

Societatea Electrica Furnizare S.A.

**FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
MINISTRY OF PUBLIC FINANCE ORDER NO. 1802/2014, AS AMENDED
AS AT AND FOR THE YEAR
ENDED DECEMBER 31st, 2020**

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

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Societatea Electrica Furnizare S.A.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

Item description	Row no.	Note no.	Balance as at December 31 st , 2019	Balance as at December 31 st , 2020
A	B		2	2
A. NON-CURRENT ASSETS				
I. INTANGIBLE ASSETS				
1. Set-up costs (account 201-2801)	01		-	-
2. Development costs (account 203-2803-2903)	02		-	-
3. Concessions, patents, licenses, trademarks and other similar rights and other intangible assets (account 205+208-2805-2808-2905-2908)	03		9,631,230	7,255,068
4. Goodwill (account 2071 - 2807)	04		12,577,199	8,804,039
5. Advances and intangible assets in progress and evaluation of mineral resources (account 206-2806-2906)	05		-	-
6. Advances for intangible assets (account 4094)	06		-	-
TOTAL: (row 01 to 06)	07	3	22,208,429	16,059,107
II. TANGIBLE ASSETS				
1. Land and buildings (account 211+212-2811-2812-2911-2912)	08		54,020,469	62,637,085
2. Technical equipment & machinery (account 213+223-2813-2913)	09		10,026,859	6,958,588
3. Other equipment & furniture (account 214+224-2814-2914)	10		3,342,958	3,065,279
4. Investment property (account 215-2815-2915)	11		-	-
5. Tangible assets in progress (account 231-2931)	12		960,429	505,285
6. Investment property in progress (account 235-2935)	13		-	-
7. Intangible assets in progress and evaluation of mineral resources (account 216-2816-2916)	14		-	-
8. Bearer biological assets (account 217+227-2817-2917)	15		-	-
9. Advances for tangible assets (account 4093)	16		-	-
TOTAL: (row 08 to 16)	17	3	68,350,715	73,166,237
III. FINANCIAL ASSETS				
1. Shares in related parties (account 261-2961)	18		-	8,006,116
2. Loans granted to related parties (account 2671+2672-2964)	19		-	-
3. Investments in related parties and in jointly controlled entities (account 262+263-2962)	20		-	-
4. Loans granted to related parties and to jointly controlled entities (account 2673+2674-2965)	21		-	-
5. Other long term investments (account 265+266-2963)	22		-	-
6. Other loans (account 2675*+2676*+2678*+2679*-2966*-2968*)	23		16,873	35,586
TOTAL: (row 18 to 23)	24	3	16,873	8,041,702
NON-CURRENT ASSETS - TOTAL (row 07+17+24)	25	3	90,576,017	97,267,046
B. CURRENT ASSETS				
I. INVENTORIES				
1. Raw materials and consumables (account 301+302+321+322+323++328+303+/-308 + 351+352+358+381+/-388-391-3921-3922-3951-3958-398)	26		123	-
2. Work in progress (account 331 +332 +341+/-3481+/-393-3941-3952)	27		-	-

Societatea Electrica Furnizare S.A.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

Item description	Row no.	Note no.	Balance as at December 31 st , 2019	Balance as at December 31 st , 2020
A	B		2	2
3. Finished goods and merchandises (account 345+346+/-3485 +/-3486+3545+3546+ 356+357+361+/-368+371 +/-378-3945-3946-3953-3954-3956-3957-396-397-4428+347+326+327-3947-3955-3956)	28		7,415,660	1,775,736
4. Advances for inventories (account 4091)	29		-	-
TOTAL: (row 26 to 29)	30		7,415,783	1,775,736
II. RECEIVABLES				
1. Trade receivables (account 2675+ 2676+ 2678+ 2679-2966-2968+4092+411+413+418-491)	31	4	742,056,590	886,745,301
2. Amounts receivable from related parties (account 451-495)	32	4	12,373,026	38,230,944
3. Amounts receivable from related parties and jointly controlled entities (account 453-495)	33		-	-
4. Other receivables (account 425+4282+431+437 +4382+441+4424+ 4428+444+445+446 +447+4482+4582+461+ 473-496+5187+4662)	34	4	2,769,111	4,172,552
5. Subscribed and unpaid share capital (account 456-495)	35		-	-
TOTAL: (row 31 to 35)	36	4	757,198,727	929,148,797
III. SHORT TERM INVESTMENTS				
1. Shares in related parties (account 501-591)	32		-	-
2. Other short term investments (account 505+506+508-595-596-598+5113+5114+407)	38		19,997	26,591
TOTAL: (row 37 to 38)	39		19,997	26,591
IV. CASH AND CASH EQUIVALENTS (account 508+5112+512+531+532+541+542)				
	40	5	259,626,887	186,068,781
CURRENT ASSETS - TOTAL (row 30+36+39+40)	41		1,024,261,394	1,117,019,905
C. PREPAYMENTS (account 471) (row 43+44)				
- Amounts to be resumed in a period of up to one year (account 471)	43		8,432,490	1,724,551
- Amounts to be resumed in a period exceeding one year (account 471)	44		-	-
TOTAL ASSETS			1,123,179,901	1,216,011,502
D. LIABILITIES: AMOUNTS TO BE PAID IN A PERIOD SHORTER THAN ONE YEAR				
1. Debenture loans, presenting separately from the convertible debenture loans (account 161+1681-169)	45		-	-
2. Amounts owed to the credit institutions (account 1621 + 1622+1624+1625+1627+1682+5191+5192+5198)	46		-	-
3. Advance payments from customers (account 419)	47		-	-
4. Trade payables (account 401+404+408)	48		388,986,645	324,816,191
5. Bills of exchange payable (account 403+405)	49		-	-
6. Amounts owed to the entities of the group (account 1661+1685+2691+451*)	50		261,043,060	281,826,224
7. Amounts owed to associates and to jointly controlled entities (account 1663+1686+2692+2693+453*)	51		-	-

Societatea Electrica Furnizare S.A.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

Item description	Row no.	Note no.	Balance as at December 31 st , 2019	Balance as at December 31 st , 2020
A	B		2	2
8. Other liabilities including tax and social security debts (account 1623+1626 +167 +1687+2695+421+423+424+426+427+4281+431+43 7+4381+441+4423+4428+444+446+447+4481+455+ 456+457+4581+462+4661+473+509+5186+5193+51 94+5195+5196+5197)	52		156,969,639	181,324,124
TOTAL: (row 45 to 52)	53	7	806,999,344	787,966,539
E. NET CURRENT ASSETS/NET CURRENT LIABILITIES (row 41+43-53-70-73-76)	54		220,300,266	328,810,720
F. TOTAL ASSETS MINUS CURRENT LIABILITIES (row 25+44+54)	55		310,876,283	426,077,766
G. LIABILITIES: AMOUNTS TO BE PAID IN A PERIOD LONGER THEN ONE YEAR				
1. Debenture loans presenting separately the loans from the convertible debenture loans (account 161+1681-169)	56		-	-
2. Amounts owed to the credit institutions (account 1621+1622+1624+1625+1627+1682+5191+5192+519 8)	57		-	-
3. Advance payments from customers (account 419)	58		-	-
4. Trade payables-suppliers (account 401+404+408)	59		-	-
5. Bills of exchange payable (account 403+405)	60		-	-
6. Amounts owed to the entities of the group (account 1661+1685+2691+451*)	61		-	-
7. Amounts owed to associates and to jointly controlled entities (account 1663+1686+2692+2693+453*)	62		-	-
8. Other liabilities including tax and social security debts (account 1623+1626 +167 +1687+ 2695+421+423+424+426+427 +4281 +431+437+4381+441 +4423+4428+444+446 +447+4481+455+456+4581+462+4661+473+509+51 86+ 5193+5194+5195+5196+5197)	63		36,774,806	33,873,216
TOTAL: (row 56 to 63)	64	7	36,774,806	33,873,216
H. PROVISIONS				
1. Provisions for pensions and similar obligations (account 1515+1517)	65	8.1	17,544,493	15,937,405
2. Provisions for taxes (account 1516)	66	8.2	215,881	206,356
3. Other provisions (account 1511+1512+1513+1514+1518)	67	8.3	11,754,488	12,573,423
TOTAL PROVISIONS: (row 65 to 67)	68	8	29,514,862	28,717,184
I. DEFERRED INCOME				
1. Investment subsidies (account 475) (row 70+71)	69		1,192	-
- Amounts to be resumed in a period of up to one year (account 475*)	70		1,192	-
- Amounts to be resumed in a period longer than one year (account 475*)			-	-

Societatea Electrica Furnizare S.A.
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AS AT DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

Item description	Row no.	Note no.	Balance as at December 31 st , 2019	Balance as at December 31 st , 2020
A	B		2	2
2. Deferred income (account 472) - total (row 73 +74) out of which:	72		5,303,082	1,967,197
- Amounts to be resumed in a period of up to one year (account 472*)	73		5,303,082	1,967,197
- Amounts to be resumed in a period longer than one year (account 472*)	74		-	-
-				
3. Deferred income related to assets received by transfer from customers (account 478) (row 76-77)	75		-	-
- Amounts to be resumed in a period of up to one year (account 478*)	76		-	-
- Amounts to be resumed in a period of up to one year (account 478*)	77		-	-
Gain on a bargain purchase (account 2075)	78		-	-
TOTAL: (row 69+72+75+78)	79	9	5,304,274	1,967,197
J. CAPITAL AND RESERVES				
I. CAPITAL				
1.Subscribed and paid in share capital (account 1012)	80		62,873,860	62,873,860
2.Subscribed and not paid in share capital (account 1011)	81		-	-
3.Patrimony (account 1015)	82		-	-
4. Patrimony of national research and development institutes (account 1018)	83		-	-
5. Other equity items (account 1031)	84		-	-
TOTAL: (row 80 to 84)	85	10	62,873,860	62,873,860
II. SHARE PREMIUM (account 104)	86		-	-
III. REVALUATION RESERVE (account 105)	87	10	45,116,391	54,738,888
IV. RESERVES				
1. Legal reserves (account 1061)	88	10	12,574,772	12,574,772
2. Statutory or contractual capital reserve (account 1063)	89		-	-
3. Other reserves (account 1068)	90	10	6,950,124	5,912
TOTAL: (row 88 to 90)	91		19,524,896	12,580,684
Own shares (account 109)	92		-	-
Gains related to equity instruments (account 141)	93		-	-
Losses related to equity instruments (account 149)	94		-	-
V. PROFIT OR LOSS CARRIED FORWARD				
Balance C (account 117)	95		2,095,199	-
Balance D (account 117)	96		-	-
VI. PROFIT OR LOSS FOR THE YEAR				
Balance C (account121)	97	10	114,976,269	233,293,934
Balance D (account121)	98		-	-

Societatea Electrica Furnizare S.A.
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AS AT DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

Item description	Row no.	Note no.	Balance as at December 31 st , 2019	Balance as at December 31 st , 2020
A	B		2	2
Profit distribution (account 129)	99	10	-	-
EQUITY - TOTAL (row 85+86+87+91-92+93-94+95-96+97-98-99)	100		244,586,615	363,487,366
Public patrimony (account 1016)	101		-	-
Public patrimony (account 1017)	102		-	-
TOTAL EQUITY (row 100+101+102) (row 25+41+42-53-64-68-79)	103		244,586,615	363,487,366
TOTAL EQUITY AND LIABILITIES			1,123,179,901	1,216,011,502

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

Darius Dumitru MEȘCA
GENERAL MANAGER

Ionuț-Bogdan VLAD
DIRECTOR FINANCIAL DIVISION

Societatea Electrica Furnizare S.A.
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED AS AT DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

