



SOCIETATEA ENERGETICA ELECTRICA S.A.

Separate Financial Statements

as at and for the year ended

31 December 2020

prepared in accordance with

**Ministry of Public Finance Order no. 2844/2016 for the approval of the
Accounting Regulations in accordance with International Financial Reporting
Standards**

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

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SOCIETATEA ENERGETICA ELECTRICA S.A.
SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020
PREPARED IN ACCORDANCE WITH THE ORDER OF THE MINISTRY OF PUBLIC FINANCE NO. 2844/2016

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SOCIETATEA ENERGETICA ELECTRICA S.A.**SEPARATE STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

		31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	20	96,943,295	161,619,617
Intangible assets	21	272,880	4,231,289
Investments in subsidiaries	22	2,284,881,698	2,217,229,628
Restricted cash	19	-	320,000,000
Loans granted to subsidiaries – long term	23	1,030,000,000	1,030,000,000
Right of use assets		1,433,070	1,739,658
Total non-current assets		3,413,530,943	3,734,820,192
Current assets			
Cash and cash equivalents	19	193,484,820	180,279,381
Deposits with maturity date more than three months	17	-	66,471,188
Restricted cash	19	320,000,000	-
Trade receivables	16	411,954	5,051,841
Other receivables	18	180,761,447	15,120,713
Inventories		-	89,312
Prepayments		427,549	200,921
Loans granted to subsidiaries – short term	23	-	5,500,000
Total current assets		695,085,770	272,713,356
Total assets		4,108,616,713	4,007,533,548
EQUITY AND LIABILITIES			
Equity			
Share capital	24	3,464,435,970	3,464,435,970
Share premium	24	103,049,177	103,049,177
Treasury shares reserve	24	(75,372,435)	(75,372,435)
Pre-paid capital contributions in kind from shareholders	24	7,366	7,366
Revaluation reserves	24	12,605,266	5,851,829
Legal reserves	24	212,027,639	197,091,689
Other reserves	24	35,644,469	35,645,456
Retained earnings		296,938,104	256,204,946
Gains referring to share issue	24	-	2,185,519
Losses referring to share issue	24	-	(963,601)
Total equity		4,049,335,556	3,988,135,916

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SOCIETATEA ENERGETICA ELECTRICA S.A.**SEPARATE STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

	Note	31 December 2020	31 December 2019
Liabilities			
Non-current liabilities			
Lease liability – long term		485,741	1,012,867
Employee benefits	13	1,453,187	1,978,305
Total non-current liabilities		1,938,928	2,991,172
Current liabilities			
Lease liability – short term		968,556	795,513
Trade payables	25	7,199,932	4,886,047
Other payables	26	36,034,414	1,613,208
Deferred revenue		152,559	554,548
Employee benefits	12,13	7,168,505	5,249,675
Provisions	27	5,818,263	3,307,469
Total current liabilities		57,342,229	16,406,460
Total liabilities		59,281,157	19,397,632
Total equity and liabilities		4,108,616,713	4,007,533,548

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer

Georgeta Corina Popescu

Chief Financial Officer

Mihai Darie

4 March 2021

SOCIETATEA ENERGETICA ELECTRICA S.A.**SEPARATE STATEMENT OF PROFIT OR LOSS**

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

	Note	2020	2019
Revenues	8	3,250,787	19,040,578
Other income	9	14,516,325	2,329,343
Employee benefits	14	(31,818,555)	(29,501,304)
Depreciation and amortization	20,21	(13,050,255)	(22,132,605)
Reversal of impairment of trade and other receivables, net	16,18	98,583,335	1,641,814
Impairment of property, plant and equipment, net	20	(9,979,491)	(3,905,952)
Change in provisions for legal cases and non-compete clauses, net	27	(2,510,794)	409,308
Other operating expenses	9	(23,870,825)	(20,813,350)
Profit/(loss) before finance result		35,120,527	(52,932,168)
Finance income	10	260,305,358	310,927,134
Finance costs	10	(123,963)	(202,583)
Net finance income		260,181,395	310,724,551
Profit before tax		295,301,922	257,792,383
Income tax benefit/(expense)	15	3,076,614	(17,652)
Profit for the year		298,378,536	257,774,731
Earnings per share			
Basic and diluted earnings per share (RON)	11	0.88	0.76

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer

Georgeta Corina Popescu

Chief Financial Officer

Mihai Darie

4 March 2021

SOCIETATEA ENERGETICA ELECTRICA S.A.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in RON, if not otherwise stated)

	Note	2020	2019
Profit for the year		298,378,536	257,774,731
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of property, plant and equipment	24	11,901,253	-
Tax related to revaluation of property, plant and equipment	15	(3,059,897)	-
Re-measurements of the defined benefit liability	13	104,482	(60,739)
Tax related to re-measurements of the defined benefit liability	15	(16,717)	17,652
Other comprehensive income, net of tax		8,929,121	(43,087)
Total comprehensive income		307,307,657	257,731,644

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer

Georgeta Corina Popescu

Chief Financial Officer

Mihai Darie

4 March 2021

SOCIETATEA ENERGETICA ELECTRICA S.A.
SEPARATE STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2020
 (All amounts are in RON, if not otherwise stated)

	Subscribed and paid in share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Gains referring to share issue	Losses referring to share issue	Total equity
Balance at 1 January 2020	3,464,435,970	103,049,177	(75,372,435)	7,366	5,851,829	197,091,689	35,645,456	256,204,946	2,185,519	(963,601)	3,988,135,916
Comprehensive income											
Profit for the year	-	-	-	-	-	-	-	298,378,536	-	-	298,378,536
Other comprehensive income	-	-	-	-	8,841,356	-	-	87,765	-	-	8,929,121
Total comprehensive income	-	-	-	-	8,841,356	-	-	298,466,301	-	-	307,307,657
Transactions with owners of the Company											
Contributions and distributions											
Covering losses referring to share issue with gains referring to share issue	-	-	-	-	-	-	-	-	(963,601)	963,601	-
Dividends to the owners of the Company	-	-	-	-	-	-	(987)	(244,885,112)	(1,221,918)	-	(246,108,017)
Total transactions with owners of the Company	-	-	-	-	-	-	(987)	(244,885,112)	(2,185,519)	963,601	(246,108,017)
Other changes in equity											
Set up of legal reserves	-	-	-	-	-	14,935,950	-	(14,935,950)	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(2,087,919)	-	-	2,087,919	-	-	-
Balance at 31 December 2020	3,464,435,970	103,049,177	(75,372,435)	7,366	12,605,266	212,027,639	35,644,469	296,938,104	-	-	4,049,335,556

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SOCIETATEA ENERGETICA ELECTRICA S.A.
SEPARATE STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2020
 (All amounts are in RON, if not otherwise stated)

		Subscribed and paid in share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Gains referring to share issue	Losses referring to share issue	Total equity
Balance at 1 January 2019		3,459,399,290	103,049,177	(75,372,435)	5,144,025	11,837,805	184,202,070	-	288,528,416	-	-	3,976,788,348
Comprehensive income												
Profit for the year		-	-	-	-	-	-	-	257,774,731	-	-	257,774,731
Other comprehensive income		-	-	-	-	-	-	-	(43,087)	-	-	(43,087)
Total comprehensive income		-	-	-	-	-	-	-	257,731,644	-	-	257,731,644
Transactions with owners of the Company												
Contributions and distributions												
Issue of ordinary shares	24	5,036,680	-	-	(5,136,659)	-	-	-	-	2,185,519	(963,601)	1,121,939
Dividends to the owners of the Company	24	-	-	-	-	-	-	-	(247,506,015)	-	-	(247,506,015)
Total transactions with owners of the Company		5,036,680	-	-	(5,136,659)	-	-	-	(247,506,015)	2,185,519	(963,601)	(246,384,076)
Other changes in equity												
Set up of legal reserves	24	-	-	-	-	-	12,889,619	-	(12,889,619)	-	-	-
Set up of other reserves	24	-	-	-	-	-	-	35,645,456	(35,645,456)	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	(5,985,976)	-	-	5,985,976	-	-	-
Balance at 31 December 2019		3,464,435,970	103,049,177	(75,372,435)	7,366	5,851,829	197,091,689	35,645,456	256,204,946	2,185,519	(963,601)	3,988,135,916

