

DISTRIBUTIE ENERGIE ELECTRICA

ROMANIA S.A.

FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH OMFP 1802/2014 WITH SUBSEQUENT

AMENDMENTS ON THE DATE OF AND FOR THE FINANCIAL YEAR

ENDED ON DECEMBER 31st, 2020

Free translation from Romanian, which is the official and binding version

February 22nd, 2021

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**DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A. STATEMENT
OF FINANCIAL POSITION AS OF DECEMBER 31st, 2020**
(all the amounts are expressed in LEI unless otherwise provided)

Name of indicator	No. of line	No. of note	Balance at the beginning of the year	Balance at the end of the year
A	B		1	2
A. NON-CURRENT ASSETS				
I. INTANGIBLE ASSETS				
1. Establishment expenses (account 201- 2801)	01		-	-
2. Development expenses (account 203-2803-2903)	02		-	-
3. Concessions, patents, licenses, trade marks, rights and similar assets and other intangible assets (acct. 205+208-2805- 2808-2905-2908)	03		15.623.591	54.988.354
4. Goodwill (acct. 2071- 2807)	04		2.491.793	4.359.590
5. Intangible assets for the exploration and evaluation of mineral resources (acct. 206-2806-2906)	05		-	-
6. Prepayments (account 4094- 4904)	06		-	1.538.595
TOTAL (lines 01 to 06)	07	3	18.115.384	60.886.539
II. TANGIBLE ASSETS				
1. Lands and buildings (acct. 211+212-2811-2812-2911-2912)	08		1.691.866.369	5.669.249.854
2. Technical installations and machines (acct. 213+223-2813-2913)	09		794.471.698	2.882.026.157
3. Other installations, tools and furniture (acct. 214+224-2814-2914)	10		1.130.629	11.912.964
4. Real estate investments (acct. 215-2815-2915)	11		-	-
5. Advances and tangible assets in progress (acct. 231-2931)	12		113.210.800	355.164.222
6. Real estate investments in progress (acct. 235- 2935)	13		-	-
7. Tangible assets exploring and evaluating mineral resources (acct. 216-2816-2916)	14		-	-
8. Biological productive assets (acct. 217+227-2817-2917)	15		-	-
9. Prepayments (account 4093- 4903)	16		-	509.759
TOTAL: (line 08 to 16)	17	3	2.600.679.496	8.918.862.956
III. FINANCIAL ASSETS				
1. Shares in affiliated undertakings (acct. 261- 2961)	18		186	-
2. Loans granted to affiliated entities (acct. 2671+2672-2964)	19		-	-
3. Shares held in affiliated entities and jointly controlled entities (acct. 262+263-2962)	20		-	-
4. Loans granted to affiliated entities and jointly controlled entities (acct. 2673+2674-2965)	21		-	-
5. Other fixed assets (acct. 265- 2963)	22		-	-
6. Other loans (acct. 2675*+2676*+2678*+2679*-2966*-2968*)	23		-	-
TOTAL: (line 18 to 23)	24	3	186	-
NON-CURRENT ASSETS - TOTAL (lines 07+17+24)	25	3	2.618.795.066	8.979.749.495
B. CURRENT ASSETS				
I. INVENTORIES				
1. Raw materials and consumables (acct. 301+302+303+/308++321+322+323+328+351+358+381+/-388-391-392-3951- 3958-398)	26		9.863.026	47.110.653
2. Production in progress (acct. 331+332+341+/-348*-393-3941-3952)	27		3.945.071	2.823.706

The attached notes are an integral part of these financial statements.

**DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A. STATEMENT
OF FINANCIAL POSITION AS OF DECEMBER 31st, 2020**
(all the amounts are expressed in LEI unless otherwise provided)

Name of indicator	No. of line	No. of note	Balance at the beginning of the year	Balance at the end of the year
A	B		1	2
3. Finished goods and merchandise (acct. 345+346+347+/-348+354+ 356+357+361+326+/-368+371+327+/-378-3945-3946- 3947-3953-3954-3956-3957-396-397- from acct. 4428)	28		-	-
4. Advances for inventory purchases (acct. 4091- 4901)	29		-	-
TOTAL: (line 26 to 29)	30	5	13.808.097	49.934.359
II. TRADE RECEIVABLES				
1. Trade receivables (acct. 2676*+2678*+2679*-2966*-2968*+4092+411+413+418-4902-491)	31		50.784.686	158.258.276
2. Amounts to be collected from the affiliated entities (acct. 451**-495*)	32		84.862.735	280.041.747
3. Amounts to be collected from the associated entities and jointly controlled entities (acct. 453-495*)	33		-	-
4. Other receivables (acct. 425+4282+431**+436**+437**+4382+441**+4424+4428**+444**+445+446**+447**+4482+4582+4662+461+ 473**-496+5187)	34		10.083.165	36.458.988
5. Subscribed and unpaid capital (acct. 456-495*)	35		-	-
6. Receivables representing dividends distributed during the financial year (acct. 463)	36		-	-
TOTAL: (line 31 to 36)	37	4	145.730.586	474.759.011
III. SHORT-TERM FINANCIAL INVESTMENTS				
1. Shares in affiliated undertakings (acct. 501- 591)	38		-	-
2. Other short-term investments (acct. 505+ 506+507+ from acct. 508-595-596-598+5113+5114)	39		-	-
TOTAL: (line 38 + 39)	40		-	-
IV. CASH AND CASH EQUIVALENTS (of acct. 508 + acct. 5112+ 512+531+532+541+542)				
	41	6	35.618.273	176.222.110
CURRENT ASSETS - TOTAL (lines 30+36+39+40)	42		195.156.956	700.915.480
C. PREPAYMENTS (acct. 471) (lines 44+45) of which:				
Amounts to be resumed in a period of up to one year (of the account 471*)	43		657.080	2.636.432
Amounts to be resumed in a period longer than one year (of acc. 471*)	44		516.418	1.533.934
	45		140.662	1.102.498
TOTAL ASSETS			2.814.609.102	9.683.301.407
D. DEBTS: AMOUNTS TO BE PAID IN A PERIOD OF UP TO 1 YEAR				
1. Loans from the bond issue, showing separately loans from the issuance of convertible bonds (acct. 161+1681-169)	46		-	-
2. Amounts owed to credit institutions (acct. 1621+1622+1624+1625+1627+1682+5191+5192+5198)	47		166.898.624	543.579.836
3. Advance payments on the account of orders (acct. 419)	48		-	-
4. Trade debts - suppliers (acct. 401+404+408)	49		106.340.006	245.004.263
5. Commercial bills to be paid (acct. 403+405)	50		-	-
6. Amounts owed to group entities (acct. 1661+ 1685+ 2691+ 451***)	51		37.162.989	223.570.887
7. Amounts owed to associated entities and jointly controlled entities (acct. 1663+1686+2692+2693+453***)	52		-	-

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**DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A. STATEMENT
OF FINANCIAL POSITION AS OF DECEMBER 31st, 2020**
(all the amounts are expressed in LEI unless otherwise provided)

Name of indicator	No. of line	No. of note	Balance at the	
			beginning of the year	end of the year
A	B		1	2
8. Other debts, including tax debts and social insurance debts (acct.1623+1626+167+1687+2695+421+423+424+426+427 + 4281+431***+436***+437***+4381+441***+4423+4428***+444***+446***+447***+4481+455+456***+457+ 4581+462+4661+473***+509+5186+5193+5194+5195+5196+5197)	53		27.018.053	89.541.044
TOTAL (lines 46 to 53)	54	7	337.419.672	1.101.696.030
E. CURRENT ASSETS, NET CURRENT DEBTS, RESPECTIVELY (lines 42+44-54-71-74-77)	55		(185.390.802)	(503.587.769)
F. TOTAL ASSETS MINUS CURRENT DEBTS (line 25+45+55)	56		2.433.544.926	8.477.264.224
G. DEBTS: AMOUNTS TO BE PAID IN A PERIOD LONGER THAN 1 YEAR				
1. Bond loans (161+1681-169)	57		-	-
2. Amounts owed to credit institutions (acct. 1621+1622+1624+1625+1627+1682+5191+5192+5198)	58		123.427.413	400.296.551
3. Advance payments on the account of orders (acct. 419)	59		-	-
4. Trade debts - suppliers (acct. 401+404+408)	60		-	-
5. Commercial bills to be paid (acct. 403+405)	61		-	-
6. Amounts owed to group entities (acct. 1661+1685 +2691 + 451***)	62		360.000.000	1.030.000.000
7. Amounts owed to associated entities and jointly controlled entities (acct. 1663+1686+2692+2693+453***)	63		-	-
8. Other debts, including tax debts and social insurance debts (acct.1623+1626+167+1687+2695+421+423+424+426+427 +4281+431***+436***+437***+4381+441***+4423+4428***+444***+446***+447***+4481+455+456***+4581+462+4661+473***+509+5186+5193+5194+5195+5196+5197)	64		-	-
TOTAL: (line 57 to 64)	65	7	483.427.413	1.430.296.551
H. PROVISIONS				
1. Provisions for employees' benefits (acct. 1515+1517)	66		36.330.197	131.062.008
2. Provisions for taxes (acct. 1516)	67		-	-
3. Other provisions (acct. 1511+1512+1513+1514+1518)	68		6.248.775	17.685.613
TOTAL PROVISIONS: (line 66+67+68)	69	8	42.578.972	148.747.621
I. DEFERRED INCOME				
1. Investment subsidies (acct. 475), (line 71+72)	70		7.540.492	96.635.593
Amounts to be resumed in a period of up to one year (account 475*)	71		1.249.776	5.675.330
Amounts to be resumed in a period longer than one year (acct. 475*)	72		6.290.716	90.960.263
2. Incomes registered in advance (acct. 472), (line 74+75)	73		342.359	848.191
Amounts to be resumed in a period of up to one year (account 472*)	74		-	506.047
Amounts to be resumed in a period longer than one year (acct. 472*)	75		342.359	342.144

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**DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A. STATEMENT
OF FINANCIAL POSITION AS OF DECEMBER 31st, 2020**
(all the amounts are expressed in LEI unless otherwise provided)

Name of indicator	No. of line	No. of note	Balance at the beginning of the year	Balance at the end of the year
A	B		1	2
3. Deferred incomes on assets received by transfer from the customers (acct. 478) (lines 77+78)	76		648.165.561	1.987.974.135
Amounts to be resumed in a period of up to one year (account 478*)	77		42.394.728	98.159.776
Amounts to be resumed in a period longer than one year (acct. 478*)	78		605.770.833	1.889.814.359
Negative goodwill (acct. 2075)	79		-	-
TOTAL (lines 70+73+76+79)	80	9	656.048.412	2.085.457.919
J. CAPITAL AND RESERVES				
I. CAPITAL		10		
1. Subscribed and paid capital (acct. 1012)	81		371.908.060	1.405.204.790
2. Subscribed and unpaid capital (acct. 1011)	82		-	-
3. The patrimony of the directorate (acct. 1015)	83		-	-
4. Patrimony of national research and development institutes (acct. 1018)	84		-	-
5. Other elements of equity (acct. 1031)	85		-	-
TOTAL (lines 81+82+83+84+85)	86		371.908.060	1.405.204.790
II. PREMIUM RELATED TO CAPITAL (acct. 104)	87		-	-
III. REEVALUATION RESERVES (acct. 105)	88		389.549.393	1.760.580.212
IV. RESERVES				
1. Legal reserves (acct. 1061)	89		53.407.280	173.018.893
2. Statutory or contractual reserves (acct. 1063)	90		-	-
3. Other reserves (acct. 1068)	91		53.861.152	277.008.837
TOTAL (lines 89 to 91)	92		107.268.432	450.027.730
Own shares (acct. 109)	93		-	-
Earnings related to the equity instruments (acct. 141)	94		-	-
Losses related to the equity instruments (acct. 149)	95		-	-
V. RETAINED EARNINGS BALANCE C (acct. 117)	96		366.335.941	1.248.566.705
BALANCE D (acct. 117)	97		-	-
VI. PROFIT OR LOSS OF THE FINANCIAL YEAR BALANCE C (acct. 121)	98		63.569.817	55.919.686
BALANCE D (acct. 121)	99		-	-
Distribution of profit (acct. 129)	100	10	3.497.010	3.195.837
EQUITY- TOTAL (line 86+87+88+92-93+94-95+96-97+98-99-100)	101		1.295.134.633	4.917.103.286
Public patrimony (acct. 1016)	102		-	-
Private patrimony (acct. 1017)	103		-	-
EQUITY- TOTAL (lines 101+102+103)	104		1.295.134.633	4.917.103.286
TOTAL LIABILITY			2.814.609.102	9.683.301.407

These financial statements were signed and approved on February 22nd, 2021, by:

Administrator,

**General Manager
Eng. Emil Merdan**

**Financial Manager
Ec. Dora Fataceanu**

The attached notes are an integral part of these financial statements.

DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A.
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2020
(all the amounts are expressed in LEI unless otherwise provided)

Name of Indicator	No. of line	No. of Note	2019	2020
A	B		1	2
1 Net turnover (lines 02+03-04+05)	01		681.569.479	709.850.899
Production sold (acct. 701+702+703+704+705+706+708)	02		680.950.936	709.277.543
Incomes from the sale of commodities (acct. 707)	03		618.543	5.730.356
Granted trading discounts (acct.	04		-	-
Incomes from operating subsidies on net turnover (acct. 7411) 7411)	05		-	-
2 Incomes related to the cost of production in progress (acct. 711+ 712) Balance C	06		1.941.386	-
Balance D	07		-	1.121.365
3 incomes from the production of intangible and tangible fixed assets (acct. 721+722)	08		28.020.855	37.986.113
4 Revaluation reserve of tangible assets (acct. 755)	09		-	12.904.252
5 Incomes from the production of real estate investments (acct.725)	10		-	-
6 Incomes from operating subsidies (acct. 7412+7413+7414+7415+7416+7417+7419)	11		-	212.893
7 Other operating incomes (acct. 751+758+7815)	12		45.070.698	48.229.253
of which, incomes from investment subsidies (acct. 7584)	13		42.838.008	44.513.582
of which, incomes from the negative goodwill (acct. 7815)	14		-	-
OPERATING INCOMES – TOTAL (lines 01+06-07+08+09+10+11+12)	15	11	756.602.418	808.062.045
8 Expenses for the raw materials and consumables (acct. 601+602)	16		13.567.553	19.657.510
Other material expenses (acct. 603+604+606+608)	17		195.337.619	206.529.243
Other external expenses (for energy and water) (acct. 605)	18		9.251.147	9.703.407
Expenses for the commodities (acct. 607)	19		620.585	573.300
Received trading discounts (acct. 609)	20		-	-
9 Expenses for the staff (lines 22 +23), out of which:	21	12	179.284.425	203.253.877
Salaries and allowances (acct. 641+642+643+644)	22		171.641.932	193.756.110
Expenses for the insurances and social protection (acct. 645+646)	23		7.642.493	9.497.767
10 a) Value adjustment regarding tangible fixed assets and intangible fixed assets (lines 25- 26)	24		166.512.562	171.656.269
a.1) Expenses (acct. 6811+6813+6817+ from acct.6818)	25		166.512.562	174.095.467
a.2) Incomes (acct. 7813 + from acct.7818)	26		-	2.439.198
b) Value adjustments for current assets (lines 28- 29)	27		1.976.563	1.405.553
b.1) Expenses (acct. 654+6814+ from acct.6818)	28		2.883.227	2.812.129
b.2) Incomes (acct. 754+7814+ from acct.7818)	29		906.664	1.406.576
11 Other operating expenses (lines 31 to 36)	30	13	116.402.070	103.571.810
11.1 Expenses on external services (acct. 611+612+613+614+615+621+622+623+624+625+626+ 627+628)	31		89.585.005	78.190.085
11.2 Expenses with other taxes, fees and similar payments; expenses representing transfers and contributions due based on special normative deeds (acct. 635+6586*)	32		21.837.754	10.949.210
11.3 Expenses on environmental protection (acct. 652)	33		15.822	17.993
11.4 Expenses from revaluation of tangible assets (acct. 655)	34		-	10.881.131
11.5 Expenses on calamities and other similar events (acct. 6587)	35		-	-
11.6 Other expenses (acct. 651+6581+6582+6583+6584+6588)	36		4.963.489	3.533.391

DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A.
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2020
(all the amounts are expressed in LEI unless otherwise provided)

Name of Indicator	No. of line B	No. of Note	<u>2019</u>	<u>2020</u>
A			1	2
Adjustments regarding provisions (lines 38-39)	37		(13.472.439)	7.521.237
Expenses (acct. 6812)	38		5.587.585	10.096.168
Incomes (acct. 7812)	39		19.060.024	2.574.931
OPERATING EXPENSES – TOTAL (lines 16 to 19 - 20+21+24+27+30+37)	40	13	669.480.085	723.872.206
PROFIT OR LOSS OF OPERATION:				
- Profit (lines 15- 40)	41		87.122.333	84.189.839
- Loss (lines 40- 15)	42		-	-
12 Incomes from participating interests (acct. 7611++7612+7613)	43		10	1
- of which, incomes earned from affiliated entities	44		10	1
13 Incomes from interests (acct. 766*)	45		58.632	28.224
- of which, incomes earned from affiliated entities	46		-	-
14 Incomes from operating subsidiaries for interest due (acct. 7418)	47		-	-
15 Other financial incomes (acct. 7615+762+764+765+767+768+7615)	48		6.124	76
- of which, incomes from other financial assets (acct.7615)	49		-	-
FINANCIAL INCOMES – TOTAL (lines 43+45+47+48)	50		64.766	28.301
16 Value adjustments in respect of financial assets and investments held as current assets (lines 52- 53)	51		-	-
Expenses (acct. 686)	52		-	-
Incomes (acct. 786)	53		-	-
17 Expenses for the interests (acct. 666*)	54		17.201.301	20.297.440
- of which, expenses to affiliated entities	55		13.281.598	14.575.329
18 Other financial expenses (acct. 663+664+665+667+668)	56		45.594	3.952
FINANCIAL EXPENSES– TOTAL (lines 51+54+56)	57		17.246.895	20.301.392
FINANCIAL PROFIT OR LOSS:				
- Profit (lines 50- 57)	58		-	-
- Loss (lines 57- 50)	59		17.182.129	20.273.091
TOTAL INCOMES (lines 15+50)	60		756.667.184	808.090.346
TOTAL EXPENSES (lines 40+57)	61		686.726.980	744.173.598
19 GROSS PROFIT OR LOSS				
- Profit (lines 60- 61)	62		69.940.204	63.916.748
- Loss (lines 61- 60)	63		-	-
20 CURRENT PROFIT TAX (acct. 691)	64	14	6.370.387	7.997.062
21 Tax specific to certain activities (acct. 695)	65		-	-
22 Other taxes not shown at the above items (acct. 698)	66		-	-
THE NET PROFIT OR LOSS OF THE FINANCIAL 23 YEAR:				
- Profit (lines 62-64-65-66)	67		63.569.817	55.919.686
- Loss (lines 63+64+66-62)	68		-	-

At the end of 2020, the acquired Companies recorded a net profit as follows:
Societatea de Distributie a Energiei Electrice Transilvania Sud : Lei 10.733.007
Societatea de Distributie a Energiei Electrice Muntenia Nord: 35.103.340 lei
The balance was transferred to the acquiring Company through the carried forward result.