Item description	Row no.	Note no.	Year ended as at December 31 st , 2019	Year ended as at December 31 st , 2020
A	B		2	2
1 Net turnover (row 02+03-04+05+06)	01	11	4,915,956,637	5,116,236,435
Sold production (account 701+702+703+704+705+706+708)	02	11	4,851,299,688	5,071,169,706
Income from sale of goods (account 707)	03		64,656,949	45,066,729
Trade discounts offered (account 709)	04		-	-
Interest income recorded by entities removed from the General Register and which have ongoing leases (account 766*)	05		-	-
Income from operating grants related to net turnover (account 7411)	06		-	-
2 Changes in inventories (account 711+712)				
- Balance C	07		-	-
- Balance D	08		-	-
3 Capitalized costs of intangible and tangible non-current assets (account 721+722)	09		-	-
4 Income from revaluation of tangible assets (account 755)	10		-	711,630
5 Income from property investment production (account 725)	11		-	-
6 Income from subsidies (account 7415+7413+7414+7415+7416+7417+7419)	12		-	-
7 Other operating income (account 751+758+7417)	13	12	22,085,344	22,912,039
out of which, income from negative goodwill (account 7415)	14		-	-
out of which, income from investment subsidies (account 7584)	15		-	-
OPERATING INCOME - TOTAL (row 01+07-08+09+ 10+11 +12 +13)	16		4,938,041,981	5,139,860,104
8.a) Raw materials and consumables expenses (account 601+602)	17		1,935,232	3,898,901
Other material expenses (account 603+604+606+608)	18		2,761,401,481	2,717,164,983
b) Other expenses (with energy and water) (account 605)	19		1,739,289	1,777,338
c) Merchandise expenses (account 607)	20		67,764,103	48,614,858
Trade discounts received (account 609)	21		-	-
9 Personnel related expenses (row 23+24)	22	13	75,861,005	109,215,107
a) Salaries and wages (account 641+642+643+644)	23		72,722,611	104,760,766
b) Social security and other related costs (account 645+646)	24		3,138,394	4,454,341
10a) Value adjustments on tangible and intangible assets (row 27-26)	25		17,921,287	15,585,239
a.1) Expenses (account 6811+ 6813+6817)	26		17,921,287	15,585,239
a.2) Income (account 7813)	27		-	-
b) Value adjustments on current assets (row 29-30)	28		(5,943,518)	5,867,876
b.1) Expenses (account 654+6814)	29		69,315,534	34,632,084
b.2) Income (account 754+7814)	30		75,259,052	28,764,208

Societatea Electrica Furnizare S.A.
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED AS AT DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

Item description		Row no.	Note no.	Year ended as at	Year ended as at
				December 31 st , 2019	December 31 st , 2020
A	B			2	2
11	Other operating expenses (row 32 to 38)	31	14	1,889,616,944	1,966,839,350
11.1	Expenses on external services (account 611+612+613+614+615+621+622+623+624+625+626+627+628)	32		1,348,797,781	1,393,347,625
11.2.	Other taxes, duties or assimilated expenses; expenses representing transfers and contributions due under special regulations (account 635)	33		18,806,671	7,233,114
11.3.	Expenses on environmental protection (account 652)	34		518,378,897	557,221,503
11.4.	Expenses from revaluation of tangible assets (account 655)	35		-	644,691
11.5.	Expenses regarding calamities and other similar events (account 6587)	36		-	-
11.6.	Other expenses (account 651+6581+6582+6583+6588)	37		3,633,595	8,392,417
	Expenses on refinancing interests recorded by the General register of removed entities that have ongoing leasing agreements (account 666*)	38		-	-
	Adjustments related to provisions for risks and expenses (row 40-41)	39		3,039,006	(797,677)
	- Expenses (account 6812)	40		8,080,277	9,820,219
	- Income (account 7812)	41		5,041,271	10,617,896
	OPERATING EXPENSES – TOTAL (row 17 to 20-21+22+25+28+31+39)	42	14	4,813,334,829	4,868,165,975
	OPERATING PROFIT OR LOSS:				
	- Profit (row 16-42)	43		124,707,152	271,694,129
	- Loss (row 42-16)	44		-	-
12	Income from controlling interests (account 7611+7612+7613)	45		-	-
	- out of which income obtained from related parties	46		-	-
13	Interest income (account 766)	47		4,156,467	5,064,800
	- out of which income obtained from related parties	48		-	1,430,031
14	Income from subsidies for interest due (account 7418)	49		-	-
15	Other financial income (account 762+764+765+767+768+7615)	50		-	253,892
	- out of which, income from other financial assets (account 7615)	51		-	-
	FINANCIAL INCOME - TOTAL (row 45+47+49+50)	52		4,156,467	5,318,692
16	Value adjustments on financial assets and financial investments held as current assets (row 54-55)	53		-	-
	- Expenses (account 686)	54		-	-
	- Income (account 786)	55		-	-
17	Interest charges (account 666-)	56		-	-
	- out of which expenses in relation with affiliated entities	57		-	-

Societatea Electrica Furnizare S.A.
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED AS AT DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

Item description	Row no.	Note no.	Year ended as at December 31 st , 2019	Year ended as at December 31 st , 2020
A	B		2	2
Other financial expenses (account 663+664+665+667+668)	58		1,765	317,420
FINANCIAL EXPENSES - TOTAL (row 53+56+58)	59		1,765	317,420
FINANCIAL PROFIT OR LOSS:				
- Profit (row 52-59)	60		4,154,702	5,001,272
- Loss (row 59-52)	61		-	-
TOTAL INCOME (row 16+52)	62		4,942,198,448	5,145,178,796
TOTAL EXPENSES (row 42+59)	63		4,813,336,594	4,868,483,395
18 GROSS PROFIT OR LOSS:				
- Profit (row 62-63)	64		128,861,854	276,695,401
- Loss (row 63-62)	65		-	-
19 CORPORATE INCOME TAX (account 691)	66	15	13,885,585	43,401,467
19 Other taxes not presented among the above items (account 698)	67		-	-
21 NET PROFIT OR LOSS FOR THE FINANCIAL YEAR:				
- Profit row (64-65-66-67)	68		114,976,269	233,293,934
- Loss row (65+66+67-64)	69		-	-

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

Darius Dumitru MEȘCA
GENERAL MANAGER

Ionuț-Bogdan VLAD
DIRECTOR FINANCIAL DIVISION

Societatea Electrica Furnizare S.A.
STATEMENT OF CASH FLOW
AS AT AND FOR THE YEAR ENDED DECEMBER 31st, 2020
(All amounts are expressed in RON, unless otherwise stated)

Name of cash flow item	Year ended as at December 31 st , 2019	Year ended as at December 31 st , 2020
Cash flows from operating activities:		
Profit before tax	128,861,854	276,695,401
Adjustments for:		
Amortization and depreciation adjustments of intangible and tangible assets	17,921,287	15,585,239
Adjustments for impairment of current assets, net	(5,943,518)	4,324,544
Adjustments for impairment of inventories, net	-	1,543,332
Changes in provisions	3,039,006	(797,677)
Net financial result	(4,154,702)	(5,001,272)
Loss/ (Gain) from revaluation of tangible assets	-	(66,939)
Loss/ (Gain) from asset sales	-	-
Operating profit before changes in working capital	139,723,927	292,282,628
Changes of the net working capital in:		
Inventories	(7,356,257)	4,096,715
Trade receivables and other assets	(93,627,108)	(168,329,799)
Accounts payable and other liabilities	129,032,899	(11,152,130)
Changes in working capital	32,095,166	(175,385,214)
Interest paid	-	-
Income tax paid	(3,091,623)	(40,577,053)
Net cash flow from / used in operating activities	164,681,838	76,320,361
Cash flow from investing activities:		
Purchase of assets	(12,313,428)	(5,106,731)
Payments for the acquisition of subsidiaries	-	(8,006,116)
Given loans	-	(12,743,476)
Proceeds from sale of tangible assets	-	-
Interest received	4,046,093	(6,464)
Net cash flow used in investing activities	(8,267,335)	(25,862,787)
Cash flow from financing activities:		
Dividends paid	(140,491,681)	(124,015,680)
Net cash flow used in financing activities	(140,491,681)	(124,015,680)
Net increase/decrease in cash and cash equivalents	15,922,822	(73,558,106)
Cash and cash equivalents at the beginning of financial year	243,704,065	259,626,887
Cash and cash equivalents at the end of financial year	259,626,887	186,068,781

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

Darius Dumitru MEȘCA
GENERAL MANAGER

Ionuț-Bogdan VLAD
DIRECTOR FINANCIAL DIVISION

Societatea Electrica Furnizare S.A.
STATEMENT OF CHANGES IN EQUITY
AS AT AND FOR THE YEAR ENDED DECEMBER 31st, 2020
(All amounts are expressed in RON, unless otherwise stated)

Statement of changes in equity for the year ended as at December 31, 2020 are presented as follows:

Element of equity	Balance as at December 31 st , 2019	Increase		Decrease		Balance as at December 31 st , 2020
		Total, out of which	by transfer	Total, out of which	by transfer	
<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Subscribed share capital	62,873,860	-	-	-	-	62,873,860
Revaluation reserve	45,116,391	10,600,849	-	978,352	-	54,738,888
Legal reserve	12,574,772	-	-	-	-	12,574,772
Other reserves	6,950,124	-	-	6,944,212	-	5,912
Result carried forward	2,095,199	114,976,269	114,976,269	117,071,468	-	-
Result of the year – profit	114,976,269	233,293,934	-	114,976,269	114,976,269	233,293,934
Profit distribution	-	-	-	-	-	-
Total equity and reserves	244,586,615	358,871,052	114,976,269	124,994,032	114,976,269	363,487,366

During 2020, the Company distributed and paid dividends in amount of RON 124,015,680, respectively RON 114,976,269 from the profit of 2019 and dividends in amount of RON 6,944,212 from „Other reserves”, representing the remaining undistributed profit from previous years and RON 2,095,199 from the Result carried forward representing the surplus realized from the Revaluation reserves.

During 2020, the Company realized a profit of RON 233,293,934, which will be distributed during 2021.

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

Darius Dumitru MEȘCA
GENERAL MANAGER

Ionuț-Bogdan VLAD
DIRECTOR FINANCIAL DIVISION

Societatea Electrica Furnizare S.A.
STATEMENT OF CHANGES IN EQUITY
AS AT AND FOR THE YEAR ENDED DECEMBER 31st, 2020
(All amounts are expressed in RON, unless otherwise stated)

Statement of changes in equity for the year ended as at December 31st, 2019 are presented as follows:

Element of equity	Balance as at December 31 st , 2018	Increase		Decrease		Balance as at December 31 st , 2019
		Total, out of which	by transfer	Total, out of which	by transfer	
0	1	2	3	4	5	6
Subscribed share capital	62,873,860	-	-	-	-	62,873,860
Revaluation reserve	45,180,692	-	-	64,301	64,301	45,116,391
Legal reserve	12,574,772	-	-	-	-	12,574,772
Other reserves	6,950,124	-	-	-	-	6,950,124
Result carried forward	2,030,898	64,301	64,301	-	-	2,095,199
Result of the year – profit	140,644,541	114,976,269	-	140,644,541	-	114,976,269
Profit distribution	(152,860)	152,860	-	-	-	-
Total equity and reserves	270,102,027	115,193,430	64,301	140,708,842	64,301	244,586,615

The company distributed and paid dividends in amount of RON 140,491,681, from the total profit realized on 31.12.2018, respectively RON 140,644,541, the difference being was allocated for setting up the legal reserve of RON 152,860.