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer
 Georgeta Corina Popescu

Chief Financial Officer
 Mihai Darie

4 March 2021

SOCIETATEA ENERGETICA ELECTRICA S.A.**SEPARATE STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

	Note	2020	2019
Cash flows from operating activities			
Profit for the year		298,378,536	257,774,731
Adjustments for:			
Depreciation	20	11,133,444	20,268,618
Amortisation	21	1,916,811	1,863,987
Impairment of property, plant and equipment, net	20	9,979,491	3,905,952
Loss/(Gain) from the disposal of tangible assets	9	629,452	(1,366,442)
Reversal of impairment of trade and other receivables, net	16,18	(98,583,335)	(1,641,814)
Net finance income	10	(260,181,395)	(310,724,551)
Changes in employee benefits obligations	13	(390,301)	-
Changes in provisions, net	27	2,510,794	(409,308)
Income tax (benefit)/ expense	15	(3,076,614)	17,652
		(37,683,117)	(30,311,175)
Changes in:			
Trade receivables		103,223,222	5,591,265
Other receivables		4,329,592	4,316,870
Trade payables		1,755,495	1,243,177
Other payables		(419,871)	(2,531,418)
Employee benefits		1,888,495	(1,278,415)
Cash generated/(used in) from operating activities		73,093,816	(22,969,696)
Interest paid		(1,983)	(68,675)
Net cash from/(used in) operating activities		73,091,833	(23,038,371)

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SOCIETATEA ENERGETICA ELECTRICA S.A.**SEPARATE STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

	Note	2020	2019
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(4,024,333)	(2,248,969)
Payments for purchase of intangible assets		(29,175)	(280,541)
Proceeds from the sale of property, plant and equipment		191,996	1,785,429
Payments for deposits with maturity of 3 months or longer		-	(368,000,000)
Proceeds from deposits with maturity of 3 months or longer		66,471,188	403,000,000
Loans granted to subsidiaries	23	-	(62,209,626)
Cash pooling net position	29	(132,171,404)	-
Interest received		41,385,917	43,746,912
Dividends received	10	214,969,717	264,434,825
Net cash from investing activities		186,793,906	280,228,030
Cash flows from financing activities			
Proceeds from issue of share capital, net	24	-	1,121,939
Dividends paid	24	(245,779,724)	(247,197,612)
Payment of lease liabilities		(900,576)	(801,567)
Net cash used in financing activities		(246,680,300)	(246,877,240)
Net increase in cash and cash equivalents		13,205,439	10,312,419
Cash and cash equivalents at 1 January	19	180,279,381	169,966,962
Cash and cash equivalents at 31 December	19	193,484,820	180,279,381

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer

Georgeta Corina Popescu

Chief Financial Officer

Mihai Darie

4 March 2021

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

1 Reporting entity and general information

These financial statements are the separate financial statements of Societatea Energetica Electrica S.A. ("Company" or "Electrica SA") as at and for the year ended 31 December 2020.

Electrica was originally incorporated as a company in 1998 by Government Decision no. 365/1998, following the restructuring of the former National Electricity Company (RENEL). On 1 August 2000, following the restructuring of the former National Electricity Company (CONEL) under the Government Decision no. 627/2000, the Company was allocated a new tax registration number. The registered office of the Company is no 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register number J40/7425/2000.

As at 31 December 2020 and 31 December 2019, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy (former Ministry of Economy, Energy and Business Environment) with a share of ownership of 48.79% from the share capital.

The Company's shares are listed on the Bucharest Stock Exchange and the global depository receipts ("GDRs") are listed on the London Stock Exchange. The shares traded on the London Stock Exchange are the global depository receipts, one global depository receipt representing four shares. The Bank of New York Mellon is the depository bank for these securities.

As at 31 December 2020, Electrica SA has the following investments in subsidiaries:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2020
Distributie Energie Electrica Romania S.A. („DEER”)	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	100%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998409513906%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%
Servicii Energetice Oltenia S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29389861	Craiova	100%
Servicii Energetice Moldova S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29386768	Bacau	100%
Servicii Energetice Banat S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388211	Timisoara	100%
Servicii Energetice Dobrogea S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388378	Constanta	100%

SOCIETATEA ENERGETICA ELECTRICA S.A.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

As at 31 December 2019, Electrica SA had the following investments in subsidiaries:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 Dec 2019
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. ("SDEE Muntenia Nord S.A.")	Electricity distribution in geographical area of Muntenia Nord	14506181	Ploiesti	99.9999719027621%
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. ("SDEE Transilvania Nord S.A.")	Electricity distribution in geographical area of Transilvania Nord	14476722	Cluj-Napoca	99.9999731116341%
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. ("SDEE Transilvania Sud S.A.")	Electricity distribution in geographical area of Transilvania Sud	14493260	Brasov	99.999977637%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998390431663%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%
Servicii Energetice Muntenia S.A.	Services in the energy sector (maintenance, repairs, construction)	29384120	Bucuresti	100%
Servicii Energetice Oltenia S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29389861	Craiova	100%
Servicii Energetice Moldova S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29386768	Bacau	100%
Servicii Energetice Banat S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388211	Timisoara	100%
Servicii Energetice Dobrogea S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388378	Constanta	100%

The Company's main activities

Currently, the core business of the Company, according to the Statute is "Activities of business and management consulting", also performing corporate activities at parent company level for its subsidiaries.

Electrica SA is the parent company of one electricity distribution company (set up from merger of three electricity distribution companies), one electricity and natural gas supplier and five companies providing services in the energy sector (out of which four are currently in bankruptcy). As of 31 August 2020, Electrica SA has an indirect shareholding of 100% in one energy production company from renewable sources (photovoltaic panels), Electrica Energie Verde 1 SRL, which was acquired by the subsidiary Electrica Furnizare S.A..

During 2020, the three distribution subsidiaries, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., merged through absorption, the absorbing entity being Societatea de Distributie a Energiei Electrice Transilvania Nord S.A..

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

On 14 October 2020, the Cluj Specialized Court admitted the request of SDEE Transilvania Nord S.A., as absorbing company, and the request of SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as the absorbed companies, approved the merger according to the merger project no. 1404 dated 26 June 2020, registered with the Trade Register Office of Cluj Court, the Trade Register Office of Prahova Court and the Trade Register Office of Brasov Court and published in the Official Gazette of Romania Part IV no. 2351 from 10 July 2020 and ordered the deregistration of the absorbed companies from the Trade Register.

Therefore, the merger produces its effects starting with the effective date, 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities ceased to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities were transferred through the effect of the merger by absorption to SDEE Transilvania Nord S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of SDEE Transilvania Nord S.A. in favour of the shareholder of the absorbed entities, namely Electrica SA. Thus, on 31 December 2020, Distributie Energie Electrica Romania S.A., formed by the merger of the three former electricity distribution companies was recorded on the National Trade Register Office.

During 2020, the two energy services subsidiaries, Electrica Serv S.A. and Servicii Energetice Muntenia S.A. merged through absorption, the absorbing entity being Electrica Serv S.A..

On 17 September 2020, the VI Civil Section of the Bucharest Court admitted the request of Electrica Serv S.A., as absorbing company, and the request of Servicii Energetice Muntenia S.A., as the absorbed company, approved the merger according to the merger project no. 934 dated 12 June 2020 registered with the Trade Register Office of Bucharest Court and published in the Official Gazette of Romania Part IV, no. 2303 from 8 July 2020 and ordered the deregistration of the absorbed company from the Trade Register.

Therefore, the merger produces its effects starting with the effective date, 30 November 2020, when Servicii Energetice Muntenia S.A., as the absorbed entity, ceased to exist, being dissolved without going into liquidation. Consequently, all of its assets and liabilities were transferred through the effect of the merger by absorption to Electrica Serv S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of Electrica Serv S.A. in favour of the shareholder of the absorbed entity, namely Electrica SA.

Thus, starting with 1 December 2020, the merger between the aforementioned companies was finalized and the energy services will be carried out only under the umbrella of Electrica Serv. The registration on the National Trade Register Office took place on 2 December 2020, with effective date 30 November 2020.

COVID-19 impact

On 11 March 2020 the World Health Organization (hereinafter "WHO") declared the COVID-19 outbreak a pandemic and on 16 March 2020 Romania entered into a state of emergency. Measures taken by the Romanian Government included restrictions on the cross-border movement of people, entry restrictions on foreign visitors and lock-down of certain industries. Furthermore, significant key players on the market decided to shut down their operations, especially in the automotive and heavy industries, while some smaller businesses decided to curtail or temporarily suspend their operations. Therefore, on a macroeconomic level, the COVID – 19 pandemic generated a downturn of the economy leading to a decrease in the demand for electricity, especially from non-household consumers.