These financial statements were signed and approved on February 22nd, 2021, by:

Administrator,

General Manager
Eng. Emil Merdan

Financial Manager
Ec. Dora Fataceanu

DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A.
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2020
(all the amounts are expressed in LEI unless otherwise provided)

Cash flows	1 st of January, 2020	December 31 st , 2020
Treasury flows from operating activity		
Profit before tax	69.940.204	63.916.748
Adjustments for non-monetary items:		
Operating expenses regarding the depreciation and impairment of fixed assets	166.512.562	171.656.269
Incomes from revaluation of tangible assets, net	-	(2.023.121)
Adjustments for impairment of current assets, net	1.976.563	1.405.553
Provisions for risks and expenses, net	(13.472.439)	7.521.237
Loss/(gain) from the sale of fixed assets	(57.096)	2.140.676
Incomes from the connection fee	(42.838.008)	(44.513.582)
Net financial result	17.182.129	20.273.091
Operating income before changes in working capital	199.243.915	220.376.871
Changes of net working capital in:		
Inventories	(1.982.022)	(3.197.552)
Trade receivables and other receivables	(3.718.935)	(16.363.913)
Suppliers and other debts	(59.671.962)	40.182.757
Incomes in advance	10	91.979.102
Changes of working capital	36.038.343	112.600.394
Interests paid	(16.967.449)	(19.719.218)
Paid-up corporate tax	(€	(5.596.396)
Net cash flow from operating activity	212.669.157	307.661.651
Cash flow from the investment activities		
Procurements of fixed assets	(280.840.132)	(257.529.949)
Collections of debtors from the connection fee	100.985.317	90.180.941
Procurements from fixed assets of contributions from the customer (connection fee)	(101.397.793)	(91.966.460)
Collections from the sale of tangible assets	57.096	(2.140.676)
Interests received	54.956	32.169
Net cash flow used in investment activity	(281.140.556)	(261.423.975)
Cash flow from the financing activity:		
Paid-up dividends	(66.691.476)	(54.065.527)
Loan repayments - regarding the suppliers of fixed assets	(1.656.831)	(237.522)
Withdrawals of TL loans - affiliated parties	379.463	-
Cashpooling from the affiliated entities	-	-
Long-term loan reimbursements	-	(2.400.000)
Collections from long-term loans	9.427.414	120.100.934
Net cash flow used in financial activity	(58.541.430)	63.397.885
Net increase of liquid assets and similar elements	(127.012.829)	109.635.561
Liquid assets and similar elements at the beginning of the year	(3.981.936)	(130.994.765)
Liquid assets and similar elements at the end of the year taken over by MN merger	-	67.653.550
Liquid assets and similar elements at the end of the year taken over by TS merger	-	(35.037.917)
Liquid assets and similar elements at the end of the year	(130.994.765)	11.256.429

These financial statements were signed and approved on February 22nd, 2021, by:

**Administrator,
General Manager
Eng. Emil Merdan**

**Financial Manager
Ec. Dora Fataceanu**

The attached notes are an integral part of these financial statements.

DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2020
(all the amounts are expressed in LEI unless otherwise provided)

Description of item	Balance as of January 1 st , 2020		Increases		Decreases		Increased by Merger	Balance as of December 31 st , 2020
	0	1	Total, of which	by transfer	Total, of which	by transfer		
	0	1	2	3	4	5	6	7=1+2-4+6
Subscribed capital		371.908.060	40.704.010	-	-	-	992.592.720	1.405.204.790
Reevaluation reserve		389.549.393	176.442.588	-	95.128.795	27.983.180	1.289.717.026	1.760.580.212
Legal reserve		53.407.280	3.195.837	3.195.837	-	-	116.415.776	173.018.893
Other reserves		53.861.152	6.007.280	-	-	-	217.140.405	277.008.837
Carried forward profit/(loss)		366.335.941	88.055.987	88.055.987	60.073.003	6.007.280	854.247.780	1.248.566.705
Result of the financial year - profit		63.569.817	55.919.686	-	63.569.817	63.569.817	-	55.919.686
Distribution of profit		(3.497.010)	(3.195.837)	(3.195.837)	(3.497.010)	(3.497.010)	-	(3.195.837)
Total of capital and reserves		1.295.134.633	367.129.551	88.055.987	215.274.605	88.055.987	3.470.113.707	4.917.103.286

In 2020, the situation of changes in equity is as follows:

- Capital increase in total amount of 40.704.010 lei representing contribution in-kind of component equipment of the AMR system in the amount of 40.704.000 subscribed by Electrica SA and contribution in cash 10 lei subscribed by SDEE Muntenia Nord through HAGEA 4/18.06.2020;

On July 3rd, 2020, the Board of Directors of Electrica SA approved the merger by acquirement between the Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. as the acquiring company, Societatea de Distributie a Energiei Electrice Muntenia Nord SA and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., as acquired companies, based on the merger project no. 1404 of June 26th, 2020, which was registered at the Trade Register Office attached to the Cluj Tribunal, the Trade Register Office attached to the Prahova Tribunal and the Trade Register Office attached to the Brasov Tribunal and published in the Official Gazette of Romania, Part IV, no. 2351 of July 10th, 2020. The merger takes effect from the effective date, December 31st, 2020 respectively, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as acquired companies, ceased to exist, being dissolved without going into liquidation. SDEE Transilvania Nord S.A., as an acquiring company, issues in favor of the shareholder of the acquired companies, Electrica SA, respectively new shares through which it increases its share capital by 992.592.720 lei, following the merger. The new subscribed share capital is in the amount of 1.405.204.790 lei fully paid, composed of a number of 140.520.479 registered shares in the amount of 10 lei/share, the main shareholder being Societatea Energetica Electrica SA

- The dividends declared in 2020, amounting 54.065.527 lei;
- Distribution to other reserves, amounting 6.007.280 lei;
- Net profit for 2020 in the amount of 55.919.686 lei;
- Establishment of legal reserve in the amount of 3.195.837 lei.

These financial statements were signed and approved on February 22nd, 2021, by:

Administrator,

General Manager
Eng. Emil Merdan

Financial Manager
Ec. Dora Fataceanu

The attached notes are an integral part of these financial statements.

DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2020
(all the amounts are expressed in LEI unless otherwise provided)

Equity element	Balance as of January 1 st , 2019	Total, of which	Increases		Decreases		Balanc e as of December 31 st , 2019
			by transfer	Total, of which	by transfer		
0	1	2	3	4	5	6	
Subscribed capital	371.264.060	644.000	-	-	-	371.908.060	
Reevaluation reserve	423.742.234	-	-	34.192.841	33.725.273	389.549.393	
Legal reserve	49.910.270	3.497.010	3.497.010	-	-	53.407.280	
Other reserves	53.886.704	-	-	25.552	-	53.861.152	
Carried forward result - profit	332.610.668	100.416.749	100.416.749	66.691.476	-	366.335.941	
Financial year result – profit	70.924.459	63.569.817	-	70.924.459	70.924.459	63.569.817	
Distribution of profit	(4.232.983)	(3.497.010)	(3.497.010)	(4.232.983)	(4.232.983)	(3.497.010)	
Total equity	1.298.105.412	164.630.566	100.416.749	167.601.345	100.416.749	1.295.134.633	

In 2019, the situation of changes in equity is as follows:

- The capital increase in total value of 644.000 lei representing contribution in kind of lands was achieved in two stages: through HAGEA 6/28.06.2019 with the amount of 572.000 lei, respectively through HAGEA 10/17.10.2019 with the amount of 72.000 lei.
- The dividends declared in 2019, amounting 66.691.476 lei;
- Net profit for 2019 in the amount of 63.569.817 lei;
- Establishment of legal reserve in the amount of 3.497.010 lei.

These financial statements were signed and approved on February 22nd, 2021, by:

Administrator,

General Manager
Eng. Emil Merdan

Financial Manager
Ec. Dora Fataceanu

The attached notes are an integral part of these financial statements.

DISTRIBUTIE ENERGIEI ELECTRICA ROMANIA S.A.
NOTES TO THE FINANCIAL STATEMENTS
ON THE DATE OF AND FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2020
(all the amounts are expressed in LEI unless otherwise provided)

1. INFORMATION REGARDING THE COMPANY

Societatea Distribuție Energetică Electrică România SA ("The Company") is registered at the Trade Register Office with number J12/352/26.02.2002, fiscal registration code RO 14476722, having its Registered office in Cluj County, Cluj-Napoca, str. Ilie Macelar, no. 28 A, postal code 400380.

The share capital is divided into 140.520.479 shares, with a nominal value of RON 10 each. As of December 31st, 2020, the share capital of the Company is 100% owned by Societatea Energetică Electrică SA.

On May 27th, 2020, the Board of Directors of Electrica S.A. approved in principle the merger by acquisition between Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A., Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. and Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A., the acquiring entity being Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A.

Subsequently, on July 3rd, 2020, the Board of Directors of Electrica SA approved the merger by acquisition between the aforementioned distribution companies, the acquiring entity being the Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. based on the merger project no. 1404 of June 26th, 2020, which was registered at the Trade Register Office attached to the Cluj Tribunal, the Trade Register Office attached to the Prahova Tribunal and the Trade Register Office attached to the Brasov Tribunal and published in the Official Gazette of Romania, part IV, no. 2351 of July 10th, 2020.

In the meeting of August 21st, 2020, the Extraordinary General Assembly of Shareholders of Electrica SA approved the participation in the Extraordinary General Assemblies of Shareholders of SDEE Transilvania Sud SA and SDEE Muntenia Nord

S.A. and the expression of a favorable vote regarding the approval of the dissolution without liquidation and deletion from the Trade Register and from the records of the financial administration of the acquired companies, SDEE Transilvania Sud S.A. and SDEE Muntenia Nord

S.A. starting with the effective date of merger, as an effect of the merger, in accordance with the provisions of the Merger Project. Subsequently, on August 26th, 2020, the Extraordinary General Assemblies of the Shareholders of SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. took place regarding the approval of merger by the companies participating in the merger process.

On October 14th, 2020, the Cluj Specialized Court admitted the request made by SDEE Transilvania Nord S.A., as acquiring company, respectively SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as acquired companies, found the legality of the decisions of the shareholders of the participating companies approving the merger and ordering the registration in the Trade Register of the shareholders' decisions, as well as of the updated Articles of Association on August 26th, 2020. Also, the court ordered the deletion from the Trade Register of the acquired companies.

Therefore, the merger takes effect from the effective date, December 31st, 2020 respectively, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as acquired companies, ceased to exist, being dissolved without going into liquidation. Therefore, all assets and liabilities held by them were transferred by the effect of merger by acquisition and by law to SDEE Transilvania Nord S.A., as the acquiring company, in exchange for the issuance in favor of the shareholder of the acquired companies, Electrica S.A., respectively, of new shares in the share capital of the acquiring company.

Thus, on December 31st, 2020, Distribuție Energie Electrică România SA (DEER) established by the merger of the three electricity distribution subsidiaries was registered at the Trade Register National Office. Also, based on the decision no. 2461 of December 23rd, 2020, the electricity distribution licenses granted by the National Regulatory Authority in the field of Energy to the acquired companies for the areas of Muntenia Nord and Transilvania Sud were transferred to the acquiring company, Distribuție Energie Electrică România SA.

Societatea Distribuție Energetică Electrică România SA. has as main object of activity the distribution of electricity, according to Order 337/2007 Rev. NACE (2), code 3513. The operations are carried out in a geographically limited area in accordance with the concession agreement, and the nature of services provided and the specific obligations are stipulated in the license conditions of the concessionaire operator. Thus, DEER through its network areas, is the electricity distribution operator in the regions of Transilvania Nord (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties), Transilvania Sud (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) and Muntenia Nord (Prahova, Buzau, Dambovită, Braila, Galati and Vrancea counties), operating electrical installations functioning at voltages between 0.4 kV and 110 kV.

DEER holds the exclusive license for distribution in these network areas valid for the following eight years with the possibility of extension for another period of 25 years.

The company invoices electricity distribution services to electricity suppliers (mainly Societatea Electrică Furnizare SA), which further invoices the end-users in the Muntenia Nord regions (Prahova counties,

DISTRIBUTIE ENERGIEI ELECTRICA ROMANIA S.A.
NOTES TO THE FINANCIAL STATEMENTS
ON THE DATE OF AND FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2020
(all the amounts are expressed in LEI unless otherwise provided)

1. INFORMATION REGARDING THE COMPANY (continued)

Buzau, Dambovita, Braila, Galati and Vrancea), Transilvania Nord (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties) and Transilvania Sud (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with substations and power lines with voltages from 0.4 kV up to 110 kV.

The regional branches of electricity distribution of the Company are the following: For

Transilvania Nord area:

Item no.	Branch	Working place	SRC	Address	Registration no. at the Trade Register
1	SDEE Baia Mare	Baia Mare	14527362	Baia Mare, str. Victoriei no. 64	J24/141/2002
2	SDEE Zalau	Zalau	14319574	Zalau, b-dul Mihai Viteazu no. 79	J31/59/2002
3	SDEE Cluj	Cluj-Napoca	14496789	Cluj-Napoca, str. Taberei no. 20	J12/426/2002
4	SDEE Bistrita	Bistrita	14513740	Bistrita, str. Vasile Conta no.11	J06/97/2002
5	SDEE Oradea	Oradea	14515791	Oradea, str. Grivitei no. 32	J05/265/2002
6	SDEE Satu Mare	Satu Mare	14512590	Satu Mare, str. Mircea cel Batran no. 10	J30/151/2002

For Muntenia Nord area:

Item no.	Branch	Working place	SRC	Address	Registration no. at the Trade Register
1	SDEE Braila	Braila	14534157	Braila, Str. Plevna, no.23	J9/127/21.03.2002
2	SDEE Buzau	Buzau	14533682	Buzau, B-dul Maresal Averescu, No. 3	J10/170/22.03.2002
3	SDEE Focsani	Focsani	14576918	Focsani, B-dul Independentei, No. 2	J39/168/10.04.2002
4	SDEE Galati	Galati	14565366	Galati, Str. Nicolae Balcescu, no. 35A	J17/291/05.04.2002
5	SDEE Ploiesti	Ploiesti	14542990	Ploiesti, Str. Marasesti, no. 44	J29/362/27.03.2002
6	SDEE Targoviste	Targovishte	14576918	Targoviste, Calea Domneasca, No. 236	J15/129/27.03.2002

For Transilvania Sud area:

Item no.	Branch	Working place	SRC	Address	Registration no. at the Trade Register
1	SDEE Alba	Alba Iulia	14519580	ALBA IULIA, P-TA CONSILIUL EUROPEI, NO. 1	J01/121/2002
2	SDEE Brasov	Brasov	14526006	BRASOV, STR. PICTOR LUCHIAN, NO. 25	J08/328/2002
3	SDEE Covasna	Sfantu Gheorghe	14531754	SFANTU GHEORGHE, STR. LUNCA OLTULUI, NO. 9A	J14/56/2002
4	SDEE Harghita	Miercurea Ciuc	14536166	MIERCUREA CIUC, STR. KOSSUTH LAJOS, NO. 1	J19/81/2002
5	SDEE Mures	Targu Mures	14516614	TARGU MURES, STR. CALARASILOR, No. 103	J26/201/2002
6	SDEE Sibiu	Sibiu	14528309	STR. UZINEI, NR.1-7	J32/214/2002

Regulatory environment

The activity in the energy sector is regulated by the National Authority for Energy Regulation ("ANRE").

Some of the main attributions of ANRE are to approve prices and rates and to issue calculation methodologies used for establishing regulated prices and rates.

Distribution of electricity

The activity of electricity distribution is a monopoly activity. Distribution rates are established by the "limit price basket" method. The methodology for establishing the rates for the electricity distribution service applicable to the financial years 2019 and 2020 was approved by ANRE Order 169/2018 with subsequent amendments (Orders no. 193/2018, no. 60/2019, no. 203/2019, no. 207/2020 and no. 3/2021).