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

Darius Dumitru MEȘCA
GENERAL MANAGER

Ionuț-Bogdan VLAD
DIRECTOR FINANCIAL DIVISION

Societatea Electrica Furnizare S.A.
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

1. INFORMATION ABOUT THE COMPANY

The Company Electrica Furnizare SA („the Company”) was founded in July 22nd 2011, according to G.D. no. 930/01.09.2010, by merger of the former branches of Electrica SA: Electrica Furnizare Muntenia Nord, Electrica Furnizare Transilvania Nord and Electrica Furnizare Transilvania Sud.

The registered office is in Bucharest 011736, 1A Stefan cel Mare St., District 1, office@electricafurnizare.ro, www.electricafurnizare.ro. The identification data are: Sole registration Code 28909028, Trade Registry Number J40/8974/22.07.2011.

The Company’s main object of activity is electricity supply and the secondary objects are providing balancing services, natural gas supply and other services.

The Company is a subsidiary of Societatea Energetica Electrica SA, listed on Bucharest Stock Exchange, and global certificates of deposit are listed on London Stock Exchange. The major shareholder of Electrica SA is Romanian State.

On December 31st, 2020, the share capital of the Company is owned in proportion of 99.9998% by Societatea Energetica Electrica SA, corresponding to a share capital of RON 62,873,760 and in proportion of 0.0002% by Societatea Filiala de Intretinere si Servicii Energetice Electrica Serv SA corresponding to a share capital of RON 100.

At the end of 2020, Societatea Electrica Furnizare SA submitted a request to Trade Registry National Office regarding the closure of 3 regional branches– Muntenia Nord, Transilvania Sud and Transilvania Nord, so that starting with 2021, the 3 branches and implicitly the agencies were closed down and transformed into operational offices.

On December 31st, 2020, Electrica Furnizare SA has investments in Electrica Energie Verde 1, owns 100% of Electrica Energie Verde 1 SRL shares, respectively 101 shares, having a nominal value of RON 1010.

Company	Activity	Sole registration code	Head office	% Shareholding as at December 31st, 2019	% Shareholding as at December 31st, 2020
Electrica Energie Verde 1 S.R.L.	Electricity production	19157481	Bucharest	-	100%

Regulatory environment

The activity in the energy sector is governed by National Authority for Energy Regulation („ANRE”).

The main responsibilities of ANRE are: approving prices and tariffs and issuing methodologies for regulated prices and tariffs.

Regulated market

Electricity market liberalization has accentuated competition between traditional suppliers and new entrants, generating a massive offer for regulated household customers. During 2020, similar to 2019, the number of products offered by suppliers to the final customers and the customer’s choice for offers that combine electricity, gas and/or telecommunication services increased.

Currently, Electrica Furnizare S.A. is a last resort supplier according to ANRE decision no. 2123/18.11.2020. The Company supplies electricity and natural gas for approximately 3.3 million customers, with 3.6 million places of consumption.

The year 2020 was marked by SARS-Cov-2 pandemic (Covid-19), which also affected energy sector, thus taking series measures to limit the spread and consequences of the pandemic, as follows:

State of emergency (March 16th, 2020 - May 15th, 2020):

- Decree no. 195/2020 on the establishment of the state of emergency on the territory of Romania and Decree no. 240/2020 on the extension of the state of emergency on the Romanian territory, starting with March 16th, 2020, for a period of 30 days, extended by another 30 days until May 15th, 2020. During this period, measures were ordered to ensure continuity of supply, respectively extraction, production, processing, transport, distribution, supply, maintenance, upkeep and repair of resources and raw and / or semi-processed materials necessary for the proper functioning of the national energy system, as well as ensuring the continuity of its operation and all public utility services. Also, during the state of emergency, the prices for public utility services (electricity and heat, gas, water supply, sanitation, fuels, etc.) can be capped, within the average price of the last 3 months before the declaration of the state of emergency.
- GEO no. 29/2020 regarding some economic and fiscal-budgetary measures: During the state of emergency, small and medium companies that have interrupted their activity totally or partially based on the decisions issued by the competent authorities, according to the law, during the state of emergency decreed and who hold the emergency certificate issued by the Ministry of Economy, Energy and Business Environment, benefit from utility services - electricity, natural gas, water, telephone and internet services deferral of payment as well as for registered office and secondary offices rent.
- Military Ordinance no. 4/2020 on measures to prevent the spread of COVID-19: During the state of emergency, electricity, heat, natural gas, water supply, sanitation and fuels prices cannot be increased above the level practiced at the date of issuing this military ordinance (29 March 2020); can only be diminished depending on supply and demand.

State of alert (May 18th, 2020 – December 31st, 2020):

- Government Decision no. 394/2020 on the declaration of the state of alert and the measures applied during it to prevent and combat the effects of the COVID-19 pandemic: The state of emergency was replaced by the state of alert, for 30 days starting with May 18th, 2020, subsequently extended by 30 days (starting with June 17th, 2020) by Government Decisions no. 476/2020, no. 553/2020, no. 668/2020, no. 782/2020, no. 856/2020, no. 967/2020 and no. 1065/2020.
- GEO no. 70/2020 regarding the regulation of some measures, starting with May 15th, 2020, in the context of the epidemiological situation caused by the spread of the SARS-CoV-2 coronavirus, for the extension of some terms, for the amendment and completion of Law no. 227/2015 on the Fiscal Code, of the National Education Law no. 1/2011, as well as other normative acts: During the alert state, the transmission and distribution operators of electricity and natural gas ensure the continuity of service provision, and in the event that there is an incident of disconnection / disconnection, postpones the performance of this operations until the state of alert ceases.

The company activity was influenced also by European and national legislators measures. Preparing for a complete liberalization of the energy market, where prices are determined according to demand and supply, at European level, were issued starting with January 1st 2020, EU Regulation no. 943/2019, and this year EU Directive no. 944/2019 on common norms for the internal electricity market. At national level, the Company activity has been significantly influenced by primary and secondary legislation.

Green Certificates

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. Cost of green certificates is invoiced to final customers separately from the tariffs for electricity.

For 2020, the mandatory estimated quota for green certificates was established by ANRE, through Order no. 238/2019, (0.45061 GC/MWh), following by March 1st 2021, ANRE to establish, also by Order, the annual mandatory quota for the acquisition of green certificates related to 2020, based on renewable sources electricity quantities and previous year electricity final consumption.

For 2019 the mandatory quota for green certificates was established by ANRE, through Order no. 18/2020, at 0.43355 GC/MWh.

2. PRINCIPLES, POLICIES AND ACCOUNTING METHODS

2.1 Financial Statements Preparation Basis

These are Company's financial statements for the year ended at December 31st, 2020 prepared in accordance with

- Accounting Law no. 82/1991 (republished in 2008), with subsequent amendments;
- Minister of Public Finance Order no. 1802/2014 for approval of the Accounting Regulations on individual and consolidated annual financial statements as subsequently amended („OMFP 1802/2014”).

The policies adopted for preparing and presenting financial statements are in accordance with accounting principles stipulated by OMFP 1802/2014.

These financial statements include:

- Statement of financial position
- Statement of profit or loss
- Statement of cash flow
- Statement of changes in equity
- Notes to the financial statements.

The financial statements refer only to Electrica Furnizare SA. The company has subsidiaries at the date of financial year ended on 31.12.2020, but has no obligation to prepare consolidated annual financial statements being itself a subsidiary of Electrica Group, according to art. 503, section 8.3 - OMFP 1802/2014.

These separate financial statements are presented in Romanian Lei (RON), which is the functional currency of the Company. All amounts are in RON, if not otherwise stated.

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

2.2 Significant Accounting Principles

The items presented in Financial Statements as at December 31st, 2020 have been prepared in accordance with the following accounting principles:

Going concern principle / Continuity principle

The Company shall continue to operate normally in the foreseeable future without going into liquidation or significant reduction in activity.

Consistency principle

The accounting policies and valuation methods were applied consistently from one financial year to another.

Prudence principle

In annual Financial Statements, recognition and evaluation were made on a cautious basis and, in particular:

- a) in statement of profit or loss it was included only the profit obtained as at the balance sheet date;
- b) liabilities incurred during the current financial year or a previous financial year were recognized even if they become apparent only between balance sheet date and preparation date;
- c) impairments were recognized, regardless financial year result being a loss or profit.

2. PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

Accrual accounting principle

The effects of transactions and other events have been recognized when the transactions and events occurred (and not as cash or cash equivalent has been received or paid) and were accounted for and reported in the financial statements of the related periods.

It has been considered all income and expenses of the financial year, without taking into account the date of receipt or payment.

Revenues and expenses resulting directly and simultaneously from the same transaction were simultaneously recognized in accounting, through direct association between related expenses and revenues, with distinct highlighting of these revenues and expenses.

Intangibility principle

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

Principle of separate valuation of asset and liability items

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

Principle of non-compensation

The assets values were not compensated by liabilities values, also in the case of revenues and expenses.

Financial Statements items are accounted and presented considering economic substance of the concerned transaction or commitment

Accounting process and presentation in Financial Statements of economic and financial transactions reflect economic state of facts, highlighting the rights and obligations, and the risks associated with these operations.

Principle of valuation at acquisition cost or production cost

The items presented in Financial Statements were measured based on acquisition cost or production cost, except for land and buildings that are assessed based on the revaluation method.

Materiality principle

The Company may deviate from requirements contained in the applicable accounting regulations concerning disclosures and service when their effects are insignificant.

2.3 Reporting Currency

The accounts are held in Romanian language and in national currency („RON”). Accounting for transactions in foreign currency must be held both in national currency and in foreign currency. Items included in these statements are presented in the national currency (RON).

2.4 Use of Accounting Estimates

The preparation of financial statements in accordance with OMF 1802/2014, as subsequently amended, requires management to make estimates and assumptions that influence the reported amounts of assets and liabilities and the presentation of contingent assets and liabilities at the reporting date, as well as the amount of income and expenses in the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the statement of profit or loss in the period when they become known.

2.5 Going Concern

These financial statements have been prepared on a going concern basis, which assumes that Company will continue its activity in the foreseeable future. In order to assess the applicability of this assumption, the management examines the projections of future cash inflows. Based on these analyses, the management believes that the Company will be able to continue its activity in the foreseeable future and therefore the application of the going concern principle in preparing the financial statements is justified.

2. PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

2.6 Currency Conversions

Transactions made in foreign currencies are initially recorded at the exchange rate published by the National Bank of Romania at the transaction date.

At the balance sheet date, the monetary items expressed in foreign currency and receivables and liabilities denominated in RON, which are settled according to an exchange rate are evaluated and presented in the annual financial statements at the exchange rate published by the National Bank of Romania for the closing date of the financial year.

Gains and losses from exchange rate differences, realized and unrealized, between the exchange rate of the foreign markets communicated by the National Bank of Romania from the date of registration of receivables or liabilities in foreign currency and those expressed in RON and whose settlement is based on a foreign currency, or the rate at which they are accounted for and the exchange rate of the closing date of the financial year are recorded in the statement of profit or loss of the 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 at the transaction date. Non-monetary items purchased with payment in foreign currency and recorded at fair value (e.g., revalued tangible assets) are presented in the annual financial statements at this level.

Monetary assets and liabilities denominated in foreign currencies are translated in RON at the exchange rate at the end of each month and foreign exchange differences are recorded in the statement of profit or loss.

The exchange rate at December 31st, 2019 and December 31st, 2020 was RON 4.7793 for one EURO, respectively 4,8694 RON for one EURO.

2.7 Significant Accounting Policies

a) Intangible assets

Intangible assets acquired by the Company are presented at cost less accumulated amortization and impairment losses. Amortization is recognized in statement of profit or loss based on a straight-line basis during the estimated useful life of the intangible asset. Dedicated software programs represent most of the intangible assets registered by the Company. These are linearly amortized for a period of 3-5 years.