In the fight against the COVID-19 pandemic, the Company has adopted all the necessary measures for the activity to continue to be carried out under normal conditions and issued guidelines aimed at preventing and/or mitigating the effects of contagion at the workplace. Most important measures included strict adherence to hygiene and social distancing rules as well as working from home where possible. A resilience plan was developed identifying essential activities and critical roles through scenario analysis and ensuring staff backup.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

The aforementioned difficult conditions led to an increase in the operating expenses, mainly for the purchase of protective equipment as well as sanitation services. However, despite the unstable economic environment, through a close monitoring of the financial performance on multiple tiers, the Company's financial performance maintained a positive trend as compared with the previous year, with improvements in profit, revenues and cash flows.

Therefore, based on the publicly available information and considering the actions already implemented, the Company does not anticipate a negative financial impact of the COVID-19 outbreak on its operations and no significant threat over the Company's ability to continue as a going concern over a period covering at least 12 months from the date of these consolidated financial statements has been identified. However, considering the recent developments of the market, the long term effects of the COVID-19 outbreak cannot be reliably estimated currently as the Company cannot preclude the possibility of further lock downs or an escalation in the severity of current measures.

2 Basis of accounting

These separate financial statements have been prepared in accordance with the Ministry of Public Finance Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards ("OMFP no. 2844/2016"). In acceptance of OMFP no. 2844/2016, International Financial Reporting Standards are standards adopted under the procedure provided by the European Commission Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 regarding the application of the international accounting standards.

These separate financial statements were authorized for issue by the Board of Directors on 4 March 2021 and will be submitted for shareholders' approval in the general meeting scheduled on 28 April 2021.

Details of the Company's accounting policies are included in Note 6. The Company has consistently applied the accounting policies to all periods presented in these separate financial statements.

3 Functional and presentation currency

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.

4 Use of judgements and estimates

In preparing these separate financial statements, the management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are prospectively recognised.

Judgements, assumptions and estimation uncertainties

Information about judgements made in applying accounting policies and assumptions and estimation uncertainties that have the most significant effects on the amounts recognised in the separate financial statements is included below:

- Note 6 h) – estimates regarding the useful lives of property, plant and equipment;
- Note 20 – assumptions regarding the revalued amount of property, plant and equipment;
- Note 22 – assumptions and estimates regarding the valuation of shareholdings in the subsidiaries;

Management projections did not modify significantly as a result of the COVID-19 pandemic, thus the assumptions related to the impact of COVID-19 are not expected to result in any material adjustments to the carrying amounts of assets and liabilities within the next twelve month period.

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Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised into different levels of the fair value hierarchy, then the fair value measurement is entirely categorised on the level of the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions used in measuring fair values is included in

- Note 20: Property, plant and equipment.
- Note 28: Financial instruments - fair values and risk management.

5 Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for the land and buildings, which are measured based on revaluation model.

6 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these separate financial statements. The new amendments to existing standards that are effective starting with 1 January 2020 do not have a significant impact over the Company separate financial statements.

(a) Revenue

The Company recognizes the revenue from contracts with customers in accordance with IFRS 15.

Under the standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Company is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

(b) Commissions

The Company assesses its revenue arrangements based on specific criteria to determine if it is acting as principal or agent. If the Company acts in the capacity of an agent rather than as the principal in a transaction, then the recognised revenue is the net amount of commission earned by the Company.

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(c) Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated to the functional currency.

(e) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be reliably estimated.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, by discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Company determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, considering any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

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(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except for the items recognised directly in equity or in other comprehensive income, in which case it will be recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences arising from the initial recognition of assets and liabilities resulting from transactions that are not business combinations and that affect neither accounting nor taxable profit or loss;
- temporary differences resulting from investments in subsidiaries, associates and jointly controlled entities, to the extent that the Company can exercise control over the reversal period of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available to be used for covering them. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured based on the tax rates that are expected to be applicable to temporary differences when they are reversed, using tax rates enacted or substantively enacted at the reporting date.

The measurement of the deferred tax reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it is probable that the future taxable profits will be available against which they can be used.

(g) Inventories

Inventories consist mainly of consumables and other materials.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to perform the sale.

The cost of inventories is based on the weighted average cost method. The cost of inventories includes all the acquisition costs and other expenses related to bringing the inventories to their current place and condition.

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(h) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are initially recognised at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use. After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation.

The Company used the fair value as deemed cost for the tangible assets for the opening of the financial position.

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 the end of the reporting period.

When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership right by the end of the lease term. Land and other non-current assets in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives (years)
Buildings	40-60
Equipment	4-12
Vehicles, furniture and office equipment	3-10

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(i) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are initially measured at fair value and subsequently at amortized cost in accordance with IFRS 9, as they are held in a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition less the principal reimbursements, plus the cumulative amortization using the effective interest method, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

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Loans and receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. The amortised cost is reduced by impairment losses.

Loans and receivables comprise trade receivables, cash and cash equivalents and bank deposits.

Trade receivables

Trade receivables include mainly invoices issued or to be issued to the subsidiaries for the rendered services.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and deposits with maturities of three months or less from the transaction date that are subject to an insignificant risk of changes in their fair value, that are used by the Company in the management of its short-term commitments.

(ii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Other financial liabilities include trade payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified and presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(k) Impairment

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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The Company always recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Write-off policy

The Company writes off a financial asset when after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(I) Revaluation reserves

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognized as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized and accumulated in equity under the heading of revaluation reserve. However, the increase is recognized in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss, However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

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The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

(m) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognized as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(n) Capital contributions in kind from shareholders

These contributions from a shareholder represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. No provisions are provided for future operating losses.

(p) Contingent assets and liabilities

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) a present obligation that arises from past events that is not recognised because:

- i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements of the Company. They are presented in case the output of resources incorporating economic benefits is possible and not probable.

A contingent asset is a potential asset that appears as a result of previous events and whose existence will be confirmed only by the occurrence or the non-occurrence of one or more uncertain future events, which are not fully controlled by the Company.

A contingent asset is not recognized in the financial statements of the Company, but it is shown when an input of economic benefits is likely to arise.

(q) Leases

(i) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets (of less than USD 5,000). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the default rate in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

(ii) Rental income

Rental income from property, plant and equipment other than property investment is recognised as *Other income*. Rental income is recognised on a straight-line basis over the term of the lease.

(r) Subsequent events

Events occurring after the reporting date 31 December 2020, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the separate financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the separate financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

7 Adoption of new and revised standards and interpretations

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- *Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material* - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- *Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform* - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);

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- *Amendments to IFRS 16 "Leases" - Covid-19 - Related Rent Concessions* - adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020;
- *Amendments to References to the Conceptual Framework in IFRS Standards* - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of new amendments to the existing standards has not led to any material changes in the Company's separate financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these separate financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- *Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform - Phase 2* adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021);

The Company has elected not to adopt the amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of these amendments to existing standards will have no material impact on the separate financial statements of the Company in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these separate financial statements (the effective dates stated below is for IFRS as issued by IASB):

- *IFRS 17 "Insurance Contracts"* including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- *Amendments to IAS 1 "Presentation of Financial Statements"* - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023);
- *Amendments to IAS 16 "Property, Plant and Equipment"* - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- *Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"* - Onerous Contracts - Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- *Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"* resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the separate financial statements of the Company in the period of initial application.

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*(All amounts are in RON, if not otherwise stated)***8 Revenue**

	2020	2019
Revenues from services contracts related to the Automatic Meter Reading System	3,250,787	19,040,578

In 2020, the revenues earned by the Company are represented by revenues from service contracts related to the AMR system, concluded with the distribution subsidiaries that include services such as automatic meter reading services, communications and monitoring of the quality parameters of electricity.

Starting with July 2020, the Company no longer provides services related to the AMR system as the system was transferred as a contribution in kind to the share capital of its distribution subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A), these assets being part of the distribution network (Note 20).

In respect to the timing of the revenue recognition, the services provided by the Company are transferred to the customers over time.

9 Other income and operating expenses***(a) Other income***

	2020	2019
Revenues from indemnities	12,827,435	-
Rental income	332,589	130,246
Gains from disposal of assets	-	1,366,442
Other	1,356,301	832,655
Total	14,516,325	2,329,343

Revenues from indemnities consist of the amount of RON 12,827,435 collected in 2020 by Electrica SA from the National Agency for Fiscal Administration ("NAFA") as a result of final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions (Note 30). As at 31 December 2020, the amount was entirely collected from the NAFA.