DISTRIBUTIE ENERGIEI ELECTRICA ROMANIA S.A.
NOTES TO THE FINANCIAL STATEMENTS
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(all the amounts are expressed in LEI unless otherwise provided)

1. INFORMATION REGARDING THE COMPANY (continued)

The specific distribution rates on the three voltage levels (high, medium and low) and on regions, applicable in 2020 and 2019, were approved by ANRE order as follows (RON/MWh, presented cumulatively for medium and low voltage levels):

Order 198,199,197/20.12.2018

January 1st -February 28th, 2019

	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18,16	60,00	158,67
SDEE Transilvania Sud S.A.	20,27	60,10	160,31
SDEE Muntenia Nord S.A.	15,21	48,29	162,46

Order 25,26,24/25.02.2019

March 1st - June 30th, 2019

	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18,58	61,40	162,38
SDEE Transilvania Sud S.A.	20,75	61,52	164,08
SDEE Muntenia Nord S.A.	15,56	49,40	166,20

Order 79,80,78/24.06.2019

July 1st - December 30th, 2019

	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19,03	62,88	166,27
SDEE Transilvania Sud S.A.	21,21	62,88	167,72
SDEE Muntenia Nord S.A.	15,93	50,58	170,16

Order 228,229,227/16.12.2019

January 1st - January 15th, 2020

	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19,11	65,48	171,98
SDEE Transilvania Sud S.A.	20,69	62,49	169,01
SDEE Muntenia Nord S.A.	16,97	54,09	180,15

Order 8,9,7/15.01.2020

Starting from January 16th, 2020

	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18,77	64,31	168,91
SDEE Transilvania Sud S.A.	20,31	61,34	165,90
SDEE Muntenia Nord S.A.	16,68	53,16	177,06

The following elements are considered by ANRE when establishing the initial target income for a year of the regulatory period: controllable and uncontrollable operating and maintenance costs; the cost of electricity purchased for own technological consumption (losses in the distribution network); regulated depreciation expense; profitability of the regulated basis of assets ("BAR"); incomes related to reactive energy and incomes from other activities, as well as corrections from the previous periods.

Starting with 2019, the regulated profitability rate of BAR is 5.66%, in accordance with ANRE Order no. 168/2018. For the investments in the electrical distribution networks put into operation during the period 2019-2023, an incentive in the amount of 1 percentage point is granted over the regulated profitability rate approved by ANRE Order no. 168/2018. Subsequently, according to the Government Emergency Ordinance no. 19/2019, the level of the regulated profitability rate approved was 6.9%.

On January 9th, 2020, GEO no. 1 came into effect, which modified:

- Electricity Law on the repeal of the article that approved the RRR value of 6.9%, starting with April 30th, 2020;
- The law of operation of ANRE, imposing the establishment of the value of contribution requested by ANRE (thus by the ANRE Order no. 1/2020 the contribution was modified from 2% to 0.2%).

1. INFORMATION REGARDING THE COMPANY (continued)

On May 13th, 2020, the ANRE Order no. 75/2020 for establishing the regulated profitability rate applied to the establishment of rates for the distribution, transmission and system services of electricity and natural gas until the end of the fourth regulatory period.

Thus, for the year 2020, the regulated profitability rate is as follows:

- For the period included between January 1st - April 29th, 2020: 6.9%;
- For the period included between April 30th, 2020 - May 12th, 2020: 5.66% plus a 1% incentive for new investments;
- For the period included between May 13th, 2020 - December 31st, 2020: 6,39% plus a 1% incentive for new investments.

The methodology for establishing the distribution rates established by ANRE Order no. 169/2018 was amended by ANRE Order no. 207/2020 and by ANRE Order no. 3/2021 as follows:

- granting a RRR incentive of 2% for investments in the electricity distribution network made from own funds in projects in which European non-reimbursable funds were also attracted, if the investments were made and put into operation by operators after February 1st, 2021;
- in the situation where, for certain categories of tangible/intangible assets, the regulated legislation establishes other regulated depreciation periods than those provided by the Methodology or in the Catalog on the classification and normal operation of fixed assets, approved by Government decision, annual regulated depreciation related to the relevant fixed assets is calculated based on the regulated depreciation periods established by the primary legislation.

Regulated asset base ("BAR")

In accordance with both the old methodology for establishing the rates for the distribution service approved by ANRE Order no. 72/2013 with the subsequent amendments (ANRE Orders no. 112/2014, no. 146/2014 and no. 165/2015) as well as with the new methodology for establishing the rates for the distribution service approved by ANRE Order no. 169/2018 with subsequent amendments (ANRE Order no. 193/2018, no. 60/2019 and no. 203/2019), hereinafter referred to as Methodology, the determination of distribution rates is based, inter alia, on the BAR. The BAR calculation is based on capital expenses.

The regulated asset base at the beginning of the first regulatory period (January 1st, 2005) ("initial BAR") includes the net value of tangible and intangible assets recognized by ANRE and used only for the regulated distribution of electricity.

The BAR calculated subsequently includes besides the initial BAR, as net value, also the net value of the tangible and intangible assets subsequently acquired through investments approved by ANRE. The BAR does not include fixed assets financed by donations or other non-reimbursable funds, including the connection fee received from new users of the electricity distribution network.

Rate adjustment

Annually, ANRE performs the correction of incomes due to: the change in the quantities of electricity distributed compared to those foreseen; the change of the quantities and the procurement price for the regulated technological own consumption (losses of the distribution network) compared to the foreseen ones; annual changes in controllable operating and maintenance costs, achieved and accepted compared to those foreseen; annual change in uncontrollable operating and maintenance costs achieved compared to those foreseen; change in reactive energy incomes compared to those foreseen; failure to achieve/exceed the approved investment program; incomes from other activities carried out by the distribution operator and the amount of electricity recovered from recalculations.

In the regulated activities, the regulatory authority establishes, through the rate adjustment mechanism (as presented above), the criteria for recognizing the surpluses or deficits related to a period in the future periods. The Group does not recognize assets and liabilities arising from the regulation in connection with these deficits or surpluses, as the differences are recovered or returned through changes in rates in subsequent periods.

1. INFORMATION REGARDING THE COMPANY (continued)

COVID-19 impact

On March 11th, 2020, the World Health Organization ("WHO") declared the COVID-19 epidemic a pandemic, and on March 16th, 2020, Romania entered a state of emergency. The measures imposed by the Romanian Government included restrictions on the cross-border travel of persons, restricting the entry of foreign visitors into the country and the temporary closure of certain industries. In addition, major companies in the market, especially in the automotive and heavy industry, have decided to temporarily suspend operations, while some smaller companies have either reduced or temporarily suspended their activities. Consequently, at the macroeconomic level, the COVID-19 pandemic caused a slowdown in the economy and a decrease in electricity demand, especially from non-household consumers.

In the fight against the COVID-19 pandemic, the Company has taken all necessary measures so that its activity continues under normal conditions and has issued a series of instructions in order to prevent or detect and remedy the effects of the spread of virus at the workplace. The main measures implemented included emphasizing the importance of hygiene and social distancing as well as implementing the concept of telework, where possible. Also, the staff performing the field work was equipped with special equipment to prevent infection. A resilience plan was developed, which identified the essential activities and critical roles and provided backup personnel. Thus, the main functions were not affected, which allowed the Company to continue its electricity distribution activity while ensuring the safety of customers and employees.

The difficult conditions previously mentioned have led to an increase in operating costs, mainly for the purchase of protective equipment and sanitation services. However, contrary to the unfavorable economic environment, through a careful monitoring of the financial performance on several levels, the financial performance of the Company remained comparable to the last year, as well as the incomes and cash generated from the operating activity. The liquid assets of the Company maintained at a good level, the Company not encountering difficulties in terms of debt collection or debt payment. Consequently, based on the available information and considering the actions already implemented, the Company does not anticipate a significant negative impact on its operations due to the COVID-19 pandemic; thus, no significant threats to business continuity were identified Company for a period that includes at least 12 months from the date of these interim financial statements. However, given the market developments, the long-term effects of COVID-19 pandemic cannot be reliably estimated at this time, because the Company does not exclude the possibility of further market closures or the implementation of more severe measures.

License for the provision of electricity distribution service

Whereas:

- Approval by the competent company bodies of the merger by acquirement between Societatea de Distributie a Energiei Electrice Transilvania Nord SA (acquiring company) and Societatea de Distributie a Energiei Electrice Transilvania Sud SA and Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (acquired companies), with the effective date of the merger 31.12.2020, as well as the change of the name of the acquiring company from Societatea de Distributie a Energiei Electrice Transilvania Nord SA into Distributie Energie Electrica Romania SA;
- As a result of the merger, all the rights, obligations and assets of the acquired companies are transferred to the acquiring company, the acquired companies following to be deregistered;

Therefore, the license for the provision of electricity distribution service no. 453 of 29.04.2002, from Societatea de Distributie a Energiei Electrice Transilvania Nord SA on Distributie Energie Electrica Romania SA, while the licenses with no. 455 of 29.04.2002 and 465 of 29.04.2002 related to the companies: Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud SA, respectively, were withdrawn.

Concession of the electricity distribution service

The merged companies (as concessionaires) concluded in 2005 concession agreements with the Ministry of Economy and Trade (as conceding authority), which have as object the concession of the electricity distribution service in the determined territories, on the risk and responsibility of the concessionaires and with observance of the technical regulations applicable in the operation, modernization, rehabilitation and development of the electricity distribution networks provided by the Energy Law, the terms and conditions of the electricity distribution license and the regulations issued by ANRE as follows:

- Agreement number 7/2005 for the Transilvania Nord region, which includes the territory of Bihor counties,

1. INFORMATION REGARDING THE COMPANY (continued)

- Bistrita-Nasaud, Cluj, Maramures, Satu-Mare, Salaj
- Agreement number 10/2005 for Transilvania Sud region, which includes the territory of Alba, Brasov, Covasna, Harghita, Mures and Sibiu counties
- Agreement number 9/2005 for Muntenia Nord region, which includes the territory of Prahova, Buzau, Galati, Braila, Dambovita and Vrancea counties

The concession agreements were updated by addenda in 2008, 2015, 2016 and 2017, and by the addendum no. 6/30.10.2020 all the 3 agreements were concluded on the company Distributie Energie Electrica Romania SA, valid from January 1st, 2021,

The concession agreements are concluded for a period of 49 years, with the possibility of extension for a period equal to at most half of this period. As a price for the concession, the Company pays an annual royalty recognized in the distribution rate of 1/1000 of the incomes resulted from the electricity distribution. For the provision of the electricity distribution service, the Company uses the assets representing the distribution network owned by it, located in the above mentioned territory. According to the concession agreement, the conceding authority will buy at the end of the concession agreement the property right over the "relevant goods", respectively the electricity distribution networks, at a price equal to the regulated asset base as established by the regulatory authority.

Implementation of the VAT Group

In August 2020, the VAT group was set up at Electrica level in accordance with the provisions of Art. 269 (9) of the Tax Code and its application norms, ANAF Order no. 3006/2016 regarding the approval of the Procedure for implementation and administration of the single fiscal group. The members of the VAT group are Electrica SA and its subsidiaries, **Societatea de Distributie a Energiei Electrice Transilvania Nord** being a member of the group. The representative of the group is Electrica Furnizare S.A., having all the reporting obligations and VAT records provided by the legal regulations in force for the entire group.

For the implementation of the group, the members submitted the application no. 2366/06.07.2020, which included the documentation for setting up the group according to the provisions of the Tax Code and the Anaf Order 3006/2016. The approval of the establishment of the VAT group of Electrica was granted by the letter no. 1587/SRC/09.07.2020, issued by the National Agency for Fiscal Administration

- General Directorate for Administration of Large Taxpayers, Taxpayer Register Service and Fiscal File Management.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

2.1 Basics of preparing financial statements

These are the financial statements of the Company for the financial year ended December 31st, 2020 prepared in accordance with:

- Accounting Law 82/1991 (republished in 2008), with subsequent amendments;
- Law no. 31/1990 regarding the Trading Companies, with further amendments and completions;
- Order of the Minister of Finance no. 897/2015 of August 3rd, 2015 for the approval of the Methodological rules regarding the reflection in accounting of the main operations of merger, division, dissolution and liquidation of the companies, as well as of withdrawal or exclusion of some associated entities from the companies
- Provisions of the Order of the Minister of Public Finance no. 1802/2014 on individual annual financial statements and consolidated annual financial statements, as subsequently amended ("OMFP 1802/2014").

The accounting policies adopted for the preparation and presentation of the financial statements are in accordance with the accounting principles provided by OMFP 1802/2014.

These financial statements include:

- Balance
- Profit and loss account
- Statement of cash flows
- Statement of changes in equity
- Explanatory notes to the financial statements

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The financial statements refer only to Distributie Energie Electrica Romania S.A. The company does not have subsidiaries that would make the consolidation necessary.

The accounting records on the basis of which these financial statements have been prepared are made in lei ("RON").

These financial statements are not intended to present the financial position, the result of operations, cash flows and a complete set of notes to the financial statements in accordance with regulations and accounting principles accepted in countries and jurisdictions other than Romania. Therefore, the financial statements are not prepared for the use of persons who do not know the accounting and legal regulations in Romania, including OMFP 1802/2014.

2.2 Significant accounting policies

The financial statements for the financial year ended on December 31st, 2020 have been prepared in accordance with the following accounting principles:

The principle of business continuity

The company will normally continue its operation without entering into a state of liquidation or significant reduction of the activity.

Principle of the permanence of methods

The company consistently applies accounting policies and valuation methods from a financial year to another.

The principle of prudence

When preparing the annual financial statements, the recognition and evaluation were performed on a prudent basis and, in particular:

- a) only the profit achieved at the balance sheet date was included in the profit and loss account;
- b) debts incurred during the current financial year or a previous year have been recognized even if they become apparent only between the balance sheet date and the date of its preparation;
- c) impairments were recognized, regardless of whether the result for the financial year is a loss or a profit.

The principle of commitment accounting

The effects of transactions and other events were recognized when the transactions and events occurred (and not as cash or cash equivalents were received or paid) and were recorded in the accountancy and reported in the financial statements for the periods in question.

All the incomes and expenses for the year were taken into account, regardless of the date of collection or payment. The incomes and expenses that directly and concomitantly resulted from the same transaction were recognized simultaneously in the accounting, by the direct association between the expenses and the related incomes, with the distinct highlighting of these incomes and expenses.

The principle of intangibility

The opening balance sheet of the financial year corresponds to the closing balance sheet of the previous financial year.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The principle of separate valuation of assets and liabilities

In order to establish the value corresponding to a position in the balance sheet, the value of each component of the assets and liabilities elements was determined separately.

The principle of non-compensation

The values of the elements representing assets were not offset by the values of the elements representing debts, respectively the income with expenses.

Accounting and presentation of the elements of the financial statements taking into account the economic fund of the transaction or commitment in question

The registration in accounting and the presentation in the financial statements of the economic-financial operations reflect their economic reality, highlighting the rights and obligations, as well as the risks related to these operations.

The principle of valuation at procurement cost or production cost

The items presented in the financial statements were valued based on the principle of procurement cost or production cost, less the tangible assets, which are valued based on the revaluation method.

The principle of significance threshold

The entity may deviate from the requirements contained in the applicable accounting regulations regarding information presentations and publication, when the effects of their compliance are insignificant.

2.3 Reporting currency

The accounting is kept in Romanian and in the national currency ("RON"). The accounting of the operations performed in foreign currency is kept both in the national currency and in foreign currency. The elements included in these situations are presented in Romanian lei.

2.4 Use of accounting estimates

The preparation of financial statements in accordance with OMF 1802/2014, as subsequently amended, involves management making estimates and assumptions that influence the reported values of assets and liabilities and the presentation of contingent assets and liabilities at the date of the financial statements, as well as values of income and expenses of the reporting period. The effective results may be different from the foreseen ones. These estimates are periodically reviewed and, if adjustments are required, they are recorded in the profit and loss account as they become known.

2.5 Continuity of activity

These financial statements have been prepared based on the principle of business continuity, which assumes that the Company will continue its activity in the foreseeable future. In order to evaluate the applicability of this presumption, the management analyzes the forecasts regarding the future cash inflows. Based on these analyses, the management considers that the Company will be able to continue its activity in the foreseeable future and therefore the application of the principle of continuity of activity in the preparation of the financial statements is justified.

2.6 Foreign currency translation

Transactions made in foreign currency are initially recorded at the exchange rate communicated by the National Bank of Romania from the date of the transaction.

At the balance sheet date, the monetary elements expressed in foreign currency and the receivables and liabilities expressed in lei, the settlement of which is made according to the exchange rate of a currency, are valued and presented in the annual financial statements at the exchange rate communicated by the National Bank of Romania valid at the end of the financial year.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Gains and losses from exchange rate differences, achieved and unachieved, between the exchange rate of the foreign exchange market communicated by the National Bank of Romania from the date of registration of receivables or liabilities in foreign currency and those expressed in lei and whose settlement is made according to the exchange rate of a currency, or the exchange rate at which they are recorded in the accounting and the exchange rate from the date of the end of the financial year, are recorded in the profit and loss account of the relevant financial year.

Non-monetary items purchased with payment in foreign currency and recorded at historical cost (fixed assets, inventories) are presented in the annual financial statements using the exchange rate from the date of the transaction. Non-monetary items purchased with payment in foreign currency and recorded at fair value (for example, revalued tangible assets) are presented in the annual financial statements at this value.

Monetary assets and liabilities denominated in foreign currency are revalued in lei at the exchange rate at the end of each month and exchange rate differences are recorded in the profit and loss account.