Goodwill is recognized at cost less accumulated amortization and impairment and is amortized on a straight-line basis over a period of 5 years.

b) Tangible assets

i) Recognition and measurement

Property, plant and equipment are initially recognized at cost. The cost of property, plant and equipment includes the purchase price and other direct costs related to the acquisition and commissioning of non-current assets.

After initial recognition, tangible assets are recorded at cost less accumulated depreciation and impairment losses, and the buildings and land are periodically revalued at fair value.

The items within a group of property, plant and equipment are revalued simultaneously to avoid selective revaluation and reporting in the annual financial statements of values that are a combination of costs and values calculated on different dates. If a non-current asset is revalued, all other assets in the group to which it belongs must be revalued.

Revaluations are performed with sufficient regularity to ensure that the carrying amount does not materially differ from the one, which would be determined using the fair value at reporting date.

When a non-current asset is revalued, the accumulated depreciation at the revaluation date was eliminated from the gross carrying amount of the asset, and the net value determined after correction of the adjustments is recalculated to the revalued amount of the asset.

ii) Subsequent expenditure

Expenses with the repair or maintenance of fixed assets incurred to restore or maintain the value of these assets are recognized in the statement of profit or loss at the date of their occurrence, while the costs incurred in order to improve technical performance are capitalized and depreciated over the remaining amortization period of that fixed asset.

2. PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

iii) Depreciation

Depreciation is calculated to decrease the gross value less the residual value using the linear depreciation method over the useful life of the non-current assets and their components that are separately accounted for.

The Company calculates the accounting depreciation based on the remaining economic lifetime set by the evaluator in evaluation report or based on technical durations established by technical specialists of the Company. Tax depreciation is calculated on the basis of the tax periods in Fixed Assets Classification Catalogue according to Government Decision no. 2139/2004.

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

Categories	Economic periods
Administrative and industrial buildings	60
Plant, machinery and equipment	2-18
Others	5

Land and other non-current assets in progress are not depreciated. Investments in progress are depreciated starting from the date of commissioning.

c) Trade receivables and other receivables

Customers' accounts and similar accounts include invoices issued until December 31st for the sale of electricity, natural gas and other services as well as the estimated receivables related to electricity and natural gas delivered until the end of the year, but invoiced in the period after the end of the year.

The Company registered in trade receivables, mainly receivables from electricity supply and in other receivables registered mainly penalties for late payment of electricity invoices and electricity receivables sued and for which the Company obtained executory titles. Other items included in trade receivables also comprise other sundry debtors.

The recoverable amount of the receivables at the reporting date is measured at their estimated cash value. The negative differences between the recoverable amount and the carrying amounts of receivables are registered in the accounting based on adjustments for impairment of current assets. Non-recoverable receivables are recognized as expenses when the client's bankruptcy proceedings are finalized.

The impairment loss related to a receivable is reversed if the subsequent increase in recoverable amount can be related to an event occurred after the impairment loss was recognized.

For significant individual customers, a separate impairment analysis is carried out, based on their specific circumstances.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash, bank accounts, term deposits for a period of three months and are held in order to cover the need for short-term cash, checks and commercial effects deposited with banks.

For the statement of cash flow, cash and cash equivalents include cash in hand, bank accounts, short-term financial investments, net of overdraft.

e) Prepayments

Expenses paid / payable in current financial year, but related to the following financial years, are recognized as prepayments. Green certificates purchased in advance which will be recharged to customers are recognized as prepayments.

f) Impairment

The carrying amount of the Company's assets, other than inventories, is reviewed at each reporting date to determine the possible impairments. If such a decrease is probable, the recoverable amount of the asset in question is estimated.

2. PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

2.7 Significant Accounting Policies (continued)

If necessary, an impairment adjustment is recognized in statement of profit or loss or in equity when the carrying amount of the asset is greater than its recoverable amount.

The adjustment of impairment can be reversed if there has been a change in existing conditions when determining the recoverable amount. The reversal of an impairment adjustment can only be made so that the net assets value does not exceed its historical net book value, taking into account depreciation.

g) Share capital

The Company recognizes changes in share capital only after their approval in the General Meeting of Shareholders and registration with the Trade Registry Office.

h) Dividends

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

i) Revaluation reserve

Revaluations are made with sufficient regularity at the reporting date, so that the carrying amount does not differ materially from that which would be determined using fair value.

The difference between the value resulting from revaluation and the net book value is presented in the revaluation reserve as a distinct line in "Capital and Reserves".

If the result of revaluation is an increase over the net book value, it is treated as follows:

- as an increase in the revaluation reserve presented under the item "Capital and Reserves" if there was no prior decrease recognized as an expense related to that asset; or
- as an income to offset the expense previously recognized on that asset decrease.

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

- as an expense with the entire value of the impairment when no revaluation surplus is recorded in the revaluation reserve; or

as a decrease in the revaluation reserve by the minimum between the value of such reserve and the decreasing value, and any remaining uncovered difference is recorded as an expense.

The revaluation surplus included in the revaluation reserve is capitalized through direct transfer to retained earnings (account 1175 "Retained earnings representing surplus from revaluation reserve"), when this surplus represents a realized gain. Earnings are considered realized when the asset is recognized.

According to the tax laws in force, previously deducted tax revaluation reserve is taxed when the change of its destination occurs.

Starting with May 1st, 2009, as a result of changes in tax legislation, revaluation reserves recorded after January 1st, 2004 become taxable as that fixed asset is depreciated.

j) Legal reserves

Legal reserves are set aside as 5% of the gross profit from the end of the year until the total legal reserves reaches 20% of the paid up share capital, according to the legal provisions, and are not distributable. These reserves are deductible when calculating the income tax.

k) Debt leases

Leases in which the Company substantially assumes the risks and rewards of ownership are classified as finance leases. The other agreements are classified as operating leases. Debt to the leasing company is included in the statement of financial position as a liability on the lease.

Financing costs are recorded in the statement of profit or loss over the period of the lease at a constant rate of interest. Payments made under operating leases are recorded in the statement of profit or loss on a straight line basis during the lease. Received discounts in lease premiums are recognized in the statement of profit or loss as a reduction of expenses.

l) Accounts payable and other liabilities

Accounts payables are stated at cost and include invoices for deliveries of contracted works and services.

2. PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

2.7 Significant Accounting Policies (continued)

m) Provisions

A provision is recognized when:

- the entity has a present obligation (legal or implicit) generated by a previous event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the value of the obligation can be made.

Provisions are reviewed at the end of each year and adjusted to reflect the most appropriate current estimate.

Provisions for pensions and other benefits

According to the Government Decision no. 1041/2003 and no. 1461/2003, the Company provides benefits in kind in the form of 1,200 KWh per year in the form of free electricity to employees who retired before September 30th 2000 from units that were part of former Ministry of Energy.

From the Collective Labour Agreement in force since January 1st 2020, the benefit in kind in the form of free electricity granted to employees who have retired from the Company, as stipulated in the Collective Labour Agreement valid until December 31st 2019, was excluded. Thus, the Company management considers from legal perspective, the Company has the obligation to continue granting the free quota of energy to former employees who have retired before September 30th 2000 and fulfil the conditions provided by the Government Decision no. 1041/2003, the right resulting from the provisions of GD no. 1041/2003. The benefit in the form of free electricity granted to former employees who have retired after September 30th 2000 or would retire from the Company, is no longer granted as of January 1st 2020, as this facility was expressly excluded from Collective Labour Agreement.

n) Revenue recognition

Revenues from electricity and natural gas supply to consumers are recognized when electricity / natural gas are delivered to customers (consumed by consumers), based on meter readings and estimates based on the delivered electricity/natural gas and for which there were not performed readings yet. Electricity consumption invoicing is done monthly. Monthly electricity/natural gas invoices are based on meter readings or estimated consumption based on historical data of each consumer.

Revenues from the Company's activity as Balancing Responsible Party are recognized at the moment of balancing production - electricity consumption for the partners that have joined the Electrica Furnizare BRP.

Electricity / natural gas supplied to consumers that were not yet invoiced by the reporting date are estimated using the averages of recent consumption or based on subsequent readings. Differences between estimated and actual amounts are recorded in subsequent periods.

o) Financial income and expenses

Financial income includes revenues from favourable exchange rate differences, interest income and other financial income. The financial expenses include: unfavourable exchange rate differences, interest expense and other financial expenses. The principle of the separation of financial years is respected for the recognition of these types of expenses and income.

p) Cost of employees

The short-term rights of the employees include wages and social security contributions. The short-term rights of the employees are recognized as expenses when the services are rendered by them.

q) Corporate income tax

Corporate income tax is calculated based on the annual fiscal result using the tax rate in effect at the reporting date, adjusted by corrections to prior years.

r) Related parties

In accordance with Order of Public Finance Ministry no. 1802/2014, section 6.4, article 474 and 475, as amended, affiliate (or related) parties are defined as follows:

1. A person or a close family member of that person is related to a reporting entity if that person:

- i) has joint control or control over the reporting entity;
- ii) has a significant influence on the reporting entity; or

2. PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

2.7 Significant Accounting Policies (continued)

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

2. A company is related to an entity that reports if it meets one of the following conditions:

- i) the entity and the reporting entity are part of the same group (which means that each parent company, subsidiary or subsidiary member is related to the other entities);
- ii) the entity is an associate or joint venture of an entity member of a group to which the other entity also belongs;
- iii) both entities are joint ventures of the same third party;
- iv) the entity is a joint venture of a third party and the other entity is an associate of the third party;
- v) the entity is a post-employment benefit plan for the benefit of the employees of the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, employers who finance the plan are also related to the reporting entity;
- vi) the entity is controlled or jointly controlled by a person as defined in point 1;
- vii) the person identified in subparagraph (i) of point 1 has a significant influence over the entity or is a part of the key personnel of the management of the entity (or of the entity's parent company);
- viii) the entity or any member of a group out of which it belongs provides the reporting entity or the parent company of the reporting entity with services related to the key personnel in the management of that entity.

A person or a close family member of the person is related to an entity that reports if that person:

- i) has control or joint control over the reporting entity;
- ii) has significant influence over the reporting entity; or
- iii) is part of the key management personnel of the reporting entity or the management of a reporting entity's parent company.

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

- i) The Government that has control or joint control or has a significant influence over the reporting entity;
- ii) another entity that is a related party to the same government has joint control or significant influence over both the reporting entity and the other entity.

A reporting entity should submit the following issues related to transactions and corresponding outstanding balances with entities referred to in the previous paragraph as follows:

- i) the nature and the value of each significant transaction, individually; and
- ii) for other transactions that are significant collectively but not individually, a qualitative or quantitative indication of their importance.

s) Contingencies

A contingent liability is:

- a) a potential liability incurred 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 that may not be entirely under the control of the entity; or
- b) a current obligation arisen from past events prior to the balance sheet date but not recognized because:
 - it is not sure that an outflow of resources will be required to settle the liability; or
 - the liability value cannot be evaluated with sufficient reliability.

Contingent liabilities are not recognized in the statement of financial position and are disclosed only in the notes to financial statements.

Contingent liabilities are continually evaluated to determine whether an outflow of resources that incorporates economic benefits has become probable. If it is deemed necessary the outflow of resources generated out of an item previously considered contingent liability, it will be recognized as appropriate a liability or a provision in the financial statements corresponding to the period for which the change in the event classification has occurred.

2. PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

2.7 Significant Accounting Policies (continued)

t) Subsequent events

These financial statements reflect events after the end of the year, events that provide additional information about the Company's position at the balance sheet date or those that indicate a possible violation of a going concern (events that cause adjustments). Subsequent events that do not constitute events that determine adjustments are disclosed in notes when they are considered significant.