(b) Other operating expenses

	2020	2019
Legal assistance and consulting fees	2,990,741	3,856,907
Postage and telecommunication	1,043,024	2,167,668
Other taxes and duties	885,998	1,354,939
Consumables	660,017	489,900
Repair and maintenance expenses	630,721	568,300
Losses from disposal of assets	629,452	-
Insurance premiums	408,692	183,885
Donations and sponsorships	117,305	300,733
Travel and transportation expenses	115,645	667,370
Other third party services	15,727,097	9,892,461
Other	662,133	1,331,187
Total	23,870,825	20,813,350

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10 Net finance income

	2020	2019
Dividends income	214,969,717	264,434,825
Interest income	44,852,139	46,013,283
Other finance income	483,502	479,026
Total finance income	260,305,358	310,927,134
Interest expense	(1,983)	(68,675)
Interest cost for employee benefits (Note 13)	(80,355)	(94,638)
Foreign exchange losses, net	(41,625)	(39,270)
Total finance costs	(123,963)	(202,583)
Net finance income	260,181,395	310,724,551

In 2020, the Company collected the entire amount of the total income of RON 214,969,717 received as dividends from its subsidiaries (2019: RON 264,434,825).

11 Earnings per share

The calculation of basic and diluted earnings per share is based on the following profit attributable to shareholders and weighted-average number of ordinary shares outstanding:

Profit attributable to shareholders

	2020	2019
Profit for the year attributable to the shareholders of the Company	298,378,536	257,774,731
Profit attributable to the shareholders of the Company	298,378,536	257,774,731

Weighted-average number of ordinary shares (in number of shares)

	2020	2019
Issued ordinary shares at 1 January (Note 24)	339,553,004	339,049,336
Effect of shares issued in December	-	20,986
Weighted-average number of ordinary shares at 31 December	339,553,004	339,070,322

For the calculation of basic and diluted earnings per share, the own shares repurchased by the Company (6,890,593 shares) were not treated as outstanding shares and are deducted from the total number of issued ordinary shares.

	2020	2019
Basic and diluted earnings per share (RON)	0.88	0.76

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12 Short-term employee benefits

	31 December 2020	31 December 2019
Personnel payables	6,335,832	4,102,791
Current portion of defined benefit liability and other long-term employee benefits	48,477	194,372
Social security charges	620,934	782,577
Tax on salaries	163,262	169,935
Total	7,168,505	5,249,675

Details related to employee benefit expenses are presented in Note 13.

In Romania, all employers and employees, as well as other persons, are contributors to the state social security system. The social security system covers state pensions, child benefit, temporary incapacity for work situations, risks of work accidents and professional diseases and other social assistance services, redundancy payments and incentives granted to employers for creating new jobs.

13 Post-employment and other long-term employee benefits

The Company provides cash benefits to employees depending on seniority in the form of jubilee bonuses and depending on the years of service at retirement in the form of retirement bonuses. The post-employment and other long-term employee benefits are stipulated in the Collective Labour Contract.

Starting 1 April 2020, from the Collective Labour Contract of the Company the benefit in kind consisting of free of charge electricity granted to employees who retired was excluded. This benefit was stipulated in the Collective Labour Contract valid until 31 March 2020. In the same time, in order to compensate for the exclusion of the benefit in the form of free of charge electricity, as per the new Collective Labour Contract in force starting 1 April 2020, the retirement bonus increased by 1 gross monthly base salary on all three levels of seniority.

Thus, excluding the free of charge electricity benefit to the retired persons from the Collective Labour Contract generated in 2020 a decrease in Employee benefits costs amounting to RON 574,243. In the same time, the increase in the retirement bonus by 1 gross monthly base salary generated an additional expense in amount of RON 183,942.

In 2020 and 2019, employee benefit obligations were computed by an independent actuary using the projected unit credit method with benefits calculated proportionally to the period of service.

	31 December 2020	31 December 2019
Defined benefit liability	691,940	1,093,812
Other long-term employee benefits	809,724	1,078,865
Total	1,501,664	2,172,677
- Current portion*	48,477	194,372
- Non-current portion	1,453,187	1,978,305

**included in Personnel payables in Note 12*

(i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation between the opening balances and the closing balances of the defined benefit liability and other long-term employee benefits and their components. There are no plan assets.

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	2020	2019
Defined benefit liability		
Balance at 1 January	1,093,812	923,770
<i>Included in profit or loss</i>		
Current service cost	76,681	53,614
Past service cost	(390,301)	35,836
Interest cost	35,576	44,817
	(278,044)	134,267
<i>Included in other comprehensive income</i>		
<i>Re-measurements (gain)/loss</i>		
- Actuarial (gain)/loss	(104,482)	60,739
<i>Other</i>		
Benefits paid	(19,346)	(24,964)
Balance at 31 December	691,940	1,093,812

	2020	2019
Other long-term employee benefits		
Balance at 1 January	1,078,865	1,024,556
<i>Included in profit or loss</i>		
Current service cost	112,553	37,439
Actuarial (gain)/loss	(226,090)	6,907
Interest cost	44,779	49,821
<i>Other</i>		
Benefits paid	(200,383)	(39,858)
Balance at 31 December	809,724	1,078,865

Defined benefits refer to the retirement bonuses granted according to the seniority within the Company and other long-term benefits refer to the jubilee bonuses granted for seniority.

(ii) Actuarial assumptions

The following are the main actuarial assumptions at the respective reporting date:

(a) Macroeconomic assumptions:

- inflation. The actuary used information from the *National Commission for Strategy and Prognosis*:

Year	Valuation date 31 December 2020	Valuation date 31 December 2019
2020	-	2.6%
2021	2.5%	2.5%
2022	2.5%	2.5%
2023	2.5%	2.5%
2024+	2.5%	2.5%

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 3.3% for the year 2020 (2019: 4.49%);
- the mortality rate published by the National Institute of Statistics was adjusted to 90% to approximate the mortality rates by generations;
- taxes and social charges are those in force as at the reporting date.

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*(All amounts are in RON, if not otherwise stated)**(b) Company specific assumptions:*

- gross salaries' growth was forecasted at the inflation level for period 2021-2023. Starting with the year 2024, salaries' growth was forecasted at 2.5% per year;
- employees' turnover: based on historical data;
- jubilee and retirement bonuses granted based on seniority as per the collective labour contracts, as follows:

Jubilee bonuses based on years of service in the Company

Seniority	No. of gross monthly base salaries	
	31 December	31 December
	2020	2019
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 in the Company

Seniority	No. of gross monthly base salaries	
	31 December	31 December
	2020	2019
Between 8 and 10 years	2	1
Between 10 and 25 years	3	2
More than 25 years	4	3

Termination benefits*a. Termination benefits for individual lay-offs at the Company's initiative*

In accordance with the Collective Labour Contract concluded between the Company and the Union, when individual labour contract is terminated at the Company's initiative, the Company will pay termination benefits to the employees depending on their period of service, as follows:

Seniority	No. of gross monthly average base salary at Company level
1 - 2 years	2
2 - 5 years	3
5 - 10 years	4
10 - 20 years	5
More than 20 years	8

b. Termination benefits for collective lay-offs at the Company's initiative

For collective lay-offs, per the Collective labour contract, the Company will pay termination benefits to the employees depending on their period of service, as follows:

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Seniority	No. of gross monthly average base salary at Company level
1 - 3 years	3
3 - 5 years	6
5 - 10 years	7
10 - 20 years	11
More than 20 years	16

The above-mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above provisions do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Company's reorganization and restructuring. Employees who are re-employed within the Company after layoff are not entitled to the above-mentioned benefits.

The financial statements do not include any provision for liabilities relating to compensation payments because there is no present obligation in this regard.

c. Termination benefits for voluntary redundancies

In accordance with the Agreements signed between the Company and the Union and the Addendums to the Collective Labour Contract, in case the individual labour contract is terminated as voluntary redundancy from the employee, the Company pays termination benefits depending on the period to reach the standard retirement age, the period of service in the Company and the seniority. The number of gross monthly base salaries paid in 2020 as termination benefits varied between 9 and 23. As of 31 December 2020, there is no longer an agreement in place for the voluntary redundancies.

14 Employee benefit expenses

	2020	2019
Average number of employees	107	117
Number of employees at 31 December	120	128

	2020	2019
Wages and salaries	29,896,689	28,111,393
Social security contributions	642,577	595,808
Meal tickets	379,780	373,470
Termination benefit for labour/mandate contracts	899,509	420,633
Total	31,818,555	29,501,304

The number of employees at 31 December 2020 includes also the 7 employees with mandate agreements.

Termination benefits represent compensation payments in case of employees' voluntary departure (see also Note 13 c) as well as management compensation in case of mandate contracts termination.

Management remuneration is presented within Note 29 – Related parties.

15 Income tax

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Company considers that the accounting records for taxes due are adequate for all open fiscal years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period when such a determination is made.