The exchange rate on December 31st, 2019 was RON 4,7793 for Eur 1, respectively on December 31st, 2020 it was RON 4,8694 for Eur 1.

2.7 Significant accounting policies

a) Tangible assets

i. Recognition and evaluation

The tangible assets are initially recognized at cost. The cost of tangible assets includes the procurement price and other direct expenses related to the procurement and commissioning of tangible assets.

Important spare parts (meters) and safety equipment are considered the tangible assets when it is estimated that they will be used for a period longer than one year.

After initial recognition, the tangible assets are recorded at cost, less accumulated depreciation and impairment losses (see the accounting policy f)) and are periodically revalued.

The items in a group of tangible assets are simultaneously revalued to avoid selective revaluation and reporting in annual financial statements of values that are a combination of costs and values calculated at different dates. If a fixed asset is revalued, all the other assets in the group to which it belongs must be revalued.

Revaluations are performed with sufficient regularity so that the accounting value does not differ substantially from that which would be determined using the fair value at the balance sheet date.

When revaluing a tangible asset, the accumulated depreciation at the revaluation date is eliminated from the gross accounting value of the asset, and the net amount determined after the value adjustment is recalculated to the revalued value of the asset.

ii. Subsequent expenses

Subsequent expenses incurred in connection with a tangible asset are expenses of the period in which they were incurred or increase the value of that asset, depending on the economic benefits related to these expenses, according to the general recognition criteria.

In case of replacement of a component of a long-term asset, the Company recognizes the cost of partial replacement, the accounting value of the replaced part being removed from the record, with the related depreciation, if the necessary information is available and the recognition criteria for tangible assets are met.

The cost of regular inspections or overhauls, performed by the entity to detect defects, are recognized at the time of each general inspection, as an expense or in the accounting value of the item of tangible assets as a replacement, if the following conditions are cumulatively met:

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

- General inspections or overhauls are mandatory for maintaining and operating at normal parameters of equipment and machinery.
- The cost of inspections or overhauls exceeds the significance threshold established by the accounting policies of the entity.

In case the recognition of the inspection cost as a component of the asset, the value of component is depreciated over the period between two planned inspections. The cost of current revisions and inspections, other than those recognized as a component of the asset, represents expenses for the period.

iii. Depreciation

Depreciation is calculated to reduce the gross amount, less the residual value, using the linear method of depreciation of the tangible assets and their components, which are accounted for separately.

The Company calculates the accounting depreciation based on the remaining economic periods established by the evaluator in the evaluation report or based on the periods established by the technical departments of the Company. The fiscal depreciation is calculated based on the fiscal durations from the Catalog regarding the classification of tangible assets according to the updated GD 2139/2004.

- a) The economic depreciation periods (in years) used for the tangible assets used by the Company are as follows:

Category	Economic periods	
	Min. – Max.	
Buildings		
Administrative and industrial		40-60
Special installations		
Electricity distribution lines		
Aerial on wooden poles		9-15
Aerial on concrete pillars		30-40
Underground		18-30
Other cables		12-24
transformers		15-35
Meters		10-15
Measurement and control devices		4-15
Transport facilities		6-8
Office supplies		6-15
Others		5-8

Lands and fixed assets in progress are not depreciated. The investments are depreciated starting with the month following the commissioning.

b) Intangible assets

Intangible assets acquired by the Company are presented at cost less accumulated depreciation and impairment losses (see the accounting policy f)). The depreciation is admitted by the profit and loss account relying on the linear method during the foreseen life time of intangible asset. The most of the intangible assets registered by the Company are represented by special informatics programs. They are depreciated on a linear basis over a period of 3 to 6 years.

c) Inventories

inventories are made of consumables and other materials. These are recorded as inventories at the time of procurement and are expensed at the time of consumption. The cost of inventories includes all the procurement costs and other costs occasioned by bringing inventories to the consumption place.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

The cost of inventories is based on the weighted average cost valuation method. Where applicable, impairment adjustments are recorded for excess, obsolete or discarded inventories.

d) Trade receivables and other receivables

Client accounts and similar accounts mainly include invoices issued up to December 31st for the distribution of electricity, including estimated receivables related to electricity distributed until the end of the year, but invoiced in the period after the end of the year.

Client accounts and similar accounts are recorded at nominal value, less the estimated recoverable amount, by recording an adjustment for valuable losses. In general, value adjustments are recorded for old receivables and late payment penalties.

e) Cash and cash equivalents

Liquid assets are made up of bank accounts, bank deposits for a maximum of three months if they are held in order to cover the need for short-term cash. The overdraft is included in the balance sheet within the amounts owed to the credit institutions that must be paid within a period of one year.

For the cash flow statement, the cash and its equivalents include current bank accounts, other values representing postage stamps and overdraft.

Valuable losses

The accounting value of the assets of Company, other than inventories, is analyzed at the balance sheet date to determine the possible value decreases. If such a decrease is probable, the recoverable amount of the asset in question is estimated. If applicable, an adjustment for impairment is recognized in the profit and loss account or in equity when the accounting value of the asset is higher than its recoverable value.

The adjustment for impairment may be resumed if there has been a change under the conditions existing at the time of determining the recoverable amount. The resumption of an impairment adjustment may only be made in such a way that the net asset value does not exceed its historical net accounting value, taking into account the depreciation.

f) Share capital

The company recognizes the changes in the share capital only after their approval in the General Assembly of Shareholders and registration at the Trade Register Office.

g) Dividends

Dividends are recognized as a debt in the period in which their distribution is approved.

h) Reevaluation reserve

Revaluations are performed sufficiently regularly at the balance sheet date, so that the accounting value does not differ substantially from that which would be determined using fair value.

The difference between the value resulting from the revaluation and the net accounting value is presented in the revaluation reserve, as a distinct sub-element in "Capital and reserves".

If the result of the revaluation is an increase compared to the net accounting value, then it is treated as follows:

- as an increase in the revaluation reserve presented under the item "Capital and reserves", if there was no previous decrease recognized as an expense in that asset, or
- as an income that offsets the expense with the previously recognized decrease in that asset.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

If the result of revaluation is a decrease in net accounting value, it is treated as follows:

- as an expense with the full value of the impairment when an amount related to that asset (revaluation surplus) is not recorded in the revaluation reserve; or
- as a decrease of the revaluation reserve by the minimum between the value of that reserve and the value of the decrease, and any difference left uncovered is recorded as an expense.

The revaluation surplus included in the revaluation reserve is capitalized by direct transfer in the carried forward result (account 1175 "Carried forward result representing the surplus achieved from revaluation reserves"), when this surplus represents an achieved gain. The gain is considered achieved as the asset is used by the entity; the value of the transferred reserve is the difference between the depreciation calculated based on the revalued accounting value and the value of the depreciation calculated based on the initial cost of the asset.

According to the fiscal legislation in force, the revaluation reserve is taxed at the moment of changing its destination. Starting with May 1st, 2009, as a result of the changes occurred in the fiscal legislation, the revaluation reserves registered after January 1st, 2004 become taxable as the relevant tangible assets are depreciated.

i) Legal reserves

The legal reserves are constituted in proportion of 5% of the gross profit from the end of the year until the total legal reserves reach 20% of the paid-up share capital in accordance with the legal provisions. These reserves are deductible when calculating corporate income tax and are not distributable.

j) Incomes in advance

Advance incomes include the connection fee, donations and inventory surpluses. These are resumed at income when the related costs are recognized (depreciation of related tangible assets).

Connection rate

The value of the new connections to the electricity network is invoiced to the consumers through the connection rate (in accordance with ANRE Order 59/2013 with the subsequent completions and amendments). The new connections to the electricity network are the property of the company.

Receipts from the connection rate are recorded as advance income and are resumed at incomes, as the related tangible assets are depreciated.

k) Subsidies

Government subsidies, including non-monetary subsidies at fair value, should not be recognized until there is sufficient certainty that:

- 1) the entity will comply with the conditions imposed by their granting; and
- 2) subsidies will be received.

The reception of a subsidy alone does not itself provide conclusive evidence that all the conditions attached to the award of subsidy have been or will be met.

The accounting of projects financed from the subsidies is kept separately, on each project, the financing source, according to the concluded agreements, without drawing up distinct annual financial statements for each such project.

In order to ensure the correlation of the expenses financed from the subsidies with the related incomes, the following is achieved:

- 1) from the point of view of the profit and loss account:
 - during each month, the expenses are highlighted according to their nature;
 - at the end of the month, the subsidies corresponding to the expenses made are highlighted in the incomes;

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

2) from the point of view of balance sheet:

- the receivable from subsidies is recognized related with the incomes from subsidies, if the expenses incurred from these subsidies have been made, or on account of the deferred incomes, if these expenses have not been made yet;
- periodically, together with the request for reimbursement of the equivalent value of expenses incurred or on the basis of other documents by which the due amounts are established and approved, the amounts registered as a receivable from subsidies are regularized.

n) Loans

Long-term bank loans are recognized at cost.

o) Debts related to leasing agreements

Leasing agreements in which the Company substantially takes over the risks and benefits related with the property are classified as financial leasing. The other agreements are classified as operating leasing. The debt to the Leasing Company is included in the balance sheet as a debt regarding the leasing agreement. Financing costs are recorded in the profit and loss account during the leasing period at a constant interest rate.

Payments made under operating leasing agreements are recorded in the profit and loss account on a linear basis over the term of the leasing agreement. Reductions in leasing premiums received are recognized in the profit and loss account as a reduction in expenses.

p) Suppliers and other debts

The debts to suppliers are shown at cost and include invoices for deliveries, contracted works and services.

q) Provisions

Provisions are recognized in the balance sheet when a legal or implicit obligation arises for the Company related to a past event and it is likely that in the future it will be necessary to consume some economic resources to extinguish this obligation. The provisions are reviewed at the end of each year and adjusted to reflect the most appropriate current estimate.

A provision is recognized when:

- an entity has a current obligation generated by a previous event;
- it is likely that an outflow of resources will be needed to honor that obligation; and
- a credible estimate of the value of obligation can be achieved.

Provisions for pensions and other benefits

In accordance with GD no. 1041/2003 and no. 1461/2003, the Company provides benefits in kind in the form of free energy to employees who retired prior to September 30th, 2000 from units that belonged to the former Ministry of Energy. The Company also provides cash benefits depending on seniority and retirement for employees. The Company records provisions for employee benefits based on actuarial calculations performed by professional actuaries.

r) Income recognition

incomes from services are recognized in the period in which they are provided. incomes represent, mainly, the value of electricity distribution service. The incomes are recognized at the fair value of provided services or the delivered goods, net of VAT, excise duties and other taxes related to the sale.

The incomes from the distribution of electricity to consumers are recognized when electricity is delivered to consumers, based on meter readings and based on estimates for un-invoiced electricity.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

s) Financial incomes and expenses

Financial incomes include: incomes from favorable exchange rate differences, interest incomes, other financial incomes. Financial expenses include: unfavorable exchange rate differences, interest expenses, other financial expenses. The principle of separation of financial years is observed for the recognition of these types of expenses and incomes.

t) Costs for the employees

Short-term employee rights include salaries and social security contributions. The rights of short-term employees are recognized as expenses together with the provision of services by them.

u) Corporate tax

The corporate tax is calculated based on the annual fiscal result, using the tax rate in force at the balance sheet date, adjusted with the corrections of previous years.

v) Affiliated parties

In accordance with the Order of the Ministry of Public Finance no. 1802/2014 with subsequent amendments, the affiliated (or related) parties are defined as follows:

(a) An entity is bound to a reporting entity if it meets any of the following conditions:

(i) the entity and the reporting entity are members of the same group (which means that each parent company, subsidiary and subsidiary in the same group is related to the others);

(ii) an entity is an associate or jointly controlled entity of the other entity (or an associate or jointly controlled entity of a member of the group to which the other entity belongs);

(iii) both entities are jointly controlled entities of the same third party;

(iv) one entity is a jointly controlled entity of a third entity, and the other is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of the reporting entity or an entity related to the reporting entity. If the reporting entity itself represents such a plan, the sponsoring employers are also bound to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in para. (b);.

(vii) a person identified in para. (b) sub-point (i) significantly influences the entity or is a member of the key personnel of the management of entity (or of the parent company of the entity).

(viii) the entity or any member of a group to which it belongs provides services to key management personnel of the reporting entity or the parent company of the reporting entity.

(b) A person or a close family member of that person is related to a reporting entity if that person:

(i) has a control or joint control over the reporting entity;

(ii) has a significant influence on the reporting entity; or

(iii) is a member of the key staff of the management of the reporting entity or the parent company of the reporting entity.

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

A reporting entity is exempted from the reporting requirements according to the Order of the Minister of Public Finance no. 1802/2014 with subsequent amendments regarding transactions with related parties and open balances, including commitments, with:

- a) a government that has control or joint control or exercises significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control or joint control or exercises significant influence over both the reporting entity and the other entity.

If an entity has had related party transactions during the periods covered by the financial statements, it must disclose the nature of the relationship with related parties, as well as information about those transactions and due balances, including commitments, necessary for users to understand the potential effect of the report on the financial statements.

w) Contingent liabilities

A contingent debt is:

- a) potential obligation, appeared as a result of past events, prior to the balance sheet date and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, which cannot be entirely under the control of the entity; or
- b) a current obligation that appeared as a result of past events, prior to the balance sheet date, but which is not recognized because:
 - it is not certain that outflows of resources will be needed to settle this debt; or
 - the value of the debt cannot be assessed credibly enough.

Contingent debts are not recognized in the balance sheet, they are presented only in the explanatory notes to the financial statements.

Contingent debts are continuously assessed to determine whether an outflow of resources that incorporates economic benefits has become probable. If it is considered that the outflow of resources is necessary, generated by an element previously considered contingent debt, a debt or a provision will be recognized, as the case may be, in the financial statements related to the period in which the change in the event occurred.

x) Events after the balance sheet date

These financial statements reflect events after the end of the year, events that provide additional information about the position of Company at the balance sheet date or those that indicate a possible breach of the business continuity principle (events that cause adjustments). Subsequent events that do not constitute events that cause adjustments are presented in the notes when they are considered significant.

DISTRIBUTIE ENERGIEI ELECTRICA ROMANIA S.A.
NOTES TO THE FINANCIAL STATEMENTS
ON THE DATE OF AND FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31st, 2020
(all the amounts are expressed in LEI unless otherwise provided)

3. NON-CURRENT ASSETS

Between January 1st and December 31st, 2020, fixed assets evolved as follows:

Gross value

Asset items	Balance on January 1st, 2020	Direct entries	Transfers	Decreases	Revaluation	Balance taken over by merger at 31.12.2020	Balance as of December 2020
0	1	2	3	4	5	6	7=1+2+3+5+6-4
Intangible assets							
Concessions and other intangible assets	64.297.726	12.797.059	2.797.796	1.080.547	-	149.441.550	228.253.585
Goodwill	4.271.000	-	-	-	-	7.106.000	11.377.000
Advances	-	4.336.391	(2.797.796)	-	-	-	1.538.595
Total intangible assets	68.568.726	17.133.450	-	1.080.547	-	156.547.550	241.169.180
Tangible assets							
Land and facilities	59.707.821	-	187.851	520	22.886.971	112.412.806	195.194.929
Constructions	1.782.658.295	-	122.999.240	2.415.772	(169.022.384)	3.741.309.481	5.475.528.861
Technical installations and machines	959.231.675	29.265.323	114.904.534	2.678.907	(218.513.511)	2.002.156.642	2.884.365.756
Other installations, plants and furniture	4.362.470	-	2.944.518	131.336	-	18.127.514	25.303.167
Advances and tangible assets in progress	113.210.800	285.950.921	(241.036.144)	-	-	197.718.426	355.844.003
Total fixed assets	2.919.171.061	315.216.244	-	5.226.535	(364.648.924)	6.071.724.869	8.936.236.715
Other receivables	-	-	-	-	-	-	-
Shares held at subsidiaries	186	10	-	196	-	-	-
Total financial assets	186	10	-	196	-	-	-
Total fixed assets	2.987.739.973	332.349.704	-	6.307.278	(364.648.924)	6.228.272.419	9.177.405.895

DISTRIBUTIE ENERGIEI ELECTRICA ROMANIA S.A.
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3. FIXED ASSETS (continued)

Cumulative depreciation

	Balance on January 1st, 2020	Increases	Decreases	Cancellation of the revaluation amortization	Balance taken over by merger as of 31.12.2020	Balance as of December 31st, 2020
7	8	9	10	11	12	13=8+9-10-11+12
Intangible assets						
Establishment and development expenses	-	-	-	-	-	-
Concessions and other intangible assets	48.674.135	7.277.694	1.080.546	-	118.393.948	173.265.231
Goodwill	1.779.207	854.784	-	-	4.383.419	7.017.410
Total intangible assets	50.453.342	8.132.478	1.080.546	-	122.777.367	180.282.641
Tangible assets						
Landscaping	20.451	10.227	-	30.678	-	-
Constructions	149.303.171	76.206.681	636.082	224.873.770	-	-
Technical installations and machines	163.449.859	89.457.014	1.842.303	251.064.570	-	-
Other installations, plants and furniture	3.231.841	289.069	131.336	-	9.972.241	13.361.815
Total tangible assets	316.005.322	165.962.991	2.609.721	475.969.018	9.972.241	13.361.815
Total fixed assets	366.458.664	174.095.469	3.690.267	475.969.018	132.749.608	193.644.456

DISTRIBUTIE ENERGIEI ELECTRICA ROMANIA S.A.
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Impairment adjustments	Balance on January 1 st , 2020	Increases	Decreases	Balance taken over by merger as of 31.12.2020	Balance as of December 2020
14	15	16	17	18	19=15+16-17+18
Adjustments for construction impairment	1.176.125	-	1.129.080	1.426.890	1.473.935
Adjustments for depreciation of installations	1.310.118	-	1.310.118	2.339.599	2.339.599
Adjustments for depreciation of other fixed assets	-	-	-	28.387	28.387
Adjustments for depreciation of fixed assets in progress	-	-	-	170.022	170.022
Total fixed assets	2.486.243	-	2.439.198	3.964.898	4.011.943

DISTRIBUTIE ENERGIE ELECTRICA ROMANIA S.A.
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3. FIXED ASSETS (continued)

Net value

	Balance on January 1st, 2020	TN balance	Taken over by merger	Balance as of December 31st, 2020
20	21=1-8-15	22	23=6-12-18	24=7-13-19
Intangible assets				
Concessions and other intangible assets	15.623.591	23.940.752	31.047.602	54.988.354
Goodwill	2.491.793	1.637.009	2.722.581	4.359.590
Advance payments and intangible assets in progress	0	1.538.595	0	1.538.595
Total intangible assets	18.115.384	27.116.356	33.770.183	60.886.539
Tangible assets				
Lands and landscaping	59.687.370	82.782.123	112.412.806	195.194.929
Constructions	1.632.178.999	1.734.172.335	3.739.882.590	5.474.054.925
Technical installations and machines	794.471.698	882.209.114	1.999.817.043	2.882.026.157
Other installations, plants and furniture	1.130.629	3.786.078	8.126.886	11.912.964
Advances and tangible assets in progress	113.210.800	158.125.577	197.548.404	355.673.981
Total fixed assets	2.600.679.496	2.861.075.227	6.057.787.729	8.918.862.956
Shares held at subsidiaries	186	-	-	-
Total financial assets	186	-	-	-
Total fixed assets	2.618.795.066	2.888.191.583	6.091.557.912	8.979.749.495

DISTRIBUTIE ENERGIEI ELECTRICA ROMANIA S.A.
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(all the amounts are expressed in LEI unless otherwise provided)

3. FIXED ASSETS (continued)

Tangible fixed assets mainly include low, medium and high voltage electricity distribution lines. The company records the tangible assets based on the revaluation method.

