risk

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

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

Million RON	< 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
December 31, 2020					
Trade and other payables (note 23)	866	-	-	-	**866**
Provisions (note 21)	-	6	86	86	**178**
Employee benefits (note 22)	-	46		119	**164**
Leasing (note 26)			1	2	**3**
Fair value of derivatives – liability (note 15.2)	80	-	-	-	**80**

Million RON	< 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
December 31, 2019					
Trade and other payables (note 23)	1,244	-	-	-	**1,244**
Provisions (note 21)	-	25	75	75	**175**
Employee benefits (note 22)	-	30	-	112	**142**
Current corporate income tax debts	9	-	-	-	**19**

Capital management

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

Considering the Group's low indebtedness levels, it did not perform an active management of its capital throughout the fiscal years concluded on December 31, 2020 and 2019 and did not quantify any objectives in that respect.

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

28. REPORTING BY SEGMENT

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

2020	Natural gas	Electricity	Eliminations among segments	Total
Revenues from external customers, including green certificates	4,913,108,888	1,365,786,743	-	6.278.895,631
Revenues from transactions with other segments	-	73,089,826	(73,089,826)	-
Amortisation and depreciation costs	(184,376,844)	(26,267,029)	-	(210,643,873)
Interest income	32,184,186	-	(7,060,711)	25,123,475
Interest expenses	(7,069,856)	-	7,060,711	(9,145)
Share from the associates' loss	137,984	-	-	137,984
Corporate income tax costs	(76,293,960)	(11,173,900)	-	(87,467,860)
Segment outturn	434,152,068	58,662,976	-	492,815,044
Segment assets	6,214,794,489	827,671,284	(144,834,142)	6,897,631,631
Segment liabilities	(1,467,053,840)	(172,269,135)	144,834,142	(1,494,488,834)
Investments in associates (the net asset method)	5,385,286	-	-	5,385,286

2019	Natural gas	Electricity	Eliminations among segments	Total
Revenues from external customers, including green certificates	4,917,354,554	1,817,217,718	-	6,734,572,271
Revenues from transactions with other segments	-	58,504,176	(58,504,176)	-
Amortisation and depreciation costs	(170,067,584)	(19,978,797)		(190,046,381)
Interest income	32,123,623	-	(7,041,419)	25,082,204
Interest expenses	(7,072,146)	-	7,041,419	(30,727)
Share from the associates' loss	(546,272)	-	-	(546,272)
Corporate income tax costs	(66,206,787)	(12,033,650)	-	(78,240,437)
Segment outturn	322,017,589	63,176,662	-	385,194,251
Segment assets	6,171,695,709	739,106,716	(144,210,184)	6,766,592,240
Segment liabilities	(1,763,128,669)	(137,980,852)	144,210,184	(1,756,899,337)
Investments in associates (the net asset method)	5,247,302	-	-	5,247,302

29. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

In early 2021, ANRE Order 1/20.01.2021 was published, approving the following changes to the methodology employed to set forth the regulated tariffs for distribution services in the natural gas sector:

- Granting 1% incentive over the approved regulated return on capital invested, for the new assets, commissioned during the fourth regulatory period. In the case of projects co-financed from non-reimbursable European funds, the incentive granted is 2%;
- The recognition under tariffs of the royalty pertaining to the concession contracts, as costs directly taken over (with the exception of the period between the entry into force of Law. 155/2020 and the entry into force of Law no. 244/2020).

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 – 77 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]