Societatea Electrica Furnizare S.A.
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31ST, 2020
(All amounts are expressed in RON, unless otherwise stated)

3. NON-CURRENT ASSETS

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

Gross value							
Assets elements	Balance as at January 1st, 2020	Increases	Transfers	Decreases	Impact from revaluation	Balance as at December 31st, 2020	
0	1	2	3	4	5	6=1+2+3-4+5	
I. Intangible assets							
Set-up and development costs	9,388	-	-	-	-	9,388	
Other non-current assets	160,017,225	2,179,615	-	-	-	162,196,840	
Goodwill	18,865,800	-	-	-	-	18,865,800	
TOTAL	178,892,413	2,179,615	-	-	-	181,072,028	
II. Tangible assets							
Land	6,434,622	-	-	-	248,492	6,683,114	
Buildings	54,565,902	-	1,245,521	-	142,548	55,953,971	
Technical equipment & machinery	29,640,217	1,398,719	-	-	-	31,038,936	
Other equipment and furniture	6,756,838	119,024	74,268	-	-	6,950,130	
Tangible assets in progress	960,429	864,645	(1,319,789)	-	-	505,285	
TOTAL	98,358,008	2,382,388	-	-	391,040	101,131,436	
III. Financial assets							
Equity securities	9,371,653	-	-	-	-	9,371,653	
Shares in related parties	-	8,006,116	-	-	-	8,006,116	
Other trade receivables	16,874	33,329	-	14,617	-	35,586	
TOTAL	9,388,527	8,039,445	-	14,617	-	17,413,355	
TOTAL NON-CURRENT ASSETS	286,638,947	12,601,448	-	14,617	391,040	299,616,819	

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3. NON-CURRENT ASSETS (continued)

Impairment – depreciation

Elements of non-current assets	Initial balance	Depreciation during the year	Depreciation related to assets written off	Impact from revaluation	Depreciation at the end of the year
5	6	7	8	9	10=6+7-8+9
I. Intangible assets					
Set-up and development costs	9,388	-	-	-	9,388
Other non-current assets	150,385,995	4,555,777	-	-	154,941,772
Goodwill	6,288,601	3,773,160	-	-	10,061,761
TOTAL	156,683,984	8,328,937	-	-	165,012,921
II. Tangible assets					
Land	-	-	-	-	-
Buildings	6,980,055	2,318,341	-	(9,298,396)	-
Technical equipment & machinery	19,613,358	4,466,990	-	-	24,080,348
Other equipment & furniture	3,413,880	470,971	-	-	3,884,851
TOTAL	30,007,293	7,256,302	-	(9,298,396)	27,965,199
DEPRECIATION – TOTAL	186,691,277	15,585,239	-	(9,298,396)	192,978,120

Impairment

Assets elements	Balance as at January 1 st , 2020	Increase	Decrease	Impact from revaluation	Balance as at December 31 st , 2020
5	9=6+7-8	7	8	9	10=6+7-8+9
Equity securities	9,371,653	-	-	-	9,371,653
Total assets	9,371,653	-	-	-	9,371,653

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3. NON-CURRENT ASSETS (continued)

Net value

Assets elements	Balance as at December 31st, 2019	Balance as at December 31st, 2020
10	12	12
Intangible assets		
Set-up and development costs	-	-
Concessions and other non-current assets	9,631,230	7,255,068
Goodwill	12,577,199	8,804,039
Total non-current assets	22,208,429	16,059,107
Tangible assets		
Land and buildings	54,020,469	62,637,085
Technical equipment & machinery	10,026,859	6,958,588
Other equipment & furniture	3,342,958	3,065,279
Advances and non-current assets in progress	960,429	505,285
Total tangible assets	68,350,715	73,166,237
Financial assets		
Shares in related parties	-	8,006,116
Other trade receivables	16,873	35,586
Total financial assets	16,873	8,041,702
Total assets	90,576,017	97,267,046

Intangible assets include mainly SAP and OPEN IT systems as well as related licenses.

In 2020, investments have been made resulting in developments of software, data structures (OPEN SGC, OPEN ERP, SAP ERP, SAP CRM, GeFEE, IVR, Mobile application, other automatic processes).

The Company records property, plant and equipment based on the revaluation method. The Company has revaluated the existing buildings and land in the patrimony on December 31st, 2020. The valuation of real estate was applied by market value, by cost and by income. In most cases, the value given by the market approach was considered appropriate, except in some cases where the value given by the income approach was used, where comparable market shares could not be identified.

Revaluation was carried out by Darian DRS S.A. as an authorized evaluator. The revaluation of tangible assets was carried out in accordance with the ANEVAR Valuation Standards, according to Romanian legislation in force at the date of evaluation.

The net impact from the revaluation of buildings and land represented an increase in amount of RON 9,689,436 out of which amount of RON 66,939 (net) was recorded in the statement of profit or loss and the difference of RON 9,622,497 (net) was recognized as an increase in Revaluation reserve (Note 9).

On June 23rd, 2020, Electrica Furnizare S.A. signed a sale-purchase contract in order to acquire all the shares of the company Long Bridge Milenium SRL that owns a photovoltaic park in the town of Stanesti, Giurgiu County, with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW). Transaction and transfer of the property to Electrica Furnizare S.A. was made on August 31st, 2020, the acquisition price of the shares being EUR 1,617,940. On October 30th, 2020, transaction price was adjusted in accordance with the provisions of the contract, depending on financial results at August 31st, 2020, the final price being EUR 1,637,515. On 10.11.2020 Long Bridge Milenium SRL changed it's name in Electrica Energie Verde 1 SRL, by the decision of Sole Shareholder. The value of the shares held by Electrica Furnizare SA in Electrica Energie Verde 1 is worth RON 8,006,116.

Besides other elements of the transaction, Electrica Furnizare S.A. took over the loans of the former shareholders of Long Bridge Milenium S.R.L. granted to the acquired company, by assignment contract and subsequently by the addendum no. 1, and on 31.12.2020 the value of the loan is in the total amount of RON 12,596,304, with the related interest in the amount of RON 147,172.

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4. RECEIVABLES

On December 31st, 2019 and December 31st, 2020 the Company's receivables are as follows:

Receivables	Balance as at December 31 st , 2019	Balance as at December 31 st , 2020	Liquidity term	
			less than 1 year	more than 1 year
Customers-gross carrying amount	903,708,347	1,051,146,831	1,051,146,831	-
Adjustments for doubtful customers	(161,651,757)	(164,401,530)	(164,401,530)	-
Total trade receivables from third parties	742,056,590	886,745,301	886,745,301	-
Trade receivables to be collected from related parties	12,120,488	36,812,942	36,812,942	-
Other receivables from related companies	33,035,676	30,321,756	30,321,756	-
Adjustment for other receivables from related companies	(32,783,138)	(28,903,754)	(28,903,754)	-
Total receivables from related companies (Note 14)	12,373,026	38,230,944	38,230,944	-
Sundry debtors – gross carrying amount	18,101,155	17,981,516	17,981,516	-
Late payment penalties	81,330,411	81,552,011	81,552,011	-
Other receivables	712,378	1,044,880	1,044,880	-
Adjustments for sundry debtors and penalties	(97,374,833)	(96,405,855)	(96,405,855)	-
Total other receivables	2,769,111	4,172,552	4,172,552	-
Total receivables	757,198,727	929,148,797	929,148,797	-

As at December 31st, 2020, customer accounts mainly include receivables from electricity supply.

For balances and transactions with related parties, see Note 14.

The balance of trade receivables from third parties has the gross value of RON 1,051,146,831 (RON 903,708,347 in 2019) and consists mainly of:

- receivables from the basic activity, respectively from the supply of electricity and natural gas, not actioned in court in amount of RON 394,466,067 (RON 318,211,145 in 2019);
- receivables from the invoiced value notices in amount of RON 807,196 (RON 945,504 in 2019);
- customers in bankruptcy / insolvency in amount of RON 143,408,434 (RON 152,188,017 in 2019);
- customers in litigation in amount of RON 5,755,401 (RON 5,455,927 in 2019);
- customer invoices to be issued in amount of RON 503,577,960 (RON 417,688,982 in 2019);
- customer habitat in amount of RON 2,220,301 (RON 2,398,031 in 2019);
- bills of exchange receivable in amount of RON 911,473 (RON 6,820,741 in 2019).

Sundry debtors in amount of RON 17,981,515 (RON 18,101,155 in 2019) include bad debts enforceable customers in amount of RON 10,161,602 (RON 7,291,057 in 2019), bankruptcy/insolvency debts in amount of RON 2,458,462 (RON 2,458,462 in 2019) and other debtors in amount of RON 5,361,451 (RON 8,351,636 in 2019).

Late payment penalties in total amount of RON 81,552,011 (RON 81,330,411 in 2019) represent mainly penalties for customers in insolvency / bankruptcy in amount of RON 77,940,442 (RON 78,501,460 in 2019).

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4. RECEIVABLES (continued)

As at December 31st, 2020, the impairment related to doubtful customers and debtors in amount of RON 289,711,139 refers mainly to the following outstanding balances:

- overdue payments in amount of RON 37,117,308, according to the accounting policy for adjusting the company's receivables;
- debit balance related to the company Societatea Energetica Electrica SA in amount of RON 28,786,492;
- customers in insolvency / bankruptcy in amount of RON 223,807,339, the most important are listed below:

Customer name	Provisioned value 2019	Provisioned value 2020
Compania Nationala Remin SA	71,147,710	71,147,710
S.C. Oltchim SA	56,401,514	46,546,043
S.C. Ariesmin SA	18,557,699	18,557,699
S.C. Zlatmin SA	8,244,465	8,244,465
C.U.G. SA Cluj	7,263,533	7,263,533
S.C. Hidromecanica S.A	3,890,908	3,890,908
S.C. Apaterm SA	2,547,551	2,547,551
S.C. Energon Power Gas	2,421,031	2,421,031
MIC.RO Retail S.R.L.	2,138,536	2,138,536
S.C. Nitramonia SA Fagaras	1,996,676	1,996,676
Vegetal Trading SRL	1,851,392	1,851,392
S.C. Industrial Group SRL	1,100,238	1,509,628
S.C. I.A.N.G. Impex SRL	1,001,066	1,266,163
Centrala Electrica de Termoficare Brasov SA	991,491	1,100,238
Total	179,553,811	170,481,573

5. CASH AND CASH EQUIVALENTS

As at December 31st, 2019 and December 31st, 2020 cash and cash equivalents are as follows:

Item description	December 31st, 2019	December 31st, 2020
Cash at bank	259,607,133	185,652,406
Cash at bank – other currencies	-	372,685
Petty cash	6,919	-
Other values	12,835	43,690
Total cash and cash equivalents in the statement of financial position and in the statement of cash flow	259,626,887	186,068,781

Cash and cash equivalents consist of cash, bank accounts, term deposits up to three months that are held in order to meet the need for short-term cash, and also checks and commercial effects deposited at banks.

6. PREPAYMENTS

As at December 31st, 2020, the balance of prepayments in amount of RON 1,724,551 (RON 8,342,490 in 2019) represents mainly purchase of electricity in amount of RON 398,130 (RON 4,199,436 in 2019), purchase of natural gas in amount of RON 543,009 (RON 3,523,793 in 2019) and purchase of green certificates in amount of RON 430,300 (RON 183,289 in 2019).