The "Constructions" include administrative buildings, the rest of them representing electrical networks and special constructions related to electrical networks.

"Technical installations and machines" mainly represent equipment and apparatus for power stations and substations and measuring, control and regulation apparatus and installations and cars.

The company applies the revaluation model for the valuation of tangible assets. The last revaluation was issued by an independent evaluator - Darian DRS SA on 31.12.2020. Based on the agreement concluded with the independent evaluator Darian DRS SA, the tangible fixed assets and the lands owned by the Company were revalued on 31.12.2020, less class 214 - Furniture, office equipment. The results of revaluation were the object of the Report concluded at the end of the action, the capitalization of results of the revaluation was made on 31.12.2020.

The fair value was determined as follows:

I In the case of fixed assets from own sources:

- as market value for all goods (real estate and movable property) for which there is a market on which they can be traded: land, apartments and service or intervention dwellings (except buildings near transformation stations) and administrative buildings;
- as a net replacement cost for specialized goods for which there is no market on which they can be capitalized (by sale or rent): buildings, special operational constructions and equipment;
- as VNC (net accounting value) for: fixed assets with PIF date during the period 2018 - 2020; the parts proposed for scrapping, scrapped or decommissioned and those for which there were not enough data to reasonably estimate the net replacement cost

II In the case of fixed assets from other sources - subsidized:

- as VNC (net accounting value) in the case of 100% subsidized fixed assets;
- In the case of partially subsidized tangible assets, being such a mixed financing, with a percentage breakdown between the two sources of financing. In the case of the subsidized component, the same treatment presented in the previous point is applied. In the case of the non-subsidized component, the evaluation is performed according to the evaluation methodology described in point I. The percentage breakdown between the two sources of financing was made by relating the input value of the subsidy to the historical cost of the fixed asset.

The evaluator performed an impairment test to quantify the percentage of external impairment used in the net replacement cost of specialized assets.

Following the application of the valuation methodology, the total fair value of the lands, buildings, special constructions and movable tangible assets subject to valuation on 31.12.2020, is 2.699.210.617,31 lei, the difference from revaluation being 111.320.094,51 lei.

The difference from revaluation in the amount of 111.320.094,51 lei consists of increases from revaluation from credit account 105 amounting to 176.442.588,37 lei, and account 755 revaluation income in the amount of 12.904.252,15 lei revaluation decreases from the debit account 105 in the amount of 67.145.615,13 lei, and the account 655 revaluation expenses in the amount of 10.881.130,88 lei.

The changes in the revaluation reserve during the financial year ended on December 31st, 2020 are presented as follows:

Reevaluation reserve	January 1st - December 31st, 2020
The revaluation reserve at the beginning of the TN period	389.549.393
Surplus from revaluation during the TN period	176.442.588
Decrease of the revaluation reserve during the TN period	(67.145.615)
Amounts transferred from the revaluation reserve to other TN reserves	(27.983.180)
The revaluation reserve on 31.12.2020 TN	470.863.186
Balance taken over by merger as of 31.12.2020	1.289.717.026
Total revaluation reserve as of December 31 st , 2020	1.760.580.212

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Upon recording the revaluation, the Company canceled the accumulated depreciation on 31.12.2020 of 1.215.413.401 lei, in counterpart with the gross value of the revalued tangible assets. The result of revaluation was the net increase of the revaluation reserve by 329.678.993 lei.

On 31.12.2020, compared to the total net value of fixed assets of 8.979.749.495 lei resulting from the operations of Company before merger, the fixed assets taken over by balance by merger are in the amount of 2.888.191.583 lei.

The fair value of tangible assets subject to valuation was estimated as the market value in the case of land and trading, administrative, industrial and residential properties but also in movable property with dynamic market, respectively as the net replacement cost in the case of buildings, special constructions, machines, equipment and specialized installations or without a fairly active market. The net cost of replacing them was the subject of the impairment test.

The estimate of the value of use in the impairment test was performed by updating the cash flows expected to be generated by the assets. Tangible assets of the nature of special buildings and constructions, respectively of the nature of movable assets in operation and valued by the net replacement cost method were subjected to the impairment test. The existence of depreciation indexes involved comparing the value of use with the value resulting from applying the method of net replacement cost of the tangible assets. Considering the specifics of the activity carried out by the electricity distribution operators, this being of "asset-intensive" type, for a greater relevance of the result regarding the value of use, the terminal value was estimated as a multiple of fixed assets, using as alternative method the capitalization of cash flows normalized to perpetuity, which would be generated from the use of assets recognized in BAR.

4. TRADE RECEIVABLES

As of December 31st, 2020, respectively December 31st, 2019, the trade receivables of the Company are as follows:

Trade receivables	Balance on January 2020	Balance on 1 st December 31 st , 2020	Takeover by merger	Balance as of December 31 st , 2020	Liquidity term less than 1 year
0	1	2	3	4=2+3	5
Advance payments to suppliers	-	-	23.012	23.012	23.012
Customers, gross accounting value	-	-	129.104.720	129.104.720	129.104.720
Adjustment for uncertain customers	-	-	(24.108.426)	(24.108.426)	(24.108.426)
Total third party trade receivables	-	-	105.019.306	105.019.306	105.019.306
Trade receivables - affiliated companies	84.862.735	94.769.964	179.473.144	274.243.108	274.243.108
Trade receivables - third parties	61.574.570	63.907.912	-	63.907.912	63.907.912
Adjustment for trade receivables	(10.789.884)	(10.668.942)	-	(10.668.942)	(10.668.942)
Total trade receivables for affiliated entities	135.647.421	148.008.934	179.473.144	327.482.078	327.482.078
Other receivables to be collected from the affiliated companies	-	-	13.832.217	13.832.217	13.832.217
Adjustments related to receivables to be collected from the affiliated companies	-	-	(8.033.578)	(8.033.578)	(8.033.578)
Various debtors	10.183.705	13.587.368	31.167.346	44.754.714	44.754.714
Adjustment for various uncertain debtors	(3.522.080)	(4.273.381)	(14.397.477)	(18.670.858)	(18.670.858)
Receivables from the state budget	-	-	-	-	-
Other receivables	3.421.540	2.436.555	7.938.577	10.375.132	10.375.132
Other total receivables	10.083.165	11.750.542	30.507.085	42.257.627	42.257.627
Total trade receivables	145.730.586	159.759.476	314.999.535	474.759.011	474.759.011

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5. TRADE RECEIVABLES (continued)

Out of the total trade receivables in the amount of 105.019.306 lei, the amount of 105.019.306 lei was taken over by merger. Out of the total trade receivables with affiliated entities in the amount of 327.482.078 lei, the amount of 179.473.144 lei was taken over by merger. Out of the other total receivables in the amount of 42.257.627 lei, the amount of 30.507.085 lei was taken over by merger.

Receivables to be collected from the affiliated entities represent, mainly, electricity distribution services to Societatea Electrica Furnizare (Company that invoices the end-users).

Trade receivables - third parties mainly include receivables from the electricity distribution rate to other electricity suppliers besides Electrica Furnizare.

As of December 31st, 2020, the *adjustments for trade receivables - third parties* mainly comprise the adjustments made in 2015 for Romenergy Industry SRL in the amount of 5.106.407 lei.

Various debtors, on balance as of December 31st, 2020, mainly include debits from the connection fee in the amount, as well as from connections to the electricity distribution network of public interest of the flats and/or individual dwellings, debtors from electricity theft.

Advance payments to suppliers mainly include the value of electricity contracted and paid until December 31st, 2020 and which will be delivered in 2021.

Other receivables include: Equivalent value of FNUASS amounts to be recovered from the Health Insurance House.

6. INVENTORIES

The statement of inventories under management as of December 31st, 2020 is as follows:

Item	The nature of inventories	December 31 st 2020 TN	December 31 st , 2020 TAKEN OVER BY MERGER			December 31 st , 2020 DEER		
		Total	Cost	Impairment adjustments	Total	Cost	Impairment adjustments	Total
1	Raw materials and consumables	14.181.943	35.209.826	2.281.116	32.928.710	50.099.350	2.988.697	47.110.653
2	Production in progress	2.823.706	-	-	-	2.823.706	-	2.823.706
	TOTAL	17.005.649	35.209.826	2.281.116	32.928.710	52.923.056	2.988.697	49.934.359

Out of the total inventories amounting to 49.934.359 lei, the inventories taken over by merger are in the amount of 32.928.710 lei. The statement of inventories under management as of December 31st, 2019 is as follows:

Item	The nature of inventories	December 31 nd , 2019		
		Cost	Adjustments for impairment	Total
1	Raw materials and consumables	10.472.726	609.700	9.863.026
2	Production in progress	3.945.071	-	3.945.071
3	Advances	-	-	-
	TOTAL	14.417.797	609.700	13.808.097

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7. CASH AND CASH EQUIVALENTS

As of December 31st, 2020, compared to January 1st, 2020, the cash and similar items are as follows:

	January 1st, 2020	December 31st, 2020
Liquid assets at bank	35.617.890	176.220.836
Other values	383	1.274
Total cash and cash equivalents	35.618.273	176.222.110
Credit line (presented as short-term debts in the balance sheet)	(166.613.038)	(164.965.681)
Total liquid assets and similar items according to the cash flow statement	(130.994.765)	11.256.429
Out of the total liquid assets on 31.12.2020, the following items were taken over by balance by merger:	-	-
Liquid assets at bank	-	148.443.054
Other values	-	194
Credit line	-	115.827.615

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7. DEBTS

As of December 31st, 2020, compared to January 1st, 2020, the debts of the Company are as follows:

Debts	TN					FUZIUNE				DEER				
	Balance on January 1 st , 2020	Balance on December 31 st , 2020	Liquidity term	Liquidity term			Taken over by merger	Liquidity term			Balance as of December 31 st , 2020	Liquidity term		
				under 1 year	over 1	over 5 years ni		under 1 year	over 1	over 5 years		under 1 year	over 1	over 5 years
Amounts owed to Energetica Electrica	364.773.778	452.430.577	92.430.577	360.000.000	-	742.681.778	72.681.778	670.000.000	-	1.195.112.355	165.112.355	1.030.000.000	-	
Short-term loans	166.613.038	49.138.066	49.138.066	-	-	115.827.615	115.827.615	-	-	164.965.681	164.965.681	-	-	
Long-term loans	123.432.650	241.784.417	129.222.381	78.130.483	34.431.553	537.126.289	249.391.774	205.140.528	82.593.987	778.910.706	378.614.155	283.271.011	117.025.540	
Debts to banks in connection with discounts owed to suppliers of fixed assets	280.349	-	-	-	-	-	-	-	-	-	-	-	-	
Amounts owed to institutions of credit	290.326.037	290.922.483	178.360.447	78.130.483	34.431.553	652.953.904	365.219.389	205.140.528	82.593.987	943.876.387	543.579.836	283.271.011	117.025.540	
Suppliers - affiliated entities	18.782.740	17.156.117	17.156.117	-	-	29.718.599	29.718.599	-	-	46.874.716	46.874.716	-	-	
Suppliers - third parties	29.689.415	43.084.003	43.084.003	-	-	66.193.390	66.193.390	-	-	109.277.393	109.277.393	-	-	
Asset suppliers - affiliated entities	13.589.286	3.501.035	3.501.035	-	-	6.761.793	6.761.793	-	-	10.262.828	10.262.828	-	-	
Other debts to affiliated companies	-	-	-	-	-	1.277.056	1.277.056	-	-	1.277.056	1.277.056	-	-	
Asset suppliers - third parties*	76.650.591	51.942.885	51.942.885	-	-	83.783.985	83.783.985	-	-	135.726.870	135.726.870	-	-	
Total trade debts	138.712.032	115.684.040	115.684.040	-	-	187.734.823	187.734.823	-	-	303.418.863	303.418.863	-	-	
Prepaid amounts and guarantees	2.898.773	1.597.061	1.597.061	-	-	8.242.980	8.242.980	-	-	9.840.041	9.840.041	-	-	
Guarantees in relation to affiliated entities	13.685	16.185	16.185	-	-	27.747	27.747	-	-	43.932	43.932	-	-	

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Salaries and other salary rights	6.965.888	8.107.928	8.107.928	-	-	13.741.857	13.741.857	-	-	21.849.785	21.849.785	-	-
Social Security and other taxes related to salaries VAT to be paid	7.763.468	9.060.129	9.060.129	-	-	13.955.165	13.955.165	-	-	23.015.294	23.015.294	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate tax	304.458	2.705.124	2.705.124	-	-	(1.622.288)	(1.622.288)	-	-	1.082.836	1.082.836	-	-
Other debts to the state budget and to local budgets	8.947.505	11.823.208	11.823.208	-	-	18.592.737	18.592.737	-	-	30.415.945	30.415.945	-	-
Other debts	137.961	785.836	785.836	-	-	2.551.307	2.551.307	-	-	3.337.143	3.337.143	-	-
Dividends owed to Energetica Electrica	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensations according to ANRE Order 11/2016-affiliated entities	3.500	-	-	-	-	-	-	-	-	-	-	-	-
Other total debts	27.035.238	34.095.471	34.095.471	-	-	55.489.505	55.489.505	-	-	89.584.976	89.584.976	-	-
Total debts	820.847.085	893.132.571	420.570.535	438.130.483	34.431.553	1.638.860.010	681.125.495	875.140.528	82.593.987	2.531.992.581	1.101.696.030	1.313.271.011	117.025.540

Out of the total amounts owed to Energetica Electrica in the amount of 1.195.112.355 lei, 742.681.778 lei was taken over through merger.

Out of the total amounts owed to credit institutions in the amount of 943.876.387 lei, 652.953.903 lei was taken over by merger.

Out of the total trade debts in the amount of 303.418.863 lei, 187.734.823 lei was taken over by merger.

Out of the other total debts in the amount of 89.584.976 lei, 55.489.505 lei was taken over by merger.

7. DEBTS (continued)

As of December 31st, 2020, the amounts owed to credit institutions mainly refer to:

1.1. Short-term loans contracted in the Transilvania Nord area:

- Agreement concluded with Raiffeisen Bank in January 2020 for the granting of a binding credit facility, of overdraft type within the maximum amount of 200.000.000 lei. The maturity date, according to the loan agreement is 09.01.2021. On 31.12.2020 this credit facility was fully repaid.
- Agreement with multiple debtors, concluded with BCR in March 2019, for granting an overdraft credit facility, up to a maximum amount of 30.000.000 lei. The maturity date of the facility is 16.03.2021, considering the fact that this agreement was extended during 2020 for another year. The debt on 31.12.2020 is 34 lei and represents the interest due for the amounts used during December from the credit facility. The interest was paid in January 2021.
- Agreement concluded with Banca Transilvania in December 2020, in the form of a global operating limit that can be used as an overdraft credit line and for issuing bank guarantee letters, the maximum value of the limit being 160.000.000 lei. The maturity date of the credit line within the limit is 12 months, and of the limit used for issuing letters of bank guarantee is 24 months from the date of signing the agreement. The loan guarantee is under mortgage on the bank accounts opened at Banca Transilvania. The debt on 31.12.2020 is of 49.138.032 lei and represents the amounts used from the credit facility during December.

1.2. Short-term loans contracted in Transilvania Sud area:

- The agreement concluded in June 2020 with INTESA SAN PAOLO S.A., as an overdraft facility with a limit of 135.000.000 lei, due on June 30th, 2021, for financing working capital. As of December 31st, 2020, the facility balance is 115.827.615 lei, of which the principal is 115.820.859 lei and the interest is 6.756 lei.
- Agreement with multiple debtors, concluded with BCR in March 2019, for granting an overdraft credit facility, up to a maximum amount of 20.000.000 lei. As of December 31st, 2020, the facility balance is 0 lei.