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(i) Amounts recognised in profit or loss

	2020	2019
Deferred tax (benefit)/expense	(3,076,614)	17,652
Total (benefit)/expense related to income tax	(3,076,614)	17,652

(ii) Amounts recognised in other comprehensive income

	2020			2019		
	Before tax	Tax expense	Net of tax	Before tax	Tax benefit	Net of tax
Revaluation of property, plant and equipment	11,901,253	(3,059,897)	8,841,356	-	-	-
Re-measurement of defined benefit liability	104,482	(16,717)	87,765	(60,739)	17,652	(43,087)
Total	12,005,735	(3,076,614)	8,929,121	(60,739)	17,652	(43,087)

(iii) Reconciliation of effective tax rate

	2020		2019	
Profit before tax		295,301,922		257,792,383
Tax using Company's domestic tax rate	16%	47,248,308	16%	41,246,781
Non-deductible expenses	2%	5,540,066	3%	6,936,425
Non-taxable income	-13%	(38,303,478)	-17%	(43,249,915)
Deductible legal reserve	-1%	(2,362,415)	-1%	(2,062,339)
Recognition of tax effect of previously unrecognised tax losses	-6%	(18,163,352)	-1%	(2,566,844)
Other tax effects	1%	2,964,257	0%	(286,456)
Total (benefit)/ expense related to income tax	-1%	(3,076,614)	0%	17,652

Non-taxable income represents dividend income in amount of RON 214,969,717 (2019: RON 264,434,825).

(iv) Movement in deferred tax balances

	Net balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2020		
				Net	Deferred tax assets	Deferred tax liabilities
2020						
Property, plant and equipment	2,188,192	(1,566,636)	3,059,897	3,681,453	-	3,681,453
Employee benefits	(1,356,886)	(489,773)	16,717	(1,829,942)	(1,829,942)	-
Tax loss carried forward	(831,306)	(1,020,205)	-	(1,851,511)	(1,851,511)	-
Tax (assets)/ liabilities	-	(3,076,614)	3,076,614	-	(3,681,453)	3,681,453

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	Balance at 31 December 2019					
	Net balance at 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
2019						
Property, plant and equipment	3,277,724	(1,089,532)	-	2,188,192	-	2,188,192
Employee benefits	(568,633)	(770,601)	(17,652)	(1,356,886)	(1,356,886)	-
Tax loss carried forward	(2,709,091)	1,877,785	-	(831,306)	(831,306)	-
Tax liabilities/ (assets)	-	17,652	(17,652)	-	(2,188,192)	2,188,192

(v) Unrecognised deferred tax assets

The Company has not recognized deferred tax assets in respect of the entire cumulated tax losses as it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

	2020	2019
Tax losses	371,426,355	485,358,206

In 2019, the Company has considered the previously non-deductible loss allowance for Oltchim as deductible, as the client entered into bankruptcy proceedings in 2019, thus recording a tax loss of RON 485,358,206 for which no deferred tax asset was recognised (amounting to RON 77,657,313).

16 Trade receivables

	31 December 2020	31 December 2019
Trade receivables, gross	582,495,101	684,830,745
Loss allowance	(582,083,147)	(679,778,904)
Total trade receivables, net	411,954	5,051,841

Receivables from related parties are presented in Note 29.

Trade receivables, gross, comprise:

	31 December 2020	31 December 2019
Electricity receivables from clients in litigation, insolvency or bankruptcy (mainly Oltchim, Transenergo)	493,018,184	590,202,763
Late payment penalties from clients in litigation, insolvency or bankruptcy (Oltchim)	88,968,313	88,968,313
Services related to the AMR system	-	5,262,513
Other	508,604	397,156
Total trade receivables, gross	582,495,101	684,830,745

Starting with July 2020, the Company no longer provides services related to the AMR system, as the system was transferred as a contribution in kind to the share capital of the distribution subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A), these assets being part of the distribution network (Note 20).

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables is as follows:

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	2020	2019
Loss allowance		
Balance as at 1 January	679,778,904	680,590,341
Loss allowance recognized	18	-
Loss allowance used	(41,527)	(811,437)
Decrease in loss allowance	(97,654,248)	-
Balance as at 31 December	582,083,147	679,778,904

The ageing of trade receivables is presented in Note 28.

Oltchim (a state-controlled company) was an important customer of Electrica S.A. until January 2012, when the Company transferred the contract to Electrica Furnizare S.A.. In January 2013, Oltchim entered into insolvency procedures and subsequently in May 2019 started the bankruptcy procedures. Due to the uncertainties regarding the recoverability of the amounts owed by this customer, the Company recognized in prior years a bad debt allowance for the entire amount receivable. During 2020, the Company adjusted the uncollected VAT in amount of RON 95,186,215 related to the doubtful receivables from Oltchim, based on the sentence of starting the bankruptcy procedures and the provisions of art. 287 of the Fiscal Code.

Also during 2020, the Company adjusted the uncollected VAT related to the doubtful receivables from two other clients based on the sentences of starting the bankruptcy procedures and the provisions of art. 287 of the Fiscal Code, as follows: the amount of RON 707,624 related to CET Braila and the amount of RON 1,003,559 related to Electra Management & Supply.

As the entire amount of RON 96,897,398 was recovered during 2020, by offsetting the VAT positions to be recovered with the payment position at the level of the VAT group to which the companies in the Electrica Group belong, the adjustment for impairment was reversed with the same amount.

Loss allowances are determined according to IFRS 9 "Financial instruments" based on "expected credit loss" model. A significant part of the loss allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Company will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. These receivables were treated separately in computing the allowance according to IFRS 9.

17 Deposits with maturity date more than three months

	31 December 2020	31 December 2019
Deposits with maturity date more than three months	-	66,471,188
Total deposits with maturity date more than three months	-	66,471,188

As at 31 December 2020, the Company no longer has deposits with original maturity of more than three months. As at 31 December 2019, deposits with original maturity of more than three months have an average interest rate of 2.6%.

18 Other receivables

	31 December 2020	31 December 2019
Cash-pooling receivables	166,281,881	-
Interest receivable	15,380,004	15,347,982
Other receivables	10,145,826	11,748,100
Bad debt allowance	(11,046,264)	(11,975,369)
Total other receivables, net	180,761,447	15,120,713

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Cash-pooling receivables comprises the receivable of Electrica as at 31 December 2020 as cash pool leader in the two cash-pooling systems set up at Group level (Note 23 and Note 29).

Interest receivable represents mainly interest to be received from related parties for the loans granted (Note 29).

The reconciliation between the opening balances and the closing balances of the impairment for other receivables is as follows:

Loss allowance	2020	2019
Balance as at 1 January	11,975,369	13,617,183
Loss allowance recognized	-	-
Loss allowance used	-	-
Decrease in loss allowance	(929,105)	(1,641,814)
Balance as at 31 December	11,046,264	11,975,369

19 Cash and cash equivalents

	31 December 2020	31 December 2019
Bank current accounts	18,418,340	3,019,423
Call deposits	175,066,480	177,259,958
Total cash and cash equivalents in the separate statement of financial position and in the separate statement of cash flow	193,484,820	180,279,381
Restricted cash – long-term	-	320,000,000
Restricted cash – short-term	320,000,000	-

As at 31 December 2020, Electrica SA has collateral deposits at BRD – Groupe Societe Generale as guarantees for the long term borrowings received from BRD – Groupe Societe Generale by the Company's distribution subsidiaries (Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A.) in amount of RON 320,000,000 (31 December 2019: RON 320,000,000). As the long term borrowings are repayable on 16 October 2021, the amount of the collateral deposits as at 31 December 2020 of RON 320,000,000 is presented in the statement of financial position as short-term restricted cash.