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7. LIABILITIES

As at December 31st, 2019 and December 31st, 2020, the Company's liabilities are as follows:

Liabilities	Balance as at December 31 st , 2019	Balance as at December 31 st , 2020	Liquidity term		
			less than 1 year	from 1 to 5 years	more than 5 years
Advance payments from customers	-	-	-	-	-
Suppliers	387,006,290	322,324,434	322,324,434		-
Suppliers of non-current assets	1,980,355	2,491,757	2,491,757		-
Total trade payables	388,986,645	324,816,191	324,816,191		-
Suppliers – related parties	261,043,060	275,110,967	275,110,967		-
Other liabilities to related parties		6,715,257	6,715,257		-
Total amounts owed to related parties	261,043,060	281,826,224	281,826,224		-
Warranties	37,246,996	34,550,034	676,818	33,873,216	-
Salaries and other salary rights	2,030,725	2,174,030	2,174,030		-
Social security and other taxes related to salaries	2,416,308	2,894,149	2,894,149		-
VAT to be paid	48,260,374	51,039,436	51,039,436		-
Income tax	3,681,243	6,505,657	6,505,657		-
Other liabilities to the state budget and local budgets	7,676,537	3,650,439	3,650,439		-
VAT not due	39,407,997	52,252,520	52,252,520		-
Other liabilities	53,024,265	62,131,075	62,131,075		-
Total other liabilities including fiscal liabilities, other liabilities for social security	193,744,445	215,197,340	181,324,124	33,873,216	-
Total liabilities	843,774,150	821,839,755	787,966,539	33,873,216	-

As at December 31st, 2020, the debt to suppliers in amount of RON 322,324,434 (RON 387,006,296 in 2019) relates mainly to the acquisition of electricity from producers.

In Other liabilities, as at December 31st, 2020 in amount of RON 62,131,075 (RON 53,024,265 in 2019) are included mainly various debtors of electricity, gas and habitat tax.

For balances and transactions with related parties, see Note 14. These amounts relate to procurement for distribution services and electricity from the balancing market.

Warranties in amount of RON 34,550,034 (RON 37,246,996 in 2019) relates mainly, to guarantees on term exceeding one year submitted by customers under agreements for the supply of electricity, From the total of guarantees, the amount of RON 33,873,216 (RON 36,774,806 in 2019).

On December 31st, 2020 and December 31st, 2019 the Company has no liabilities to credit institutions.

8. PROVISIONS

As at December 31st, 2020, the Company has provisions for risks and charges amounting RON 28,717,184 (RON 29,514,862 on December 31st, 2019).

8.1 Provisions for employee benefits

According to the Government Decision no. 1041/2003 and no. 1461/2003, the Company provides benefits in kind in the form of 1,200 KWh per year in the form of free electricity to employees who retired before September 30th, 2000 from units that were part of former Ministry of Energy.

From the Collective Labour Agreement in force since January 1st 2020, the benefit in kind in the form of free electricity granted to employees who have retired from the Company, as stipulated in the Collective Labour Agreement valid until December 31st 2019, was excluded. Thus, the Company management considers from legal perspective, the Company has the obligation to continue granting the free quota of energy to former employees who have retired before September 30th 2000 and fulfil the conditions provided by the Government Decision no. 1041/2003, the right resulting from the provisions of GD no. 1041/2003. The benefit in the form of free electricity granted to former employees who have retired after September 30th 2000 or would retire from the Company, is no longer granted as of January 1st 2020, as this facility was expressly excluded from Collective Labour Agreement. 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.

On December 31st, 2020, The Company recorded a provision for employee's pensions and benefits in amount of RON 15,937,405 (RON 17,544,493 on December 31st, 2019) calculated by an independent actuary contracted by the Company (Gelid Actuarial Company SRL).

Assumptions that formed the basis of the evaluation were:

- inflation rate based on forecast made by the National Institute of Statistics, available at the time of measurement of the provision;
- discount rate of 3.35%;
- electricity price was taken into consideration at the level of RON 0.465144 per kwh;
- average staff turnover rate used was 6.2%.

Benefits granted to employees under the Collective Labour Agreement are mainly the following:

Jubilee bonuses based on years of service within Electrica

Seniority	Number of gross monthly base salaries	
	December 31 st , 2019	December 31 st , 2020
20 years	1	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

Retirement bonuses based on years of service within Electrica

Seniority	Number of gross monthly base salaries	
	December 31 st , 2019	December 31 st , 2020
Between 8 and 10 years	2	2
Between 10 and 25 years	3	3
Over 25 years	4	4

8. PROVISIONS (continued)

8.1 Provisions for employee benefits (continued)

The employees' benefits obligation evolved as follows:

Obligation as at January 1st, 2020	17,544,493
Cost of current service	1,809,836
Cost of interest	731,983
Paid benefits	(1,805,540)
Past service credit	-
Actuarial loss	(2,343,367)
Obligation as at December 31st, 2020	15,937,405

8.2 Provisions for taxes and fees

As at December 31st, 2020, the Company has recorded provisions for taxes and fees in amount of RON 206,356 (RON 215,881 in 2019), representing provisions for the labour insurance contribution (2.25%) for unpaid leave for 2020, as for other amounts computed according to the legislation in force.

8.3 Other provisions

Between January 1st, 2020 and December 31st, 2020 other provisions have evolved as follows:

Item description	December 31 st , 2019	Increases	Decreases	December 31 st , 2020
Provisions for litigation	4,273,112	1,216,744	2,332,112	3,157,744
Other provisions	7,481,376	7,740,706	5,806,402	9,415,680
Total other provisions	11,754,488	8,957,450	8,138,514	12,573,424

As at December 31st, 2020, the Company has provisions for litigations in amount of RON 3,157,744 (RON 4,273,112 in 2019).

As at December 31st, 2020, other provisions in amount of RON 9,415,680 (RON 7,481,376 in 2019) refer to:

- the provision for the variable portion of the executive management fee, including related contributions in amount of RON 2,326,544 (RON 2,199,619 in 2019);
- unpaid vacation leaves in 2020, respectively RON 1,686,066 (RON 530,584 in 2019);
- employees' performance provision in amount of RON 3,421,250 (RON 4,751,173 in 2019).

Deferred income

Deferred income amounting to RON 1,967,197 (RON 5,304,274 in 2019) are mainly the equivalent of electricity and natural gas invoiced in advance in amount of RON 1,832,795 (RON 5,103,059 in 2019).

9. CAPITAL AND RESERVES

Share capital

As at December 31st, 2020, the share capital is RON 62,873,860 divided into 6,287,386 shares with a nominal value of RON 10 per share.

Shareholding structure

Shareholder name	December 31 st , 2019		December 31 st , 2020	
	No. of shares	%	No. of shares	%
Energetica Electrica SA	6,287,376	99.9998%	6,287,376	99.9998%
Servicii Energetice Electrica Serv SA	10	0.0002%	10	0.0002%
TOTAL	6,287,386	100%	6,287,386	100%

Revaluation reserve

The Company carried out revaluation of existing buildings and land in the patrimony as at December 31st, 2020.

Changes in the revaluation reserve during the financial year ended as at December 31st, 2020 were due to the impact of the revaluation as follows:

Revaluation reserve la January 1st, 2020	45,116,391
Amounts transferred from the revaluation reserve to Result carried forward	-
Growth following the revaluation of lands and buildings	10,600,849
Decrease following the revaluation of lands and buildings	(978,352)
Total revaluation reserve on December 31st, 2020	54,738,888

Profit distribution

The company registered a net profit in the amount of RON 233,293,934 for the financial year ended December 31st, 2020. The profit realized in 2020, will be distributed during 2021 as dividends to the shareholders in proportion to the share capital of the Company held.

The profit of 2019 in the amount of RON 114,976,269 was distributed for granting dividends to the shareholders proportional to the share capital of the Company held by them.

Net turnover

As at December 31st, 2019 and December 31st, 2020, Net turnover is as follows:

Indicator	Fiscal year ended	Fiscal year ended
	December 31 st , 2019	December 31 st , 2020
Income from electricity supply	4,668,354,983	4,927,765,468
Income from BRP activity	132,382,786	92,645,840
Income from BRP activity EFSA clients	19,752,824	35,631,554
Income from value-added products and services	-	840,681
Income from the supply of natural gas	64,627,566	44,226,048
Income from connection / disconnection fee	7,183,148	2,678,231
Income from Habitat fees	1,870,957	1,899,643
Income from cashing pay customers	12,586,902	6,065,329
Other incomes	9,197,471	4,483,641
Total net turnover	4,915,956,636	5,116,236,435

9. CAPITAL AND RESERVES (continued)

Net turnover (continued)

Revenues from electricity sales are as follows:

- Active energy delivered on the retail market in amount of RON 4,215,273,532 (RON 4,084,554,142 in 2019)
- Incomes from the sale of green certificates, in amount of RON 555,410,321 (RON 515,017,433 in 2019);
- Active energy provided on other markets (included: balancing market, next trading day and trading activity) in amount of RON 141,352,875 (RON 47,425,149 in 2019);
- Reactive energy, in amount of RON 51,360,293 (RON 41,111,082 in 2019);
- Energy on balancing market in amount of RON 92,645,840 (RON 132,382,786 in 2019).

Income from the supply of natural gas in amount of RON 44,226,048 (RON 64,627,566 in 2019).

Other incomes in amount of RON 5,324,320 (RON 9,197,471 in 2019) include mainly revenues representing the fixed tariff in amount of RON 811,158 (RON 928,800 in 2019) and the variable tariff in amount of RON 3,193,574 (RON 7,819,247 in 2019) from the activity in which Electrica Furnizare is Balancing Responsible Party.

In 2020, the average price of MWh sold on the retail market was approximate 454 RON/MWh (compared to 442 RON/MWh in 2019).

In 2020, the average selling price of green certificates per MWh was 62,88 RON/MWh (compared to 59,24 RON/MWh in 2019).

10. OTHER OPERATING INCOME

Other operating income in amount of RON 22,912,039 (RON 22,085,344 in 2019) contain mainly contractual penalties for late payment of in amount of RON 15,051,596 (RON 15,382,323 in 2019) and income from transactions with related parties in amount of RON 4,764,247 (RON 6,008,631 in 2019) (please see Note 14).

For the debt in relation to the related parties in the amount of RON 4,764,247 in 2020 (RON 6,008,631 in 2019) there is a provision constituted for the amount of RON 438,501 in relation to Electrica SA, and RON 4,325,746, represents income from the cancellation of accessories according to Decision no. 29707/15.01.2020.

Staff costs and information on employees, members of the administrative, management and supervisory bodies

As at December 31st, 2019 and December 31st, 2020, staff costs are presented as follows:

Item description	2019	2020
Wages and similar income for the financial year	69,949,028	101,729,293
Meal tickets	2,773,583	3,031,473
Social security costs	-	-
Expenditure on labour insurance contribution	1,655,023	2,385,089
Expenditure on rest and treatment tickets, other social cultural expenses	1,483,371	2,069,252
Total	75,861,005	109,215,107

In 2020, the average number of employees was 781 (890 in 2019).

Payments with executive management fee in 2020 were in amount of RON 3,279,077 (RON 2,610,195 in 2019), the related social contributions in 2020 being in amount of RON 73,020.

For the variable part that would be due to the executive management, a provision for risks and expenses was established in amount of RON 2,326,544 (see Note 8.3).

Expenses with remuneration of shareholders were in amount of RON 0 (RON 0 in 2019) and the secretary of Board of Directors and General Meeting of Shareholders in amount of RON 94,872 (RON 91,878 in 2019). The related contributions were in amount of RON 2,146 (RON 2,076 in 2019).

In 2020, a number of 183 employees requested to entry into the voluntary leave program with compensatory package, requests that were approved in full. The gross cost of voluntary leaves in 2020 was in amount of RON 21,037,400 (RON 1,856,366 in 2019), the related social contributions were in amount of RON 473,342 lei.