1.3. Short-term loans contracted in the Muntenia Nord area:

- Agreement with multiple debtors, concluded with BCR in March 2019, for granting an overdraft credit facility, up to a maximum amount of 75.000.000 lei. As of December 31st, 2020, the facility balance is 0 lei.

The long-term loan agreements concluded with credit institutions contain clauses regarding financial indicators. All the financial indicators stipulated in the loan agreements were met on December 31st, 2020.

2.1 Long-term loans in TN area:

- Agreement concluded with Unicredit Bank SA in November 2019, for granting a binding loan for investments in the amount of 60.000.000 lei. The drawing/grace period was 12 months, until 13.11.2020, and the final maturity of the loan is 13.11.2026. Repayment is made quarterly, in equal installments, after the expiration of the grace period and until the maturity of the loan. The loan guarantee is as mortgage on bank accounts opened with Unicredit Bank. The debt on 31.12.2020 is 58.201.394 lei, of which: 57.600.000 lei principal and 601.394 lei interest owed for the fourth quarter of 2020, paid on 04.01.2021. During December, the amount of 2.400.000 lei was reimbursed from the principal.
- Agreement concluded with BRD in October 2016 for granting a medium-term financing limit, non-revolving, engaging facility, in the amount of 114.000.000 lei. The maturity date of the limit is 16.10.2021, the amount used on 31.12.2020 being 114.000.000 lei. The limit guarantee for the amounts used is of the cash type, provided by the guarantor Societatea Energetica Electrica SA. The interest balance on 31.12.2020 is 458 lei.

7. DEBTS (continued)

- Credit agreement concluded with BRD in June 2020, for granting a binding loan for investments in the amount of 100.000.000 lei. The withdrawal/grace period is 12 months, and the final maturity of the loan is 25.06.2028. Repayment is made quarterly, in equal installments, after the expiration of the grace period and until the maturity of the loan. The loan guarantee is under a mortgage on the bank accounts opened at BRD. The debt on 31.12.2020 is of 69.582.566 lei, of which: 69.528.348 lei principal and 54.218 lei interest due for December 2020.

2.2 Long-term loans in the TS area:

- Agreement concluded with BRD in October 2016 for granting a medium-term financing limit, non-revolving, engaging facility, in the amount of 126.000.000 lei. The maturity date of the limit is 16.10.2021, the amount used on 31.12.2020 being 126.000.000 lei. The interest balance on 31.12.2020 is 2.170 lei. The limit guarantee for the amounts used is of the cash type, provided by the guarantor Societatea Energetica Electrica SA.
- Credit agreement no. 14385/S/7000/2019 concluded with Banca Transilvania S.A., through which the Bank provides the Company with a loan as a limit in the amount of 125.000.000 lei, repayable in quarterly installments until June 30th, 2027, for financing investment works of the Company. The loan guarantee is under a mortgage on the bank accounts. As of December 31st, 2020, the credit balance is 116.071.429 lei. The interest balance on December 31st, 2020 is 14.799 lei.
- Credit agreement no. 12970/S/7000/2020, concluded with BRD Groupe Societe Generale SA, through which the Bank makes available to the Company a credit as a limit in the amount of 80.000.000 lei, repayable in quarterly installments until June 25th, 2028, for financing the investment works of the Company. The loan guarantee is under a mortgage on the bank accounts. As of December 31st, 2020, the loan balance is 40.259.747 lei. The interest balance is 28.445

2.3 Long-term loans in the MN area:

- Credit agreement no. 196/8130/17.10.2016 (R3504/17.10.2016) concluded with BRD Groupe Societe Generale S.A., through which the Bank makes available to the Company until October 16th, 2021 a credit as a limit of 80.000.000 lei, to finance the general needs of the Company. The guarantor is Societatea Energetica Electrica SA, which constituted a guarantee in favor of the bank as a mortgage on some amounts of money blocked in its account, which will cover 100% of the amounts used from the credit. As of December 31st, 2020, the credit was drawn in full. The interest balance on 31.12.2020 is 1.000 lei.
- Credit agreement no. 151/8130/2019 (R4235/29.10.2019) concluded with BRD Groupe Societe Generale S.A., through which the Bank makes available to the Company until 28.10.2026 a credit with the value of 130.000.000 lei, for financing investments in the distribution network of electricity. As of December 31st, 2020, the credit was drawn in full, being returned the first installment of the credit of 5.200.000 lei, remaining a balance of 124.800.000 lei.
- Credit agreement no. 20200911050/15.09.2020, concluded with BCR, through which the Bank makes available to the Company until 14.09.2028 a credit with the value of 155.000.000 lei, for the financing of the CAPEX plan in 2020. As of December 31st, 2020, the amount used from the credit was 49.855.327 lei. The interest balance on 31.12.2020 is 93.372 lei, being paid on 04.01.2021.

3.1 TN intragroup loans:

- Intragroup loan agreement concluded with Societatea Energetica Electrica SA in November 2017, for a maximum amount of 200.000.000 lei, in order to finance the 2017 investment plan. The maturity date of the loan is 06.11.2024, the amount used on 31.12.2020 being 200.000.000 lei. The interest balance on 31.12.2020 is 2.852.000 lei.
- Intragroup loan agreement concluded with Societatea Energetica Electrica SA in April 2018, for a maximum amount of 160.000.00 lei, in order to finance the 2018 investment plan. The maturity date of the loan is 05.04.2025, the amount used on 31.12.2020 being 160.000.000 lei. The interest balance on 31.12.2020 is 1.921.778 lei.

7. DEBTS (continued)

- Liquid asset concentration services agreement concluded with ING Bank, the cash pool structure consisting of ELSA (cash pool leader) and the three electricity distribution companies (TN, TS and MN) as participants. According to the agreement concluded with ELSA, the maximum limit of the amounts borrowed by our company is 180 million lei, the daily limit being a maximum of 50 million lei. On 31.12.2020, the amount used from the facility is 87.500.829 lei, and the interest related to December 2020 is 155.970 lei and was paid during January 2021.

3.2 TS intragroup loans:

- The intragroup loan agreement concluded with Societatea Energetica Electrica SA for financing the investment plan no. 20390/S/700/2017 with a value of 160.000.000 lei. The maturity date of the loan is 06.11.2024, the amount used on 31.12.2020 being 160.000.000 lei. The interest balance on 31.12.2020 is 2.281.600 lei.
- The intragroup loan agreement concluded with Societatea Energetica Electrica SA no. 6597/S/700/2018 with a value of 130.000.000 lei, repayable on April 3rd, 2025. As of December 31st, 2020, the loan balance is 130.000.000 lei. The interest balance on 31.12.2020 is 1.561.444 lei.
- On January 28th, 2020, the Company concluded with Societatea Energetica Electrica SA the Internal Treasury convention no. C1625/2020 by which Societatea Energetica Electrica SA makes available to SDEE Transilvania Sud SA a credit facility by individual withdrawals up to the maximum amount of 180.000.000 lei until January 28th, 2021, for financing working capital. As of December 31st, 2020, the facility balance is 63.781.395 lei. The interest related to December 2020 is 155.784 lei.

3.3 MN intragroup loans:

- Intragroup loan agreement concluded with Societatea Energetica Electrica SA in November 2017, for a maximum amount of 150.000.000 lei, in order to finance the 2017 investment plan. The maturity date of the loan is 06.11.2024, the amount used on 31.12.2020 being 150.000.000 lei. The interest balance on 31.12.2020 is 2.139.000 lei.
- Intragroup loan agreement concluded with Societatea Energetica Electrica SA in April 2018, for a maximum amount of 230.000.00 lei, in order to finance the 2018 investment plan. The maturity date of the loan is 05.04.2025, the amount used on 31.12.2020 being 230.000.000 lei. The interest balance on 31.12.2020 is 2.762.556 lei.
- On February 5th, 2020, the Company concluded with Societatea Energetica Electrica SA the Internal Treasury convention no. 22/05.02.2020 (R384/03/02/2020) by which Societatea Energetica Electrica SA makes available to SDEE Muntenia Nord SA a credit facility by individual withdrawals up to the maximum amount of 180.000.000 lei until February 5th, 2021. As of December 31st, 2020, the facility balance is 0 (zero) lei

Supplier credit agreements:

- in 2015, the asset supplier Energobit concluded with Banca Transilvania two assignment agreements of receivables (in proportion of 100%) related to the agreements with Electrica Distributie Transilvania Nord. As at 31.12.2019, the debt of the Company to this bank is 280.349 lei.

Debts to suppliers, other than the affiliated parties, mainly include debts to electricity suppliers consisting of the equivalent value of purchased energy, debts for various services, procurement of materials for the execution of works with own forces, procurement of labor protection equipment, meters, etc.

The category of other debts includes: salaries and other salary rights, social insurance, corporate tax, etc. The debts to affiliated parties are presented in Note 15.

Cash pooling system at the Group level

As of December 20th, 2019, between ING Bank NV, Electrica SA and Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., an agreement was concluded aimed at implementing a cash pooling scheme involving Electrica SA, the parent company, as coordinator of the "cash pool leader" cash pooling structure and its distribution subsidiaries (Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.), as participant through which the bank will automatically transfer all available amounts existing at the end of each day from the current bank accounts of the participants to the main bank account of Electrica SA.

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7. DEBTS (continued)

If the participants' current bank accounts have a negative balance at the end of the day, the bank will transfer the necessary amounts from the main bank account of Electrica SA to the participants' current bank accounts, so that at the end of each day, the participants' current bank accounts balance be null. If the balance of the main bank account of Electrica SA is not enough to cover the negative balance of the current bank accounts of the participants, the bank will provide the necessary funds from the overdraft facility that will be signed between the bank and Electrica SA.

The credit facility offered by the coordinator to each participant up to the amount of RON 180.000.000; The credit facility offered by each participant to the coordinator within the amount of RON 50.000.000; The interest rate: ROBOR 1M + 0.07% p.a. However, in the situation where the amounts drawn by the participants are covered both from the internal liquid assets of Electrica SA, and by making withdrawals from the credit line granted to Electrica SA, the amount of interests due by the participants to Electrica SA will be calculated using a weighted interest rate, calculated based on the Internal Rate ROBOR 1M + 0.07% p.a. and the Bank Rate ROBOR 1M + 0.8% p.a.; Maturity: 20.12.2020.

Cash pool transactions - representing interests in the amount of 1.256.995 lei.

Balances - representing debts as of 31.12.2020, in the amount of 151.438.194 lei, of which the interest related to December represents 311.754 lei.

The balance of the TN debt is of 87.656.799 lei, out of which the interest related to December 155.970 lei. The balance of TS debt is of 63.781.395 lei, of which the interest related to December 155,784 lei. On 31.12.2020, MN has placed in cash pooling the amount of 6.923 lei.

8. PROVISIONS

As of December 31st, 2020, the statement of provisions is as follows:

	Balance as of January 1st 2020	Establishments Resumptions	Balance taken over by merger	Balance as of December 31st 2020	
Provisions for the disputes	2.094.865	258.055	331.850	2.043.438	4.064.508
Provisions for pensions and similar obligations	36.330.197	6.062.934	-	88.668.877	131.062.008
Provisions for tax	-	-	-	-	-
Other provisions	4.153.910	3.775.179	2.243.081	7.935.097	13.621.105
Total	42.578.972	10.096.168	2.574.931	98.647.412	148.747.621

8.1. Provisions for disputes and other provisions

As of December 31st, 2020. provisions for dispute, risks and expenses recorded in "Other provisions" are presented as follows:

	Balance on January 1st, 2020	Establishments Resumptions	Balance taken over by merger	Balance as of December 31st, 2020	
Provisions for the disputes	2.094.865	258.055	331.850	2.043.438	4.064.508
Provisions for mandate agreements	978.532	1.901.923	978.532	1.718.217	3.620.140
Non-compete clause provisions	1.295.508	-	-	-	1.295.508
Provisions of retired energy	628.542	-	-	1.207.309	1.835.851
Provisions for CIM agreements	659.631	1.182.047	676.594	2.651.186	3.816.270
Provisions for un-achieved holiday days	591.697	691.209	587.955	2.358.386	3.053.337
Total	6.248.775	4.033.234	2.574.931	9.978.536	17.685.614

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8. PROVISIONS (continued)

As of December 31st, 2020 The company has a balance related to the provisions for disputes amounting to 4.064.508 lei structured on the 3 areas as follows:

TN area - balance value related to provisions for the disputes 2.021.070 lei

As of December 31st, 2020, in the TN area, provisions were established for disputes in the amount of 258.055 lei of which the most important refer to the following:

- the amount of 149.233.99 lei. A provision established in 2020 representing adjusted price related to security services in the period 2019-2020 based on the sectoral service agreement no. 361/16.05.2019, requested by Akyle Security SRL at the file 3056/117/2020
- the amount of 18.691.05 lei. A provision established in 2020, representing compensations - for the damaged industrial equipment of GVG Aluminum SRL and legal expenses owed to the claimant in the substantive phase of the dispute on the file 15/2019

During 2020, provisions from disputes in the amount of 331.850 lei were resumed at incomes, of which the most important is the dispute with Cordos Lucian & Larisa, in the amount of 146.736.00 lei. The file no. 9468/190/2016 was opened by the civil sentence no. 2435/2019 by which the action filed by the claimant was rejected (no amounts were paid).

TS area - balance value related to the provisions for disputes, of 1.438.090 lei, taken over by merger by the acquiring Company.

The main disputes related to which the Company - TS area considers that it has low chances of winning are:

- Warranty. The defendant is AFEE Sibiu (Stefanica Ioan - file no. 3654/306/2016). the amount of 36.102 lei + judicial expenses of 1688 lei is requested. The cancellation of the electricity invoice (SDEE Sibiu) is requested.
- The payment of losses owed to the lack of electricity supply of the consumption place of the claimant Fortza.RO srl., in the amount of 198.000 lei and legal expenses in the amount of 5.170 lei (SDEE Sibiu)

During 2020, the Company resumed provisions in the amount of 1.185.021 lei on incomes, established in the previous years in connection with disputes against the Company, where the opposing party claimed various amounts, disputes settled in a favorable manner for the Company.

MN area - balance value related to provisions for the disputes 605.348 lei

The establishment of the provisions for disputes in the MN area was mainly achieved for the restitution of a building in kind or by equivalent, based on Law no. 10/2001, claimant Niculescu Vladimir, in the amount of 510.000 Lei.

8.2. Provisions for employees' benefits

In accordance with GD no. 1041/2003 and no. 1461/2003, the company provides benefits in kind in the form of free energy to employees who have retired from the company. The Company also provides cash benefits depending on seniority and retirement for employees. Given the complexity of calculation, the company has contracted an independent actuarial, namely Gelid Actuarial Company S.R.L.

Based on the actuarial calculation report, the Company recorded in 2020 an increase in the provision for employees' pensions and benefits:

	TN	Taken over by merger	DEER
Initial balance (01.01.2020)	36.330.197	78.987.599	115.317.796
Retirement benefits in cash	12.381.086	26.023.151	38.404.237
Retirement benefits in energy	5.499.581	10.757.007	16.256.588
Help in case of death of an employee	571.551	1.165.906	1.737.457
Other long-term benefits	23.940.913	50.722.813	74.663.726
Final balance (31.12.2020)	42.393.131	88.668.877	131.062.008
Initial balance (01.01.2020)	36.330.197	78.987.599	115.317.796
Establishment of a provision for employees' pensions and benefits:	6.062.934	9.681.278	15.744.212
Resumption of provision for employees' pensions and benefits:	-	-	-
Final balance (31.12.2020)	42.393.131	88.668.877	131.062.008

8. PROVISIONS (continued)

The benefits granted to employees according to the Collective Labor Agreement are mainly the following:

Jubilee premiums for seniority in work within the Company

Seniority	The value of benefit in relation to the basic salary	
	2019	2020
20 years	100%	100%
30 years	200%	200%
35 years	300%	300%
40 years	400%	400%
45 years	500%	500%

Retirement premiums depending on seniority within the Company

Retirement premiums depending on seniority within the Company		DEER	
The value of benefit in relation to the basic salary			
Seniority	2019	2020	
between 8 and 10 years;	100%	200%	
between 11 and 25 years;	200%	300%	
Over 26 years	300%	400%	

For the TN area - The main assumptions that constituted the basis of the actuarial calculation on 31.12.2020. were as follows:

1. Demographic assumptions about the future characteristics of employees eligible for benefits:

1.1 Mortality of employees and their family members: The Romanian Population Mortality Table 2018 (men and women) issued by the National Institute of Statistics (INSSE) was used in calculating the benefits granted to employees in RON. For the calculation of benefits in the form of free electricity granted to employees after retirement and pensioners, mortality rates adjusted to 90% were used to approximate the mortality rates by generations.

1.2 Employee turnover rate: The employee turnover rate in 2020 was 0.7%. For the carrying forward on December 2020, we considered the average annual values of the last three years, which was 1.35% pa. Based on the age structure of the employed staff, the model takes into account the number of years remaining until retirement and estimates the total number of employees who would be likely to leave the company at 1.35% of the total number of employees. So, the employee fluctuation rate is:

- 3.34% pa for employees who have 35 years or more until retirement;
- linearly decreasing to 0% for employees with the number of years until retirement between 35 years and 5 years. For the last 5 years until retirement, we considered that employees are no longer looking to change jobs and that they have gained enough experience not to be replaced for disciplinary or professional reasons.