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20 Property, plant and equipment

The reconciliation between the initial balance and the final balance of property, plant and equipment in 2020 and 2019 was as follows:

	Land and land improvement	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at 1 January 2019	74,614,673	21,054,921	237,496,383	895,952	21,942,902	356,004,831
Additions	-	63,671	886,500	185,864	741,021	1,877,056
Transfer from construction in progress	-	-	13,488,421	-	(13,488,421)	-
Transfer to intangible assets	-	-	-	-	(4,503,110)	(4,503,110)
Disposals	(37,450,001)	-	(912,135)	(298,450)	-	(38,660,586)
Balance at 31 December 2019	37,164,672	21,118,592	250,959,169	783,366	4,692,392	314,718,191
Additions	32,235,368	1,905,508	285,216	520,751	54,230	35,001,073
Revaluation recognized in other comprehensive income, net	6,880,612	5,020,641	-	-	-	11,901,253
Revaluation recognized in profit or loss, net	166,490	-	-	-	-	166,490
Gross book value netted off against the accumulated depreciation at revaluation	-	(890,671)	-	-	-	(890,671)
Disposals	(6,764,156)	(147,779)	(224,809,642)	(129,119)	(2,612,179)	(234,462,875)
Balance at 31 December 2020	69,682,986	27,006,291	26,434,743	1,174,998	2,134,443	126,433,461
Accumulated depreciation and impairment losses						
Balance at 1 January 2019	-	314,424	129,341,260	473,659	-	130,129,343
Depreciation	-	301,013	19,897,386	70,219	-	20,268,618
Accumulated depreciation of disposals	-	-	(969,062)	(236,277)	-	(1,205,339)
Impairment of property, plant and equipment	-	-	1,771,509	-	-	1,771,509
Impairment of construction in progress	-	-	-	-	2,134,443	2,134,443
Balance at 31 December 2019	-	615,437	150,041,093	307,601	2,134,443	153,098,574
Depreciation	-	299,307	10,714,327	119,810	-	11,133,444
Accumulated depreciation of disposals	-	(24,073)	(143,843,969)	(129,120)	-	(143,997,162)
Impairment of property, plant and equipment	-	1,905,508	9,435,994	-	-	11,341,502
Reversal of impairment of property, plant and equipment	-	-	(1,195,521)	-	-	(1,195,521)
Gross book value netted off against the accumulated depreciation at revaluation	-	(890,671)	-	-	-	(890,671)
Balance at 31 December 2020	-	1,905,508	25,151,924	298,291	2,134,443	29,490,166

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	Land and land improvement	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Net carrying amounts						
At 1 January 2019	74,614,673	20,740,497	108,155,123	422,293	21,942,902	225,875,488
At 31 December 2019	37,164,672	20,503,155	100,918,076	475,765	2,557,949	161,619,617
At 31 December 2020	69,682,986	25,100,783	1,282,819	876,707	-	96,943,295

As at 31 December 2020, the buildings and land include the administrative headquarter of the Company and the corresponding land, the plots of land over which the Company has obtained title deeds and the land and buildings acquired in 2020 from the subsidiary Servicii Energetice Muntenia S.A..

On 28 May 2020, the Company acquired a plot of land and several buildings from Servicii Energetice Muntenia S.A. in the total amount of RON 33,772,570, of which land in amount of RON 31,867,062 and buildings in amount of RON 1,905,508.

The sale price was settled as follows:

- the settlement of the loan granted to the subsidiary in amount of RON 5,500,000 (Note 23);
- the settlement of the receivable in amount of RON 24,873,550 generated by the decrease in the share capital of the subsidiary with the same amount having no effect on the ownership of the Company (Note 22);
- cash payment in amount of RON 3,399,020.

An additional amount of RON 368,306 representing taxes paid for the acquisition of the land was capitalized in the value of the land.

The sale price represents the market value established through a valuation report prepared by an independent valuer, member the National Association of Authorised Romanian Valuers and not related to the Company.

The plot of land received according to the payment agreement is in surface of 15,844 sqm and the buildings are represented by 22 constructions in various stages of degradation, constructions for which the Company has recognized an impairment amounting to RON 1,905,508.

Disposals from property, plant and equipment in the net amount of RON 90,465,713 refer mainly to the AMR system (Automatic Meter Reading) equipment consisting of electricity measuring equipment and 7 plots of land that were contributed in kind by Electrica SA to the share capital of its subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A. and Electrica SERV S.A.), as follows:

Month	Subsidiary	Assets transferred	Net book value (RON)
June 20	SDEE Muntenia Nord S.A.	AMR equipment	16,521,690
June 20	SDEE Muntenia Nord S.A.	2 plots of land in surface of 28,696.79 sqm	1,497,132
June 20	SDEE Transilvania Nord S.A.	AMR equipment	37,014,957
		AMR license intangibles (see Note 21)	2,925,303
		AMR construction in progress	763,741
June 20	SDEE Transilvania Sud S.A.	AMR equipment	27,409,181
		AMR construction in progress	1,803,638
May 20	Electrica Serv S.A.	5 plots of land in surface of 23,474.07 sqm	5,103,471
Total			93,039,113

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The contribution value for the AMR system was determined at the date of the in kind contribution through a valuation report prepared by an independent valuer, member of the National Association of Authorised Romanian Valuers and not related to the Company.

The independent valuer was appointed on 5 June 2020 by the Trade Register Office of Cluj Court, on 10 June 2020 by the Trade Register Office of Prahova Court and on 28 May 2020 by the Trade Register Office of Brasov Court. Following the valuation performed, the Company booked an impairment for the AMR system in amount of RON 9,435,994.

The in kind contribution of Electrica S.A. to the share capital of its distribution subsidiaries was approved by the General Extraordinary Shareholders Meetings as follows:

- SDEE Muntenia Nord S.A. General Extraordinary Shareholders Meeting Decision no. 4/18 June 2020;
- SDEE Transilvania Nord S.A. General Extraordinary Shareholders Meeting Decision no. 4/18 June 2020;
- SDEE Transilvania Sud S.A. General Extraordinary Shareholders Meeting Decision no. 5/18 June 2020 and no. 6/23 June 2020.

The share capital increase of the distribution subsidiaries with the in kind contribution of the AMR system was approved by the Trade Register Offices as follows:

- On 25 June 2020 by the Trade Register Office of Prahova Court;
- On 22 June 2020 by the Trade Register Office of Cluj Court;
- On 24 June 2020 by the Trade Register Office of Brasov Court.

Also in 2020, the Company reversed an impairment loss in amount of RON 1,195,521 for the equipment part of the AMR system which was written off during 2020.

As at 31 December 2020, the Company performed the revaluation at fair value of tangible assets consisting of land and buildings. The revaluation was performed by an independent authorized valuer Darian DRS S.A..

Following the revaluation performed, the gain from the increase in value on the land and buildings was charged to Other Comprehensive Income in amount of RON 11,901,253 and in Profit or Loss in amount of RON 166,490.

Measurement of fair value

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's land and buildings as at 31 December 2020 were performed by Darian DRS S.A. an independent valuer not related to the Company. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers, and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

There has been no change to the valuation technique during the period between the present revaluation performed as at 31 December 2020 and the previous one, performed as at 31 December 2017.

The following table shows the valuation techniques used in measuring fair values (Level 3), as well as the significant unobservable inputs used.

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Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	<p><i>Market approach</i></p> <p>The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use). The market price is mainly based on recent transactions.</p>	<ul style="list-style-type: none"> • Adjustment for liquidity, location, size. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Adjustment for liquidity, location or size would be lower/(higher).
Buildings	<p><i>Market approach and discounted cash-flows (DCF) method</i></p> <p>Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information:</p> <p><i>Market approach</i></p> <p>The market approach is based on the selling price per square meter for buildings with similar characteristics(i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use)., adjusted liquidity, location, size etc.</p> <p><i>The DCF method</i></p> <p>The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and annual rent. The discount rate estimation considers, inter alia, the quality of a building and its location.</p>	<ul style="list-style-type: none"> • Adjustment for liquidity, location, size. • Occupancy rates (90%) • Yield rates (between 9% and 10%) • Annual rent per sqm (between 2 and 10 EUR/sqm), depending on location; 	<ul style="list-style-type: none"> • Adjustment for liquidity, location or size would be lower/(higher). • Occupancy rates were higher/(lower) • Yield rates were lower/(higher) • Annual rent per sqm was higher/(lower)

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*(All amounts are in RON, if not otherwise stated)***21 Intangible assets**

Intangible assets include mainly licenses and costs of implementation of the accounting system SAP and licenses for various software, as follows:

	Software and licenses	Total
Gross carrying amount		
Balance at 1 January 2019	4,371,857	4,371,857
Additions	280,541	280,541
Transfer from property, plant and equipment in progress	4,503,110	4,503,110
Disposals	(268,717)	(268,717)
Balance at 31 December 2019	8,886,791	8,886,791
Additions	29,175	29,175
Disposals	(5,093,287)	(5,093,287)
Balance at 31 December 2020	3,822,679	3,822,679
Accumulated depreciation and impairment losses		
Balance at 1 January 2019	3,806,283	3,806,283
Amortisation	1,117,936	1,117,936
Accumulated amortization of disposals	(268,717)	(268,717)
Balance at 31 December 2019	4,655,502	4,655,502
Amortisation	1,062,281	1,062,281
Accumulated amortization of disposals	(2,167,984)	(2,167,984)
Balance at 31 December 2020	3,549,799	3,549,799
Net carrying amounts		
At 1 January 2019	565,574	565,574
At 31 December 2019	4,231,289	4,231,289
At 31 December 2020	272,880	272,880

Disposals from intangible assets in the net amount of RON 2,925,303 represent Converge licenses, part of the AMR system that were transferred as in kind contributed by Electrica SA to the share capital of its subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A) (Note 20).