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11. OTHER OPERATING EXPENSES

As at December 31st, 2019 and December 31st, 2020, other operating expenses are presented as follows:

Indicator	Year ended December 31st, 2019	Year ended as at December 31st, 2020
Expenses with purchased energy	2,277,071,489	2,225,230,914
Expenses with the transport of electricity	268,603,381	277,302,233
Expenses with purchased energy-BRP	132,382,786	92,645,840
Expenses with purchased energy – BRP EFSA clients	82,852,099	121,217,771
Expenses for purchased natural gas	67,764,103	48,142,974
Expenses with value-added products and services	-	471,883
Expenses for the purchase of green certificates	518,378,897	557,221,503
Expenses with the distribution service	1,227,585,469	1,272,463,166
Expenses with raw materials and consumables	2,426,958	4,667,126
Other external expenses and merchandise	1,739,289	1,777,338
Impairment of tangible, intangible and related revaluation	17,921,287	15,585,239
Adjusting the value of revalued tangible assets	-	644,691
Value adjustments on current assets net	(5,943,518)	4,324,544
External supply expenses, excluding distribution services	121,212,312	120,884,459
Other taxes and similar fees	18,806,671	6,483,807
Expenses with penalties compensation donations and assets disposed	3,633,595	8,392,417
Adjustments related to provisions for risks and expenses net	3,039,006	(797,677)
Value adjustments on current assets - inventories	-	1,543,332
Expenses with salaries and wages (Note 11)	72,722,611	105,510,073
Social security and other related costs (Note 11)	1,483,372	2,069,253
Expenses with labour insurance contribution (Note 11)	1,655,022	2,385,089
Total operating expenses	4,813,334,829	4,868,165,975

External supply expenses, excluding distribution services, mainly concerns the following:

- Distribution of invoices in amount of RON 31,687,627 (RON 30,860,392 in 2019);
- The collection of electricity bills in amount of RON 16,078,571 (RON 16,666,972 in 2019);
- IT services in amount of RON 11,466,833 (RON 11,972,239 in 2019), provided mainly by: Electrica Distributie Transilvania Nord for the amount of RON 749,016 (RON 749,016 in 2019), Electrica Distributie Transilvania Sud for the amount of RON 1,273,690 (RON 1,340,616 in 2019), Electrica Distributie Muntenia Nord for the amount of RON 1,401,175 (RON 1,469,096 in 2019), third parties in amount of RON 8,042,953 (RON 8,413,511 in 2019);
- Expenses on customer service in amount of RON 10,678,189 (RON 12,653,624 in 2019);
- Printing costs, imputation in amount of RON 7,032,138 (RON 6,082,566 in 2019);
- Services provided by Electrica Serv in amount of RON 6,124,702 (RON 6,982,554 in 2019), representing automotive services;
- Cleaning and security services in amount of RON 5,212,902 (RON 5,233,518 in 2019);
- Rent expenses in amount of RON 5,179,714 (RON 4,413,491 in 2019);
- Expenses on connection-disconnection in amount of RON 2,597,551 (RON 7,002,845 in 2019);
- Postal expenses, fixed and mobile telecommunications expenses in amount of RON 2,565,102 (RON 2,332,443 in 2019);
- Banking and assimilated services in amount of RON 1,492,185 (RON 804,136 in 2019);
- Expenses with advance notices sent to customers in amount of RON 1,223,709 (RON 5,916,655 in 2019);
- Expenses on recontracting in amount of RON 0 (RON 4,825 in 2019);
- Other services provided by third parties in amount of RON 19,545,236 (RON 10,482,804 in 2019).

Expenses with other taxes and payments assimilated in the amount of RON 6,483,807 (RON 18,806,671 in 2019) mainly refers to the contribution paid to the National Energy Regulatory Authority by the license holders, according to ANRE Order no. 1/15.01.2020 in a percentage of 0.1% of the turnover in 2020 compared to 2% of the turnover in 2019 according to ANRE Order no. 244/20.12.2018.

12. CORPORATE INCOME TAX

The numerical reconciliation between the income tax expense and the product between the accounting result and the applicable tax rate is as follows:

Item description	2019	2020
Profit before tax	114,976,269	233,293,934
Non-deductible expenses	46,083,181	77,852,653
Non-taxable incomes	(65,114,130)	(28,631,653)
Other tax influences	617,815	2,617,336
Legal reserve 5%	-	-
Tax depreciation	(14,260,950)	(12,631,592)
Accounting depreciation	17,921,287	15,585,239
Taxable profit / (tax loss)	100,223,472	288,085,917
Tax loss carried forward	-	-
Tax loss to carry forward	-	-
Taxable profit after tax loss recovery	100,223,472	288,085,917
Expenses for sponsorships	2,150,171	2,692,280
Expenditure related to income tax (16%)	13,885,585	43,401,467

Non-deductible expenses are mainly expenses with provisions in amount of RON 9,820,219 (RON 8,080,277 in 2019) and impairment of receivables in amount of RON 19,616,393 (RON 20,320,481 in 2019).

Non-taxable income is mainly the reversal of the impairment of receivables and the reversal of provisions for risks and expense in total amount of RON 27,920,023 (RON 65,114,130 in 2019).

13. RELATED PARTIES

Related parties and a brief description of activities and their relationships with the Company are as follows:

Related Party	Activity	Main relationships with the Company
Electrica SA Parent company	Business and management consulting	Electrica SA is the main shareholder of Electrica Furnizare SA Invoicing of electricity distribution service for consumers who have concluded electricity supply agreements.
SDEE Muntenia Nord S.A.	Electricity distribution in geographical area of Muntenia Nord	Electrica Furnizare SA is BRP representative (Balance Responsible Party) for SDEE Muntenia Nord S.A. Invoicing of electricity distribution service for consumers who have concluded electricity supply agreements.
SDEE Transilvania Sud S.A.	Electricity distribution in geographical area of Transilvania Sud.	Electrica Furnizare SA is BRP representative (Balance Responsible Party) for SDEE Transilvania Sud S.A. Invoicing of electricity distribution service for consumers who have concluded electricity supply agreements.
SDEE Transilvania Nord S.A.	Electricity distribution in geographical area of Transilvania Nord	Electrica Furnizare SA is BRP representative (Balance Responsible Party) for SDEE Transilvania Nord S.A. Invoicing of electricity distribution service for consumers who have concluded electricity supply agreements.
Electrica Serv group company	Maintenance and repairs services in the distribution of electricity.	Procurement of maintenance and repairs services, automotive services and other services by the Company.
Servicii Energetice Muntenia	Maintenance and repairs services in the distribution of electricity.	Miscellaneous Acquisitions / Sales.
Electrica Energie Verde 1	Electricity production and sale of electricity	Electrica Furnizare SA is the BRP representative for Energie Verde 1

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13. RELATED PARTIES (continued)

a) Receivables and payables from / to related parties

Related Party:	Receivable balance		Payables balance	
	December 31 st , 2019	December 31 st , 2020	December 31 st , 2019	December 31 st , 2020
Electrica SA	39,521	436,029	5,128	26,343
Electrica Serv	403,971	480,166	1,555,078	2,349,302
SDEE Muntenia Nord S.A.	3,328,390	14,699,539	91,779,739	103,579,842
SDEE Transilvania Sud S.A.	3,546,327	4,803,515	82,950,959	81,307,446
SDEE Transilvania Nord S.A.	5,054,817	4,979,587	84,752,156	94,538,476
ELECTRICA ENERGIE VERDE 1 SRL	-	12,832,108	-	24,814
SERVICII ENERGETICE MUNTENIA SA	-	-	-	-
Total	12,373,026	38,230,944	261,043,060	281,826,224

Receivables from related parties mainly include receivables from the sale of electricity on the balancing market, as well as the sale of electricity to Electrica S.A, Electrica Serv, SDEE Muntenia Nord, SDEE Transilvania Sud and to SDEE Transilvania Nord. Also, the receivables in relation to Electrica Energie Verde 1 SRL represent receivables from the loan agreement and the related interest.

Payables to related parties mainly include debts to SDEE Muntenia Nord, SDEE Transilvania Sud and SDEE Transilvania Nord on the purchase of energy on the balancing market and debts on the electricity distribution service.

Transactions with related parties according to the licensed activity (electricity, natural gas, BRP):

Related Party:	Sale 2019	Sale 2020	Purchase 2019	Purchase 2020
Electrica SA	377,527	409,468	94,647	446,847
Electrica Serv	3,842,795	2,898,494	9,569,175	9,883,263
SDEE Muntenia Nord S.A.	34,537,052	51,162,682	447,646,729	482,881,945
SDEE Transilvania Sud S.A.	15,634,072	17,007,698	406,505,360	386,543,600
SDEE Transilvania Nord S.A.	19,479,009	23,231,742	394,251,098	418,254,173
ELECTRICA ENERGIE VERDE 1 SRL	-	215,222	-	47,997
SERVICII ENERGETICE MUNTENIA SA	-	6,200	-	-
Total	73,870,455	95,021,505	1,258,067,009	1,297,747,727

Transactions with related companies (sales) according to licensed activities represent mainly electricity sales in amount of RON 89,059,581 (2019: RON 60,306,966).

Purchases from related companies mainly represent electricity and reactive energy distribution services from the three distribution companies in amount of RON 1,257,698,966 (RON 1,174,823,002 in 2019), IT services provided by: SDEE Transilvania Nord for the amount of RON 827,400 (RON 749,016 in 2019), SDEE Transilvania Sud for the amount of RON 1,273,690 (RON 1,340,616 in 2019), SDEE Muntenia Nord for the amount of RON 1,401,175 (RON 1,469,096 in 2019), network intervention services from the three distributions in amount of RON 2,577,377 (RON 7,002,845 in 2019). The Company also benefited from Electrica Serv car transport services in amount of RON 6,124,702 (RON 6,982,554 in 2019).

Other transactions with related parties (cash pooling, VAT group, loans, dividends):

Related Party:	Cash pooling 2019	Cash pooling 2020
Electrica SA	-	371,264
TOTAL	-	371,264

13. RELATED PARTIES (continued)

a) Receivables and payables from / to related parties (continued)

Other transactions with related parties (cash pooling, VAT group, loans, dividends - continued)

Other transactions with related parties include the liquidity concentration structure (cash pooling) in amount of RON 371.264 lei.

Related Party:	VAT Group 2019	VAT Group 2020
Electrica SA	-	(833)
Electrica Serv	-	(612,610)
SDEE Muntenia Nord S.A.	-	(5,791,716)
SDEE Transilvania Sud S.A.	-	655,022
SDEE Transilvania Nord S.A.	-	(310,098)
ELECTRICA ENERGIE VERDE 1 SRL	-	-
SERVICII ENERGETICE MUNTENIA SA	-	-
Total	-	(6,060,235)

Other transactions with related parties related to the VAT group are in the amount of RON 6,060,235, representing the VAT payment.

Related Party:	Loan 2019	Loan 2020
ELECTRICA ENERGIE VERDE 1 SRL	-	18,756,028
Total	-	18,756,028

The loan granted in relation to the related parties, respectively Electrica Energie Verde 1 SRL, is in amount of RON 18.608.856 lei, out of which the amount of 6 million lei and the related interest in the amount of RON 147,172 were reimbursed in 2020. The loan agreement was extended by an additional act concluded on 30.12.2020, valid until 30.06.2021.

Related Party:	Dividends 2019	Dividends 2020
Electrica SA	140,491,455	124,015,680
Electrica Serv	226	199
Total	140,491,681	124,015,879

Other purchases represent dividends granted to related parties in the amount of RON 124,015,879 (RON 140,491,455 in 2019).