1.3 Dismissal rate. For the period after June 2020, no staff reduction plan has been communicated.

2. Financial assumptions

2.1 Updating rate: For the updating rate, we considered the yields of bonds on the active market at the end of November 2020. The residual maturities available were 1-11 years and 14 years. For the other durations we estimated the updating rate using the Smith-Wilson extrapolation method. The long-term assumptions were:

- Estimated long-term inflation rate 2.0% pa
- Estimated real long-term yield on government bonds 1.6% pa
- Non-liquidity premium for Romania 0%.

So, we considered a forward equilibrium rate of 3.60% pa.

The method ensures the compatibility between the updating rate and the inflation rate. The weighted average updating rate is 3.42% pa.

2.2 Inflation rate: Based on the statistics issued by INSSE and the NBR forecast for November 2020, we estimated the inflation rate as follows:

- 2.1% in 2020
- 2.5% in 2021-2030 and following a decreasing trend in the following years. The weighted average inflation rate is 2.2% pa.

2.3 Wage growth rate: The management of the Company has estimated for 2021 an average salary increase of 0% and for 2022 and the following years, with the annual inflation rate.

2.4 Evolution of energy prices: The company communicated the price of kW for the second half of 2020 of 0.465144 RON/kWh and estimated it at 0.525110 for 2021. For 2022 and the following years, it is estimated that the price of kW will be adjusted according to the annual inflation rate.

For the TS area - The main assumptions that constituted the basis of the actuarial calculation on 31.12.2020. were as follows:

The assumptions underlying the employee benefit assessment as of December 31st, 2020 were:

- weighted average discount rate of 3.40%
- for 2021, an average salary increase of 0% was estimated, and for 2022 and the following years, an increase in the annual inflation rate
- the price of electricity provided as a benefit for employees and pensioners was 0.465144 lei/kWh; the price of electricity will increase with the level of the estimated inflation rate;
- inflation rate of 2.1% in 2020 and 2.5% in 2021 - 2030. CPI values were estimated based on statistics issued by INSSE and the NBR forecast for November 2020 staff turnover differentiated by age and sex.

8. PROVISIONS (continued)

For the MN area - The main assumptions that constituted the basis of the actuarial calculation on 31.12.2020 were as follows:

1. Demographic assumptions about the future characteristics of employees eligible for benefits:

1.1 Mortality of employees and their family members: The Romanian Population Mortality Table 2018 (men and women) issued by the National Institute of Statistics (INSSE) was used in calculating the benefits granted to employees in RON. For the calculation of benefits in the form of free electricity granted to employees after retirement and pensioners, mortality rates adjusted to 90% were used to approximate the mortality rates by generations.

1.2 Employee turnover rate: The employee turnover rate in 2020 was 1.6%. For the carrying forward on December 2020, we considered the average annual values of the last three years, which was 1.5% pa. Based on the age structure of the employed staff, the model takes into account the number of years remaining until retirement and estimates the total number of employees who would be likely to leave the company at 1.5% of the total number of employees. So, the employee fluctuation rate is:

- 4.1% pa for employees who have 35 years or more until retirement;
- linearly decreasing to 0% for employees with the number of years until retirement between 35 years and 5 years. For the last 5 years until retirement, we considered that employees are no longer looking to change jobs and that they have gained enough experience not to be replaced for disciplinary or professional reasons.

1.3 Dismissal rate. For the period after June 2020, no staff reduction plan has been communicated.

2. Financial assumptions

2.1 Updating rate: For the updating rate, we considered the yields of bonds on the active market at the end of November 2020. The residual maturities available were 1-11 years and 14 years. For the other durations we estimated the updating rate using the Smith-Wilson extrapolation method. The long-term assumptions were:

- Estimated long-term inflation rate 1.6% pa
- Estimated real long-term yield on government bonds 2.0% pa
- Non-liquidity premium for Romania 0%.

So, we considered a forward equilibrium rate of 3.60% pa.

The method ensures the compatibility between the updating rate and the inflation rate. The weighted average updating rate is 3.38% pa.

2.2 Inflation rate: Based on the statistics issued by INSSE and the NBR forecast for November 2020, we estimated the inflation rate as follows:

- 2.1% in 2020
- 2.5% in 2021-2030 and following a decreasing trend in the following years. The weighted average inflation rate is 2.2% pa.

2.3 Salary growth rate: The management of the Company has estimated for 2021 an average salary increase of 0% and for 2022 and the following years, with the annual inflation rate.

2.4 Energy price evolution: The company communicated the price of kW for the second half of 2020 of 0.465144 RON/kWh and estimated it at 0.525110 for 2021. For 2022 and the following years, it is estimated that the price of kW will be adjusted according to the annual inflation rate.

The company also offers a benefit consisting of 1.200 kWh of free energy annually to employees who have retired from the Company and have met certain seniority conditions.

In accordance with Government Decisions no. 1041/2003 and no. 1461/2003, the Company provides benefits in kind consisting of 1.200 kWh per year in the form of free electricity to employees who retired prior to September 30th, 2000 from units that belonged to the former Ministry of Energy.

The benefit in kind in the form of free electricity granted to employees who have retired from the Company was excluded from the Collective Labor Agreement in force from January 1st, 2020, a benefit that was provided by the Collective Labor Agreement valid until December 31st, 2019. So, the management of the Company considers that from

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8. PROVISIONS (continued)

legal perspective, the Company has the obligation to continue to grant the free energy quota to the persons retired before September 30th, 2000 and who meet the conditions provided by the Government Decision no. 1041/2003, this right resulting from the provisions of GD no. 1041/2003. The benefit in the form of free electricity granted to employees who retired after September 30th, 2000 or who would retire from the Company is no longer granted as of January 1st, 2020, as this facility has been expressly excluded from the Collective Labor Agreement.

9. DEFERRED INCOME

	Balance as of January 1st, 2020	December 31st 2020
Advance incomes representing tangible assets from the connection rate, investment subsidies, donations and inventory surpluses	655.706.053	2.002.622.998
Other advance incomes	342.359	82.834.921
Total	656.048.412	2.085.457.919

From the total advance incomes representing tangible assets from the connection rate, subsidies for investments, donations and inventory surpluses in the amount of 2.085.457.919 lei, the amount of 1.381.944.203 lei was taken over by merger.

10. SHARE CAPITAL AND RESERVES

On January 1st, 2020, the share capital of the company was 371.908.060 lei, and on June 30th, 2020, the share capital of the company was 412.612.070 lei, divided into 41.261.207 shares with a nominal value of 10 lei and was held as follows:

- Societatea Energetica Electrica SA holds a number of 41.261.196 shares (99.9999733405763%);
- Societatea de Distributie a Energiei Electrice Muntenia Nord SA holds a number of 11 shares (0.0000266594237%).

In June 2020, the share capital is increased with a total value of 40.704.010 lei representing a contribution in kind of component equipment of the AMR system in the amount of 40.704.000 subscribed by Electrica SA and a contribution in cash, of 10 lei subscribed by SDEE Muntenia Nord through HAGEA 4/18.06.2020.

On July 3rd, 2020, the Board of Directors of Electrica SA approved the merger by acquirement between Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord SA and Societatea de Distributie a Energiei Electrice Transilvania Sud SA, the acquiring entity being Distributie Energie Electrica Romania SA., based on the merger project no. 1404 of June 26th, 2020, which was registered at the Trade Register Office attached to the Cluj Tribunal, the Trade Register Office attached to the Prahova Tribunal and the Trade Register Office attached to the Brasov Tribunal and published in the Official Gazette of Romania, Part IV, no. 2351 of July 10th, 2020. The merger takes effect from the effective date, December 31st, 2020 respectively, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as acquired companies, ceased to exist, being dissolved without going into liquidation. SDEE Transilvania Nord SA, as acquiring company, issues in favor of the shareholder of the acquired companies, Electrica SA, respectively, new shares through which it increases its share capital related to the takeover of the net asset from Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. with 501.893.900 lei and for taking over the net assets from Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. 490.698.820 lei.

The new subscribed share capital is in the amount of 1.405.204.790 lei fully paid, composed of a number of 140.520.479 registered shares in the amount of 10 lei/share, the main shareholder being Societatea Energetica Electrica SA

Distribution of profit

During 2020, the Company registered a net profit of 55.919.686 Lei, distributed as follows:

- The amount of 3.195.837 Lei (5% of the gross profit) to the legal reserve;
- The amount of 52.723.849 lei is to be distributed in 2021 according to the AGA Decision.

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11. OPERATING INCOME

Indicator	0	2019 1	2020 2
Net turnover		681.569.479	709.850.899
Incomes related to the cost of production in progress		1.941.386	(1.121.365)
Fixed production		28.020.855	37.986.113
Incomes from revaluation of the tangible assets		-	12.904.252
Incomes from operating subsidies		-	212.893
Other operating incomes		45.070.698	48.229.253
Total operating income		756.602.418	808.062.045

For 2019 and 2020 the net turnover is composed of the following:

Indicator	0	2019 1	2020 2
Incomes from electricity distribution		635.770.979	667.116.165
Incomes from rents		34.938.810	33.393.051
Various works performed to third parties		10.241.147	8.768.328
Income from sales of goods		618.543	573.356
Net turnover		681.569.479	709.850.899

Other operating incomes include the following:

Indicator	0	2019 1	2020 2
Incomes from penalties for late payment		376.521	1.396.404
Resumption of advance incomes related to the depreciation of the related tangible assets		42.838.008	44.513.582
Other incomes from the operating activity		1.856.169	2.319.267
Other total operating income		45.070.698	48.229.253

12. EXPENSES FOR THE STAFF AND INFORMATION CONCERNING EMPLOYEES. MEMBERS OF THE ADMINISTRATIVE BODIES. MANAGEMENT AND SUPERVISORY

The total expenses for the staff were as follows:

	2019	2020
Salaries related to the financial year	164.778.847	185.913.705
Food vouchers	6.863.085	7.842.405
Expenses with social contributions and social expenses	7.642.493	9.497.767
Total	179.284.425	203.253.877

The remuneration of directors and administrators was as follows:

- In 2020, the payments with the remuneration of the directors with a mandate agreement were in the amount of 3.822.039 lei (plus expenses with social contributions in the amount of 85.995 lei), out of which the amount of 1.042.636 lei for 2019 (plus expenses with social contributions in the amount of 23.459 lei), foreseen at December 31st, 2019 - see Note 8.1). The amounts calculated for the mandate agreements for 2019 estimated to be granted in 2020 were recorded in *Other provisions* (see Note 8.1) and are in the amount of 2.274.040 lei.

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- In 2019, the payments with the remuneration of the directors with a mandate agreement were in the amount of 2.859.765 lei (plus expenses with social contributions in the amount of 64.343 lei).
- In 2020, the payments with the remuneration of the secretariat of the Board of Directors were in the amount of 82.056 lei (plus expenses with social contributions in the amount of 1.846 lei).
- In 2019, the payments with the remuneration of the secretariat of the Board of Directors were in the amount of 82.056 lei (plus expenses with social contributions in the amount of 1.846 lei).

No loans or advance payments were granted to directors or administrators. The

average number of employees was as follows:

	2019	%	2020	%
Workers	1.240	56	1.237	56
Other categories	958	44	989	44
Total	2.198	100	2.226	100

Existing employees on 31.12.2020 within the acquired companies were taken over following the merger starting with 01.01.2021.

13. OPERATING EXPENSES

Indicator	The previous financial year	The current financial year
Expenses for the raw materials and consumables	13.567.553	19.657.510
Expenses with acquired electricity	193.596.618	203.853.391
Other material expenses	1.741.001	2.675.852
Other external expenses (own energy and water consumption)	9.251.147	9.703.407
Expenses for the merchandise	620.585	573.300
Adjusting the value of tangible and intangible assets	166.512.562	171.656.269
Adjusting the value of current assets, net	1.976.563	1.405.553
Expenses for the external provisions	89.585.005	78.190.086
Expenses for other interests, fees and similar payments	21.837.754	10.949.210
Expenses for the environment protection	15.822	17.993
Expenses from revaluation of tangible assets	-	10.881.131
Expenses for compensations, donations and assigned assets	4.963.489	3.533.391
Adjustments regarding provisions for risks and expenses, net	(13.472.439)	7.521.237
Other operating costs	490.195.660	520.618.330
Expenses for the salaries (see Note 12)	179.284.425	203.253.877
Total Operating Expenses	669.480.085	723.872.207

Operating expenses

The largest share in operating expenses is spent on energy procurement. The procured energy is intended only to cover its own technological consumption.

Expenses with other taxes and fees decreased by 10.889 thousand lei, respectively by 50.1% compared to the same period of the previous year, as a result of the decrease of the monetary contribution owed to ANRE from 2% to 0.2% of the turnover achieved from the activities that are the object of the granted licenses.

The net variation of adjustments regarding the provisions for risks and expenses is owed to the fact that in 2019 the Company resumed to income part of the provision for pensions and obligations with the amount of 13.436 thousand lei, following the elimination of some benefits from CCM, and in 2020 the actuarial calculation recorded expenses with provisions for employee benefits in the amount of 6.063 thousand lei.

Expenses on external services include the following:

Indicator	2019	2020
Expenses for maintenance and repair works	7.980.730	11.187.842
Expenses with other services performed by third parties	22.719.688	21.708.353
Expenses with electricity meter reading services	8.104.239	5.956.508
Expenses for the transmission of goods and staff	29.847.890	21.970.145
Expenses for the rents	14.964.362	10.139.139
Expenses on mail and telecommunications	2.449.537	2.951.622
Travel expenses	2.125.716	1.111.837

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Indicator	2019	2020
Banking service expenses	678.249	622.521
Expenses for protocol, commercial and advertising	263.025	144.963
Expenses with insurance premiums	325.376	885.130
Other expenses	126.193	1.512.027
Total expenses for the external provisions	89.585.005	78.190.086

Other expenses relate to fees and commissions.

Expenses with other services performed by third parties refer to the following: cadastral expenses, subscriptions and publications, labor protection, staff training, computer services and others.

14. PROFIT INTEREST

	2019	2020
Profit before tax	69.940.205	63.916.748
The effect of non-deductible expenses	175.426.190	190.056.898
Other influences of deductible expenses	(209.512.772)	(212.142.172)
The effect of non-taxable incomes	(62.635.288)	(63.573.754)
Other influences of taxable incomes	67.734.082	75.077.463
Taxable profit	40.952.416	53.335.183
Expenses for the corporate tax (16%)	6.552.387	8.533.629
The amount representing sponsorships within the limit provided by law	(182.000)	-
Bonus (Q I-5% - GEO no.33/2020; Q II + III-10% - GEO no.99/25.06.2020)	-	(536.567)
Total expense for the corporate tax	6.370.387	7.997.062

The main non-deductible expenses are the following:

- the expense with the non-deductible provisions and value adjustments of assets in the amount of 12.230.445 lei;
- accounting depreciation of fixed assets in the amount of 174.095.467 lei.

Other influences of the nature of deductible expenses are mainly the following:

- fiscal depreciation of tangible fixed assets registered during the financial year, in the amount of 217.663.115 lei;
- deductible legal reserve in the amount of 3.195.837 lei.
- expenses with the impairment of fixed assets on the occasion of revaluation in the amount of 10.881.131 lei

The main non-taxable incomes are as follows:

- resumption of provisions, mainly provisions for inventories, provisions related to mandate agreements, provisions for dispute, provisions for fixed assets, adjustments for clients and debtors 6.155.917 lei;
- accounting depreciation of advance incomes in the amount of 44.513.582 lei.
- non-taxable incomes from the revaluation of fixed assets in the amount of 12.904.252 lei

Other influences of the nature of taxable incomes are mainly as follows:

- the reserve from the revaluation of tangible fixed assets deducted fiscally in 2020, in the amount of 13.229.621 lei;
- fiscal depreciation of advance incomes in the amount of 54.401.812 lei.
- the reserve deducted for tax purposes for the Ministry of Public Finance, at which the reserve decreases following the revaluation on 31.12.2020 in the amount of 6.984.895 lei

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15. INFORMATION REGARDING RELATIONS WITH AFFILIATED ENTITIES

15.1 Nature of Transactions with affiliated entities

The affiliated parties as well as a brief description of their activities and relations with the Company are as follows:

Affiliated party	Activity	The main relations with the Company
Societatea Energetica Electrica SA. Parent company	Distribution and sale of electricity, consulting and management. Majority shareholder of the company.	Provision of AMR services, various re-invoicing, dividends, amounts drawn, cash pooling, services to the Company
The company Electrica Furnizare S.A. group company	Trading of electricity	Invoicing of the electricity distribution service for consumers who have electricity supply agreements concluded with Electrica Furnizare S.A.
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. ("SDEE Muntenia Nord SA") group company	Electricity distribution in the geographical area of Muntenia Nord	Shareholder
Distributie Energie Electrica Romania S.A.. ("SDEE Transilvania Nord S.A.") group company	Electricity distribution in the geographical area of Transilvania Sud	Shares held in SDEE TS
Electrica Serv S.A. group company	Services in the energy sector (maintenance, repairs, construction)	Provision of maintenance and repair services, car services and other services to the Company
Servicii Energetice Muntenia S.A.	Services in the energy sector (maintenance, repairs, construction)	

15.2 Amounts owed and to be received from the affiliated parties

Receivables and debts from/to affiliated companies:

	Receivable balance	Debt balance
	December 31st, 202	December 31st, 2020
Societatea Energetica Electrica	6.923	1.195.528.810
Societatea Electrica Serv	498.316	33.829.051
Societatea Electrica Furnizare	279.531.508	24.208.028
SDEE TN	-	5.000
SDEE MN	5.000	-
TOTAL	280.041.747	1.253.570.889

	Receivable balance	Debt balance
	December 31nd, 2019	December 31nd, 2019
Societatea Energetica Electrica SA	33.006	367.174.966
Societatea Electrica Serv	77.542	24.929.703
Societatea Electrica Furnizare	84.752.187	5.058.320
TOTAL	84.862.735	397.162.989

Receivables from Electrica Furnizare mainly include the value of electricity distribution services. Debts to affiliated companies come mainly from:

- Loans, interests related to loans, amounts drawn from cash pooling, as well as other services from Energetica

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Electrica SA;

- investment works, car procurements, maintenance and repair services from Electrica Serv;
- procurement of electricity for own consumption from Electrica Furnizare SA.