22 Investments in subsidiaries

The investments in subsidiaries are presented as follows:

	31 December 2020		
	Gross value	Impairment	Net
Distributie Energie Electrica Romania S.A.	1,741,663,339	-	1,741,663,339
Electrica Furnizare S.A.	225,783,453	-	225,783,453
Electrica Serv S.A.	481,803,862	(164,368,956)	317,434,906
Servicii Energetice Oltenia S.A. (in bankruptcy)	82,033,220	(82,033,220)	-
Servicii Energetice Moldova S.A. (in bankruptcy)	106,162,492	(106,162,492)	-
Servicii Energetice Banat S.A. (in bankruptcy)	43,761,094	(43,761,094)	-
Servicii Energetice Dobrogea S.A. (in bankruptcy)	23,822,124	(23,822,124)	-
Total	2,705,029,584	(420,147,886)	2,284,881,698

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	31 December 2019		
	Gross value	Impairment	Net
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	534,323,696	-	534,323,696
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	539,102,599	-	539,102,599
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	580,356,224	-	580,356,224
Electrica Furnizare S.A.	225,783,453	-	225,783,453
Electrica Serv S.A.	460,898,882	(164,368,956)	296,529,926
Servicii Energetice Muntenia S.A.	41,133,730	-	41,133,730
Servicii Energetice Oltenia S.A. (in bankruptcy)	82,033,220	(82,033,220)	-
Servicii Energetice Moldova S.A. (in bankruptcy)	106,162,492	(106,162,492)	-
Servicii Energetice Banat S.A. (in bankruptcy)	43,761,094	(43,761,094)	-
Servicii Energetice Dobrogea S.A. (in bankruptcy)	23,822,124	(23,822,124)	-
Total	2,637,377,514	(420,147,886)	2,217,229,628

Changes in Company's subsidiaries structure in 2020**Merger of the three distribution companies**

On 27 May 2020, Electrica SA's Board of Directors approved in principle the merger through absorption between Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., the absorbing entity being Societatea de Distributie a Energiei Electrice Transilvania Nord S.A..

Subsequently, on 3 July 2020 Electrica SA's Board of Directors approved the merger through absorption between the aforementioned distribution entities, the absorbing entity being Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. according to the merger project no. 1404 dated 26 June 2020 that was registered with the Trade Register Office of Cluj Court, the Trade Register Office of Prahova Court and the Trade Register Office of Brasov Court and was published in the Official Gazette of Romania Part IV no. 2351 from 10 July 2020.

On 21 August 2020, the Extraordinary General Meeting of the Shareholders of Electrica SA approved the empowerment of the representative of Electrica SA to participate in the Extraordinary General Meeting of the Shareholders of SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. and to express a favourable vote regarding the dissolution without liquidation and of the deregistration from the Trade Register and from the financial administration's records of the absorbed companies SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. starting with the effective date of the merger, in accordance with the Merger Project. Subsequently, on 26 August 2020, took place the Extraordinary General Meetings of the Shareholders of SDEE Transilvania Sud S.A., SDEE Transilvania Nord S.A. and SDEE Muntenia Nord S.A. regarding the approval of the merger by the companies involved in this process.

On 14 October 2020, the Cluj Specialized Court admitted the request of SDEE Transilvania Nord S.A., as absorbing company, and the request of SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A., as the absorbed companies, approved the merger and ordered the deregistration of the absorbed companies from the Trade Register.

Therefore, the merger produces its effects starting with the effective date, 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities ceased to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities were transferred through the effect of the merger by absorption

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to SDEE Transilvania Nord S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of SDEE Transilvania Nord S.A. in favour of the shareholder of the absorbed entities, namely Electrica SA.

Thus, on 31 December 2020, Distribuție Energie Electrica Romania SA, formed by the merger of the three former electricity distribution companies was recorded on the National Trade Register Office.

Also, based on the Romanian Energy Regulatory Authority Decision no. 2461 dated 23 December 2020, the electricity distribution licenses granted by the regulator to the absorbed companies for the areas Muntenia Nord and Transilvania Sud were transferred to the absorbing company, Distribuție Energie Electrica Romania, starting with 1 January 2021.

Merger of the two energy services companies

On 27 March 2020, Electrica SA's Board of Directors approved in principle the merger through absorption between Electrica Serv S.A. and Servicii Energetice Muntenia S.A. and the participation of the companies to the merger, with Electrica Serv S.A. as absorbing company.

Subsequently, on 3 July 2020, Electrica SA's Board of Directors approved the merger through absorption between Electrica Serv S.A. and Servicii Energetice Muntenia S.A. according to the merger project no. 934 dated 12 June 2020 that was registered with the Trade Register Office of Bucharest Court and was published in the Official Gazette of Romania Part IV, no. 2303 from 8 July 2020.

On 21 August 2020, the Extraordinary General Meeting of the Shareholders of Electrica SA, as the shareholder of Servicii Energetice Muntenia S.A., approved the empowerment of the representative of Electrica SA to participate in the Extraordinary General Meeting of the Shareholders of Servicii Energetice Muntenia S.A. and to express a favourable vote regarding the dissolution without liquidation and of the deregistration from the Trade Register and from the financial administration's records of the absorbed company Servicii Energetice Muntenia S.A. starting with the effective date of the merger, 30 November 2020. Subsequently, on 25 August 2020, took place the Extraordinary General Meetings of the Shareholders of Servicii Energetice Muntenia S.A. and Electrica Serv S.A. regarding the approval of the merger by the companies involved in this process.

On 17 September 2020, the VI Civil Section of the Bucharest Court admitted the request of Electrica Serv S.A., as absorbing company, and the request of Servicii Energetice Muntenia S.A., as the absorbed company, and ascertained the legality of the merger process and approved the registration with the Trade Register of the corresponding merger mentions.

Therefore, the merger produces its effects starting with the effective date, 30 November 2020, when Servicii Energetice Muntenia S.A., as the absorbed entity, ceased to exist, being dissolved without going into liquidation. Consequently, all of its assets and liabilities were transferred through the effect of the merger by absorption to Electrica Serv S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of Electrica Serv S.A. in favour of the shareholder of the absorbed entity, namely Electrica SA.

Thus, starting with 1 December 2020, the merger between the aforementioned companies was finalized energy services will be carried out only under the umbrella of Electrica Serv. The registration on the National Trade Register Office took place on 2 December 2020, with effective date 30 November 2020.

Both mergers that took place during 2020 consists only in reorganization of the subsidiaries and have no impact on the Company's ownership, Electrica SA remaining the parent company with the same % of ownership.

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Movements in investments

During 2020, Electrica SA has increased, its investments in its subsidiaries (Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. and Electrica SERV S.A.), by in kind contribution to their share capital with plots of land for which it held property deeds and with the AMR system including AMR license, with the amount of RON 92,525,620. The value of the assets contributed to the share capital of the subsidiaries was established according to evaluation reports drawn up by the appointed valuation experts (Note 20).

On 18 December 2019, through decision no. 11 of the General Extraordinary Shareholders Meeting of Servicii Energetice Muntenia S.A., was approved the share capital reduction of Servicii Energetice Muntenia S.A. with the amount of RON 24,873,550 through the reduction in the number of shares from 3,687,355 shares to 1,200,000 shares with a nominal value of RON/share 10 and recording a receivable in the same amount by the shareholder, Electrica S.A.. The share capital reduction was approved by the Bucharest Trade Register Office on 18 May 2020. Following the approval, on 28 May 2020, the receivable of Electrica S.A. was compensated with the debt from the acquisition of a plot of land and related buildings from Servicii Energetice Muntenia S.A. (Note 20).

During 2019, Electrica SA has increased its investments in its subsidiaries (Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., Electrica SERV S.A. and Servicii Energetice Muntenia S.A.), by in kind contribution to their share capital with plots of land for which it held property deeds. The value of the land contributed to the share capital of the subsidiaries was established according to evaluation reports drawn up by the appointed valuation experts (Note 20).

As regard to Electrica Serv S.A., the Company has recognized an impairment in prior years, based on a valuation report prepared by an independent valuator and having as purpose the assessment of the recoverable value of the investment in Electrica Serv S.A..