On December 20th, 2019, between ING Bank N.V., Electrica SA and Electrica Furnizare SA, an agreement has been concluded to implement a cash pooling scheme that involves Electrica SA, a parent company, as coordinator of the cash pool leader structure and its subsidiaries, Electrica Furnizare S.A., Electrica Serv S.A. and Servicii Energetice Muntenia S.A., as participants. Through this system the bank will automatically transfer all the available amounts existing at the end of each day from the current bank accounts of the participants included in the pooling scheme to the main bank account of Electrica SA. 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.

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13. RELATED PARTIES (continued)

a) Receivables and payables from / to related parties (continued)

so that at the end of each day, the participants' current bank accounts balance is zero. 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 participants to the coordinator within the amount of RON 180,000,000 for Electrica Furnizare S.A. The credit facility offered by the coordinator to the participants up to the amount of RON 30,000,000 in the case of Electrica Furnizare S.A; 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 liquidities of Electrica SA, and by making withdrawals from the credit line granted Electrica SA, the amount of interest due by participants to Electrica SA will be calculated using a weighted interest rate, calculated based on the Internal Rate ROBOR 1M + 0.07% pa and ROBOR 1M Bank Rate + 0.8% p.a.; The initial maturity was 20.12.2020, the convention being automatically extended for a period of 1 year.

In August 2020, the VAT group was set up at level of Electrica in accordance with the provisions of art. 269 (9) of the Fiscal 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 representative of the group is Electrica Furnizare S.A., having all the reporting obligations and the VAT record 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 Fiscal Code and the ANAF Order 3006/2016. The approval of the establishment of the Electrica VAT group was granted by the address no. 1587/SRC/09.07.2020, issued by the National Agency for Fiscal Administration - General Directorate for Administration of Large Taxpayers, Taxpayers Register Service and Fiscal File Management.

b) Other companies in which the State, the main shareholder of the parent company, has control or significant influence

The company also has energy purchase and sale transactions with companies in which the State has control or has significant influence. The main ones are as follows:

Related Party:	Sale 2019	Sale 2020	Purchase 2019	Purchase 2020
Transelectrica	31,822,577	40,227,710	394,204,274	613,644,289
Complexul Energetic Oltenia	37,106	36,613	348,702,511	304,023,018
Electrocentrale Bucharest	100,953	94,131	117,782,200	114,311,584
Nuclearelectrica	104,138	102,514	353,250,495	446,455,844
Hidroelectrica	251,243	236,939	269,149,017	455,544,652
Hidroserv	140,299	7,150	-	-
Electrocentrale Galati	835,768	1,206,720	-	-
OPCOM	27,672,325	59,372,719	379,162,070	165,219,607
CET Braila	17,990	7,448	-	-
CFR SA	11,621,936	37,359,579	-	-
Termoelectrica	149,806	20	-	-
SNGN Romgaz	1,332,976	26,396,796	582,180	3,742,043
SNTGN Transgaz Medias	1,730,528	3,581,848	2,651,364	1,775,738
Societatea Nationala a Sarii	32,111	31,895	-	-
Romplumb	-	-	-	-
Baita SA	1,067,653	384,230	-	-
CN Remin SA	553,493	610,842	-	-
Compania Nationala "Romarm"	12,700,032	12,457,458	-	-
SC "Cupru Min"- S.A. Abrud	5,524,750	11,360	-	-
Compania Nationala a Uraniului	-	2,295	-	-
CN Posta Romana SA	2,777,630	522,484	1,370	1,061
Societatea Comerciala „IAR”	1,221,951	63,050	-	-
Societatea Nationala a Apelor Minerale	1,604,182	1,435,991	-	-
Administratia Nationala Apele Romane	1,392,931	532,921	-	-
Autoritatea Nationala de Reglementare in Domeniul Energiei	-	-	17,007,683	5,393,141
Compania Nationala Loteria Romana	1,018,923	1,334,715	-	-
Servicii Energetice Oltenia	502,729	551,152	-	-
Total	104,214,030	186,568,580	1,882,493,164	2,110,110,977

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13. RELATED PARTIES (continued)

b) Other companies in which the State, the main shareholder of the parent company, has control or significant influence (continued)

Related Party	Receivable balance		Payables balance	
	December 31 st , 2019	December 31 st , 2020	December 31 st , 2019	December 31 st , 2020
Transelectrica	3,341,606	7,363,587	80,159,319	101,110,853
Complexul Energetic Oltenia	2,603	2,925	36,269,205	37,349,862
Electrocentrale Bucharest	32,640	31,606	1,285,292	-
Nuclearelectrica	4,480	3,968	29,987,207	52,955,577
Hidroelectrica	19,463	8,923	24,408,338	34,423,902
Hidroserv	52,928	25,465	-	-
Electrocentrale Galati	-	-	-	-
OPCOM	3,960,744	3,623,993	4,001,119	3,733,829
CET Braila	249,104	242,850	-	-
Termoelectrica	1,216,654	1,215,433	-	-
CFR SA	2,197,262	5,191,377	-	-
SNGN ROMGAZ	2,099	2,186	69,223	175,757
SNTGN Transgaz	-	36,148	491,994	1,246,421
Romplumb	232,542	232,542	-	-
Baita SA	68,046	-	-	-
CN Remin SA	71,259,804	71,215,051	-	-
C.N.C.A.F. MINVEST S.A.	26,802,164	26,802,164	-	-
Compania Nationala "Romarm"	1,478,764	641,256	-	-
SC "Cupru Min"- S.A. Abrud	-	-	-	-
SC "Oltchim" SA	56,401,514	46,546,043	-	-
Compania Nationala a Uraniului	-	-	-	-
CN Posta Romana SA	265,682	(102)	-	-
Autoritatea Nationala de Reglementare in Domeniul Energiei	-	-	2,369,814	-
Compania Nationala Loteria Romana	77,958	116,313	-	-
Servicii Energetice Oltenia	24,327	12,082	-	-
Total	167,690,384	163,313,810	178,480,294	230,996,201

For the impairment situation see Note 4.

14. COMMITMENTS

a) Contractual commitments

Services description	Outstanding as at December 31 st , 2019	Outstanding as at December 31 st , 2020
Electricity acquisitions	1,360,210,999	1,763,902,711
Green certificate acquisitions	172,180,659	402,341,045
Total - to be executed	1,332,391,658	2,166,243,756

b) Guarantees (letters of guarantee issued)

As at December 31st, 2020, the company Electrica Furnizare SA has in its accounting records letters of bank guarantee valid in the total amount of RON 448,965,547, as follows:

Bank	2020
Banca Transilvania	172,963,145
Banca Comerciala Romana	149,935,361
Unicredit Bank	79,990,816
BNP Paribas	46,076,225
TOTAL	448,965,547

14. COMMITMENTS (continued)

c) Contractual commitments (continued)

The letters of guarantee are submitted for the purpose of guaranteeing the purchase of electricity and green certificates, the transport of electricity and the participation in the tenders for the supply of electricity.

d) Credit facilities

In 2020 Electrica Furnizare had in progress the following contracts with the partner banks:

Bank	Facility description
BCR	Multi-product credit agreement for issuing guarantee instruments or used as an overdraft with BCR bank in the amount of RON 150 million
Transilvania Bank	Contract for issuing potential commitments concluded with Banca Transilvania in the amount of RON 175 million for issuing letters of bank guarantee;
Unicredit Bank	Contract for issuing potential commitments concluded with Unicredit Bank in the amount of RON 150 million for issuing letters of bank guarantee. The period of use of the existing cap limit for this contract ended on 08.05.2020, keeping the validity of the letters of guarantee already issued under this contract.
PNB Paribas	Multi-product credit agreement for issuing letters of guarantee or used as an overdraft with the bank BNP Paribas - Romania Branch in the amount of RON 150 million, for issuing guarantees with a cap limit of RON 47 million, and the difference of RON 103 million usable as overdraft.

All facilities contracted and mentioned above were used exclusively non-cash (letters of bank guarantee).

15. CONDITIONALITIES

a) Benefits on termination of employment contract

i) Benefits from individual layoffs at the Company's initiative

According to the collective labour contract concluded between the Company and the Trade Unions, upon termination of the individual employment contract of the employees at the initiative of the Group, it will pay employees benefits upon termination of the employment contract depending on seniority at work, as follows:

Seniority	Number of gross monthly base salaries
1 - 2 years	2
2 - 5 years	3
5 - 10 years	4
10 - 20 years	5
Over 20 years	8

ii) Benefits from collective layoffs at the Company's initiative

In the case of collective layoffs, according to the collective labour agreement, the Company will pay the employee benefits upon the termination of the employment contract according to the seniority, as follows:

Seniority	Number of gross monthly base salaries
1 - 3 years	3
3 - 5 years	6
5 - 10 years	7
10 - 20 years	11
Over 20 years	16

The above provisions do not apply to employees with an individual labour contract concluded for a specified period of time. The above provisions do not apply to employees who benefit from other cumulative compensating salary rights established by legal regulations regarding the reorganization or restructuring of the Company. Employees reinstated in the Group after layoff do not benefit from the rights set out above.

iii) Benefits from voluntary exits

According to the Agreement no. 3059/29.05.2020, signed between Company and Union, if the individual labour contract is concluded by voluntary departure of the employee, the Company will pay compensatory salaries based on the remaining period until retirement, his period of service in the Company and his seniority.

15. CONDITIONALITIES (continued)

The number of monthly gross salaries paid as compensatory salaries ranges from 6 to 23.
The financial statements do not include any provision for debts related to compensation payments because there is no present obligation related to this matter.

b) Tax risks

The legislative and fiscal framework in Romania and its implementation in practice change frequently and is subject to different interpretations by various Ministries of the Government. The Romanian Government has a number of agencies that are authorized to carry out controls on Romanian companies as well as on foreign companies operating in Romania. These inspections are similar in nature to tax audits performed by tax authorities in many countries, but they can focus not only on fiscal issues but also on other legal or regulatory items of interest for the agency. Moreover, the agencies conducting these inspections appear to be much less regulated and the company subject to control appear to have fewer practical ways of protection than in many other countries.

Fiscal controls are frequent in Romania consisting in thorough controls of taxpayers registers. Such controls sometimes occur after months or even years from the determination of payment obligations. Consequently, companies may be due taxes and fines. In addition, fiscal legislation is subject to frequent changes and authorities often manifest inconsistency in the interpretation of laws. However, the Company management believes that adequate reserves were established for all significant tax liabilities.

Income tax statements are subject to revision and correction by the tax authorities, generally for a period of five years after their submission date.

The management believes to have properly recorded all tax liabilities in the accompanying financial statements; yet, the risk persists that tax authorities could take differing positions about the interpretation of these issues.

c) Transfer pricing

In accordance with fiscal legislation, the tax assessment of a transaction with related parties is based on the market price concept of that transaction. Based on this concept, transfer prices must be adjusted to reflect market prices that would have been set between entities with no affiliation relationship and acting independently based on "normal market conditions".

It is likely that verification of transfer prices to be achieved in future by the tax authorities to determine whether these prices comply with the principle of "normal market conditions" and that the Romanian taxpayer's taxable base is not distorted.

d) Litigation and disputes

The Company is involved in a series of disputes and disputes. As it is summarized in Note 8, the Company has provided provisions for litigations and disputes for which the management has assessed that it is likely that an outflow of resources will be required, incorporating economic benefits due to the reduced chances of favourable solution. The Company does not present information in the financial statements and has not provided provisions for litigations and disputes for which the management evaluated the possibility of resource outflows being reduced.

16. SUBSEQUENT EVENTS

No other events were recorded that required presentation in the notes to the financial statements.

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

Darius Dumitru MEȘCA
GENERAL MANAGER

Ionuț-Bogdan VLAD
DIRECTOR FINANCIAL DIVISION