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15. INFORMATION CONCERNING THE RELATIONS WITH AFFILIATED PARTIES (continued)

15.3 Information concerning transactions with affiliated parties

Transactions with affiliated parties:

	TN Sales/incomes in 2020	TN Procurements/expenses in 2020
Societatea Energetica Electrica SA	-	17.596.875
Societatea FISE Electrica Serv	100.871	47.071.252
Societatea Electrica Furnizare	417.245.634	22.640.142
SDEE Muntenia Nord	-	-
SDEE Transilvania Sud	928.341	-
TOTAL	418.274.846	87.308.269

	TN Sales/incomes in 2019	TN Procurements/expenses in 2019
Societatea Energetica Electrica SA	339.880	21.046.283
Societatea FISE Electrica Serv	4.272	53.264.609
Societatea Electrica Furnizare	393.488.622	18.339.097
SDEE Muntenia Nord	-	-
SDEE Transilvania Sud	-	-
TOTAL	393.832.774	92.649.989

The procurement transactions with Societatea Energetica Electrica SA represent mainly the following: AMR services, remuneration services, warranty of credit facility, credit interest, warranty services of the letters of guarantee.

The transactions with Societatea Electrica Furnizare represent the following: electricity consumption, CPT electricity, space rent, other services (utilities, penalties).

The procurement transactions with Societatea Electrica Serv represent the following: procurements of fixed assets; maintenance and repair services; other services (car services, occupational health and safety, space rental, inventories, etc.).

The sale transactions with Societatea Electrica Furnizare represent the following: electricity distribution services; reactive energy; balancing market; network intervention services; computer services; space rental, telecommunication services; disconnection fee.

Sale transactions with Societatea Electrica Serv represent the following: telecommunication services; penalties for non-compliance with the delivery deadline; notices.

Sale transactions with Societatea de Distributie a Energiei Electrice Transilvania Sud represent AMR services
Procurement transactions do not include:

- from Societatea Energetica Electrica SA, the dividends, re-invoicing, capital increase, drawn amounts - cash pooling
- from Societatea Electrica Furnizare energia, pensioners lei, re-invoicing of utilities, re-invoicing material acquisitions Covid 19, compensation for unplanned long interruptions according to ANRE Order 11/2016, VAT Group 4620080000
- from Societatea FISE Electrica Serv tender securities in auctions, re-invoicing of utilitie

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15. INFORMATION CONCERNING THE RELATIONS WITH AFFILIATED PARTIES (continued)
15.4 Balances and transactions with other companies in which the State has a significant control or influence

In 2020 and 2019 the Company had procurement and sale transactions with companies in which the State has significant control or influence, of which the main ones are mentioned below:

	Balance of receivables as of January 1st, 2020	Balance of receivables as of December 31st, 2020	Balance of debts as of January 1st, 2020	Balance of debts as of December 31st, 2020
Transelectrica	-	469.459	2.791.694	11.945.636
Complexul Energetic Oltenia	7.412	599	-	-
Hidroelectrica	1.002.433	521.700	2.370.415	47.044
Enel Energie	-	-	-	-
Electrificare CFR	262.322	420.251	-	-
Enel Energie Muntenia	-	-	-	-
Special telecommunication service	67.951	59.792	-	-
S.N.G.N. ROMGAZ SA	124.265	1.243.928	-	366
CNAIR	113	-	2.434	-
OPCOM	131.228	10.255	134.057	474.191
Termoficare Oradea	-	293	142.162	131.041
ANRE	-	-	583.070	175.672
Posta Romana	-	-	-	5.458
Romanian Railway Authority	-	-	-	657
Ramnicu Sarat municipality	-	2.020	-	-
Galati Municipality	-	1.731.446	-	-
Nuclearelectrica	-	-	-	8.892.202
Others	-	533.465	-	50.077
TOTAL	1.595.724	4.993.208	6.023.832	21.722.344
	Sales in 2019	Sales in 2020	Procurements in 2019	Procurements in 2020
ANRE	-	-	12.309.711	5.473.096
Transelectrica	190	880.107	17.840.877	66.599.383
Complexul Energetic Oltenia	50.139	9.123	610.277	-
Hidroelectrica	5.491.212	5.579.968	23.313.182	21.301.709
OPCOM	927.134	1.175.953	43.452.332	107.032.490
Termoficare Oradea	-	51.185	455.236	481.581
Enel Energie	-	-	-	-
Electrificare CFR	905.184	7.517.418	-	-
CNCFR	-	3.603.588	-	31.532
Enel Energie Muntenia	-	-	-	-
CNAIR	2.850.638	1.567.841	68.908	72.406
Special telecommunication service	683.741	663.207	-	-
S.N.G.N. ROMGAZ SA	494.715	11.103.368	-	4.117
Buzau Municipality	-	1.156.930	-	-
Galati Municipality	-	8.575.481	-	-
Ramnicu Sarat municipality	-	(116.609)	-	-
Electrocentrale Bucuresti	-	-	-	2.218.013
Posta Romana	-	-	-	73.065
Romanian Railway Authority	-	-	-	14.816
Somes Tisa Water Basin Administration	-	-	-	10.492
Termoficare Cluj	-	-	-	1.763
Cluj County Council	-	-	-	9.645
Nuclearelectrica	-	-	-	82.196.522
SNTGN Trans Gaz	-	-	-	496
Buzau Municipality	-	-	-	4.077
Others	-	12.852.631	-	620.880
TOTAL	11.402.953	41.767.560	98.050.523	285.525.203

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16. COMMITMENTS

1) Contractual commitments

Description of the services	Remained to be executed on December 31 st 2019	Remained to be executed on December 31 st 2020
Electricity procurements	123.920.356	303.551.848
Procurements of fixed assets	158.683.000	166.255.181
Total to be executed	282.603.356	469.807.029

Out of the total contractual commitments amounting to 469.807.029 lei, the amount of 336.911.299 lei is represented by the contractual commitments taken over by merger.

2) Guarantees

As of December 31st, 2020, the Company issued letters of bank guarantee in the amount of 153.450.591 lei, of which the amount of 112.996.287 lei is taken over by merger.

The letters of bank guarantee issued by TN in the amount of 40.454.303,98 lei are for the following companies:

Supplier	Balance
ENERGY DISTRIBUTION SERVICES SRL	1.579.463,20
ENERGY DISTRIBUTION SERVICES SRL	1.579.463,20
LAND POWER	2.631.447,00
GEN-I, D.O.O	2.191.800,00
AXPO ENERGY ROMANIA	2.326.212,00
AXPO ENERGY ROMANIA	2.118.616,50
OPCOM SA	14.000.000,00
ELECTROCENTRALE BUCURESTI SA	1.319.186,40
HIDROELECTRICA SA	2.371.551,00
HIDROELECTRICA SA	1.884.960,00
HIDROELECTRICA SA	2.515.422,00
NUCLEARELECTRICA BUCURESTI SA	2.475.880,68
AXPO ENERGY ROMANIA	2.515.422,00
GEN-I, D.O.O	944.880,00
TOTAL	40.454.303,98

The letters of bank guarantee issued by TS in the amount of 38.675.734,73 lei are for the following companies:

Supplier	Balance
OPCOM	1.500.000,00
GEN-I	2.285.400,00
GEN-I	2.684.640,00
NUCLEARELECTRICA	2.720.739,84
ENGIE ROMANIA	2.609.984,16
MUN SIGHISOARA	41.811,00
MUN SIGHISOARA	97.560,00
AXPO ENERGY	2.132.361,00
ENGIE ROMANIA	2.132.361,00
TINMAR ENERGY	2.128.434,00
OPCOM	1.500.000,00
ENGIE ROMANIA	1.022.590,80
MET ROMANIA ENERGY	1.027.017,60
GEN-I	4.291.872,00
CET ARAD	3.320.100,00
AXPO ENERGY	2.501.499,00
ENGIE ROMANIA	2.501.499,00
HIDROELECTRICA	2.078.573,95
HIDROELECTRICA	2.099.291,38
TOTAL	38.675.734,73

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The letters of bank guarantee issued by MN in the amount of 74.320.552,65 lei are for the following companies:

Supplier	Balance
OPCOM SA	4.000.000,00
Next Energy Partners	2.199.600,00
Land Power SRL	2.198.040,00
Energy Distribution Services S.R.L.	2.738.190,00
SN Nuclearelectrica SA	8.158.878,00
SN Nuclearelectrica SA	3.341,52
Renovatio Trading SRL	2.192.580,00
SN Nuclearelectrica SA	5.197.920,00
SN Nuclearelectrica SA	2.227,68
GALATI City Hall (SPFL GL)	13.020.788,52
NUCLEARELECTRICA	2.364.768,00
OMV Petrom SA	6.432.426,00
Entrex Services	720.020,45
ELECTRIC PLANNERS	1.022.805,00
Entrex Services	818.244,00
EFT FURNIZARE SA	204.561,00
Entrex Services	1.488.064,54
AXPO ENERGY SRL	637.741,94
NUCLEAR ELECTRICA SA	2.515.422,00
Entrex Services	908.208,00
TINMAR ENERGY SA	10.117.380,00
ELECTRIC PLANNERS	1.011.738,00
GEN-I	6.367.608,00
	74.320.552,65

17. CONTINGENCIES

17.1 Tax risks

The legislative - fiscal framework in Romania and its implementation in practice changes frequently and is the subject of different interpretations by various Government Ministries. The Romanian government has a number of agencies that are authorized to carry out controls on the Romanian companies, as well as on of foreign companies operating in Romania. These controls are similar in nature to the tax audit carried out by tax authorities, but may focus not only on tax issues but also on other legal or regulatory elements of interest to the relevant agency. Furthermore, the agencies that carry out these controls seem to be much less regulated, and the company under control seems to have far fewer practical ways of protection than in many other countries.

Fiscal controls are frequent in Romania, consisting of detailed checks of the taxpayers' accounting records. Such checks sometimes take place months or even years after the payment obligations have been established. As a result, companies may owe taxes and fines. Furthermore, the tax legislation is subject to frequent changes, and the authorities often show inconsistency in the interpretation of the legislation.

Income tax statements are subject to review and correction by the tax authorities, generally for a period of five years from the date of their completion.

17.2 Transfer price

In accordance with tax legislation, the fiscal evaluation of a transaction made with the affiliated parties is based on the concept of market price related to the relevant transaction. Based on this concept, transfer prices should be adjusted to reflect market prices that would have been established between entities with no affiliate relationship and that operate independently, based on "normal market conditions".

It is likely that the checks of transfer pricing will be performed in the future by the tax authorities to determine whether those prices comply with the principle of "normal market conditions" and that the tax base of the Romanian taxpayer is not distorted.

17.3 Lands used by the Company

According to the policy of Company, the financial statements include the value of the lands for which ownerships were obtained at the date of preparing the financial statements.

According to Law no. 99/1999, if the Company obtains the ownership for the land after the moment of privatization, the land will be considered a contribution in kind of the state or of the local authorities. For that purpose, the Company will increase the share capital with the value of lands, and the beneficiaries of this increase will be the state or the local authorities.

The Law 318/2003 (current law 123/2012) stipulates that the lands related to the public distribution networks existing at the date of entry into force of the law (16.08.2003) for which the distribution operator, license holder, did not acquire the property right, under the conditions of law, are and remain in the public property of the state. At the same time, the license holders for the operation of the production, transmission or distribution capacities of electricity acquire the rights of use, easements of underground, surface or air passage and rights of access to public utilities in connection with publicly or privately owned lands located in the vicinity of energetic capacity.

However, the law does not prevent the Company from obtaining ownership over the land surfaces on which the buildings and constructions of the Company that do not belong to the public distribution network are located. These lands represent the contribution of Societatea Energetica Electrica SA to the share capital of the Company.

The company is involved in a series of processes related to the ownership of some lands on which the substations and the distribution networks are located, the processes already underway at the time of Law 318/2003. But the Company considers that the result of this legal action is not significant for the financial statements.

17.4 Dismissal aid and compensatory packages

a) Benefits following individual dismissals at the initiative of the Company

According to the collective labor Agreement concluded between the Company and the Trade Unions, upon termination of the individual labor agreement of the employees at the initiative of the Company, it will pay to be employees benefits upon termination of the labor agreement depending on the seniority, as follows:

Seniority	Number of average gross salaries per Company
1 - 2 years	2
2 - 5 years	3
5 - 10 years	4
10 - 20 years	5
Over 20 years	8

b) Benefits following collective redundancies at the initiative of the Company

In case of collective dismissals, according to the collective labor agreement, the Company will pay to the employees benefits when terminating the employment agreement depending on the seniority, as follows:

Seniority	Number of average gross salaries per unit
1 - 3 years	3
3 - 5 years	6
5 - 10 years	7
10 - 20 years	11
over 20 years	16

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17. CONTINGENCIES (continued)

The above provisions do not apply to employees with an individual labor agreement concluded for a determined period. The above provisions do not apply to employees who benefit from other cumulative higher compensatory salary rights, established by legal regulations regarding the reorganization or restructuring of the Company. Employees re-employed within the Company after dismissal do not benefit from the above mentioned rights.

The company is involved in a series of litigations and disputes. The company has set up provisions for litigations and disputes for which management has assessed that an outflow of resources is likely to be required, incorporating economic benefits owed to the reduced chances of their favorable settlement. The company does not present information in the financial statements and did not set up provisions for litigations and disputes for which the management assessed the possibility of resource outflows as being reduced.

The financial statements do not include any provision for debts related to compensatory payments, as there is no present obligation related to this aspect.

18. SUBSEQUENT EVENTS

Subsequent events considered by the Company to have a significant impact are:

Distribution rates and regulatory method

Starting with January 1st, 2021, the distribution segment of the Electrica Group refers to the DEER activity (with the Transilvania Nord, Transilvania Sud and Muntenia Nord network areas) and FISE EL SERV.

The electricity distribution segment represents a regulated area of activity, in which the operations are carried out in a geographically limited area in accordance with the concession agreement, and the nature of the provided services and the specific obligations are stipulated in the license conditions of the concessionaire operator. Thus, DEER through its network areas, is the electricity distribution operator in the regions of Transilvania Nord (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties), Transilvania Sud (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) and Muntenia Nord (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), operating electrical installations functioning at voltages between 0.4 kV and 110 kV.

DEER holds the exclusive license for distribution in these network areas valid for the following eight years with the possibility of extension for another period of 25 years. Within the distribution services activity, EL SERV provides maintenance, repairs and various services to group companies (car rental, building rental, etc.), as well as repairs and other related services to third parties.

The specific rates are determined and approved by ANRE by the "limit rate basket" method, as established by ANRE Order no. 169/September 18th, 2018 regarding the approval of the methodology for establishing the rates for the electricity distribution service (applicable in the fourth regulatory period 2019 - 2023), with the subsequent amendments and completions and respectively GEO no. 1/January 15th, 2020 and ANRE Order no. 75/May 6th, 2020 regarding the establishment of RRR applied to the approval of rates for the electricity distribution service.

The regulatory method "basket of limit rates" aims to avoid significant fluctuations in rates charged to users for electricity distribution. The model of establishing the regulated income is based on the principle of remuneration in rates of the justifiable costs registered by the distribution operator, the main source of profit of the distribution company being the profitability rate of the capital invested in the distribution activity.

The rates are annually adjusted, taking into account the achieved operational performance, the quantities of electricity distributed, the quantities and the procurement price of electricity to cover technological losses (CPT), controllable and uncontrollable costs, changes in reactive energy incomes compared to the foreseen ones, depreciation and making the foreseen capital expenses, modifying the gross profit resulted from other activities compared to the foreseen one, as well as the corrections from the previous periods made according to the methodology.

The current regulatory period (the fourth regulatory period - PR4) started on January 1st, 2019 and will end on December 31st, 2023. It is expected that both the current regulatory framework and the rules regarding the determination of BAR and distribution rates will remain unchanged at least until the end of 2023. ANRE establishes the annual level of distribution rates in RON per MWh for each distribution company, respectively on each network area in case of a merged OD and for each voltage level (high, medium and low). The invoiced rates are summed according to the corresponding voltage level (e.g. the medium voltage rate includes the high voltage rate, and the low voltage rate includes the high voltage and medium voltage rate).

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ANRE establishes the regulated annual income required for each year of the regulatory period based on the projections submitted by the distribution operators in accordance with the methodological requirements, at the beginning of the regulatory period.

The electricity distribution rates approved by ANRE for 2021 are the following (RON/MWh):

Rate (RON/MWh)	Applicable starting with January 1 st , 2021			
	ANRE order no.	high Voltage	medium Voltage	low Voltage
SDMN	220/09 dec. 2020	18,72	38,15	127,88
SDTN	221/09 dec. 2020	19,23	47,12	107,58
SDTS	222/09 dec. 2020	22,23	45,24	111,31

These financial statements were signed and approved on February 22nd, 2021, by:

Administrator.

General Manager
Eng. Emil Merdan

Financial Manager
Ec. Dora Fataceanu