As of 31 December 2020, also considering the merger of the two energy services companies, the management has reassessed the recoverability of the net book value of the investment in Electrica Serv S.A. and the consistency of the impairment as compared to 31 December 2019, by taking into account the value of the net assets and the assets owned and concluded that there is no indication that the investment may be additionally impaired or that the impairment should be reversed.

The main economic and financial indicators achieved by the Company's subsidiaries on 31.12.2019

The main economic and financial indicators achieved by the Company's subsidiaries as at 31 December 2019 (the last financial year for which the statutory financial statements were approved) are as follows:

Indicators	SDEE Muntenia Nord S.A.	SDEE Transilvania Sud S.A.	SDEE Transilvania Nord S.A.	Electrica Serv S.A.	Electrica Furnizare S.A.	Servicii Energetice Muntenia S.A.
Turnover	693,333,891	683,410,095	681,569,479	197,348,410	4,915,956,637	24,027,731
Gross profit/(loss)	3,164,683	8,111,688	69,940,204	31,416,622	128,861,854	(336,908)
Share capital	355,906,870	447,166,500	371,908,060	37,253,650	62,873,860	36,873,550
Total equity	1,606,926,965	1,559,433,368	1,295,134,633	313,782,245	244,586,615	98,168,684
Non-current assets	2,712,774,812	2,895,370,320	2,618,935,728	223,769,075	90,576,017	105,579,204
Current assets	243,685,078	173,180,274	195,673,374	148,454,124	1,032,603,884	20,325,111
Current liabilities	237,995,272	275,436,842	337,419,672	46,895,711	806,999,344	10,135,569
Provisions	47,262,417	41,242,151	42,578,972	10,632,238	29,514,862	953,460
Deferred revenue	590,742,425	686,612,198	656,048,412	913,005	5,304,274	16,646,602
Non-current liabilities	473,532,811	505,826,035	483,427,413	-	36,774,806	-

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*(All amounts are in RON, if not otherwise stated)***23 Loans granted to subsidiaries***a) Loans granted to subsidiaries – long term*

	Loans granted to subsidiaries	
	31 December 2020	31 December 2019
Distributie Energie Electrica Romania S.A. (former Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.)	360,000,000	360,000,000
Distributie Energie Electrica Romania S.A. (former Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.)	380,000,000	380,000,000
Distributie Energie Electrica Romania S.A. (former Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.)	290,000,000	290,000,000
Total loans granted to subsidiaries – long term	1,030,000,000	1,030,000,000

The Company has entered into loan agreements as lender with its distribution subsidiaries, as follows:

- **Loans granted in 2018:**

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 230,000,000; Purpose of the loan: to finance the investment program of 2018; Interest rate: 4.7% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 230,000,000 (31 December 2019: RON 230,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 160,000,000; Purpose of the loan: to finance the investment program of 2018; Interest rate: 4.7% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 160,000,000 (31 December 2019: RON 160,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 130,000,000, Purpose of the loan: to finance the investment program of 2018, Interest rate: 4.7% per annum, Maturity: 84 months, Period allowed for disbursements: 12 months, Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 130,000,000 (31 December 2018: RON 130,000,000).

- **Loans granted in 2017:**

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 150,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 150,000,000 (31 December 2019: RON 150,000,000);

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- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 200,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 200,000,000 (31 December 2019: 200,000,000);

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 160,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 160,000,000 (31 December 2019: RON 160,000,000).

b) Loans granted to subsidiaries – short term

	Loans granted to subsidiaries	
	31 December 2020	31 December 2019
Servicii Energetice Muntenia S.A.	-	5,500,000
Total loans granted to subsidiaries – short term	-	5,500,000

In May 2018, the Company has concluded a loan agreement with Servicii Energetice Muntenia S.A.. Main provisions are: maximum loan amount: RON 5,500,000, granted in two tranches; Purpose of the loan: tranche 1 amounting to RON 1,500,000 to finance the payment of the last instalment due to the creditors enrolled at the creditor's table, tranche 2 amounting to RON 4,000,000 to finance the working capital; Interest rate: 4.5% per annum; Period allowed for disbursements: 1 to 12 months from the date of granting, 2 to 24 months from the date of granting; Reimbursement: tranche 1 - within 12 months from the date of granting; the repayment period of tranche 1 was extended by addendums until the latest 29.05.2020; tranche 2 - at any time on the period of validity of the loan, but not later than the final maturity of the entire tranche, respectively 2 years from the date of signing the loan agreement.

On 28 May 2020, the Company acquired a plot of land and several buildings from Servicii Energetice Muntenia S.A. in the total amount of RON 33,772,570, the amounts being compensated, among others, with the settlement of the outstanding loan granted to the subsidiary in amount of RON 5,500,000 (Note 20).

c) Multi-borrower credit agreements

On 1 April 2019, between Banca Comerciala Romana, as lender and Societatea Energetica Electrica SA, as guarantor and borrower, together with its distribution subsidiaries (SDEE Muntenia Nord S.A., SDEE Transilvania Nord S.A. and SDEE Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A.) as borrowers, was concluded a contract for a multi-product revolving facility, as follows: Maximum loan amount: RON 125,000,000; Purpose of the loan: financing the current activity; Interest rate: 0.77% + ROBOR 1M p.a.; Initial maturity: 16 March 2020 and was extended with 1 year, until 16 March 2021 under the same terms and conditions. Repayment: in full, at maturity. As at 31 December 2020, the outstanding balance of the facility for the Company is null.

On 16 April 2019, between BNP PARIBAS, as lender and Societatea Energetica Electrica SA, as guarantor and borrower, together with its subsidiaries, Electrica Furnizare S.A. and Electrica Serv S.A. as borrowers, was concluded a contract for a credit facility in the form of a credit line from the current accounts opened by borrowers to the lender, as follows: Maximum loan amount: RON 160,000,000 (maximum amount for Electrica is RON 10,000,000); Purpose of the loan: financing the current activity; Interest rate: 0.60% + ROBOR 1M p.a.; Initial maturity: 16 March 2020 and was extended with 1 year, until 16 March 2021 under the same terms and conditions. Repayment: in full, at maturity. As at 31 December 2020, the outstanding balance of the facility for the Company is null.

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d) Cash pooling system at Group level

On 20 December 2019, between ING Bank N.V., Electrica SA and its subsidiaries were concluded two agreements for the implementation of two cash pooling schemes, as follows:

- a first system involving Electrica SA, as cash pool leader and its distribution subsidiaries (Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A.), as participants;
The credit facility offered by the pool leader to each participant is up to the amount of RON 180,000,000 RON; The credit facility offered by each participant to the pool leader is up to the amount of RON 50,000,000; Interest rate: ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the internal liquidity of Electrica SA, and by drawing from the credit line granted to Electrica SA, the amount of interest due by the participants to Electrica SA will be calculated using a weighted interest rate, calculated on the basis of the ROBOR Internal Rate 1M +0.07% p.a. and the ROBOR Bank Rate 1M + 0.8% p.a. The initial due date was 20.12.2020, the convention being automatically extended for a period of 1 year;
- a second system involving Electrica SA, as cash pool leader and its subsidiaries, Electrica Furnizare S.A., Electrica Serv S.A. and Servicii Energetice Muntenia S.A (currently absorbed by Electrica Serv S.A.) as participants;
The credit facility offered by the participants to the pool leader is up to the amount of RON 180,000,000 for Electrica Furnizare S.A., RON 50,000,000 for Electrica Serv S.A. and RON 2,000,000 for Servicii Energetice Muntenia S.A. (currently absorbed by Electrica Serv S.A.). The credit facility offered by the pool leader to the participants is up to the amount of 30,000,000 RON in the case of Electrica Furnizare S.A., RON 10,000,000 in the case of Electrica Serv S.A. and RON 2,000,000 in the case of Servicii Energetice Muntenia S.A. (currently absorbed by Electrica Serv S.A.). Interest rate: ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the internal liquidity of Electrica SA, and by drawing from the credit line granted to Electrica SA, the amount of interest due by the participants to Electrica SA will be calculated using a weighted interest rate, calculated on the basis of the ROBOR Internal Rate 1M +0.07% p.a. and the ROBOR Bank Rate 1M + 0.8% p.a. The initial due date was 20.12.2020, the convention being automatically extended for a period of 1 year;

through which the bank will automatically transfer all available amounts existing at the end of each day in the current bank accounts of the participants to the master bank account of Electrica SA. In case the current bank accounts of the participants have a negative balance at the end of the day, the bank will transfer the necessary amounts from the master bank account of Electrica SA to the current bank accounts of the participants, so as at the end of each day the balance of the current bank accounts of the participants is nil. In case the balance of the master bank account of Electrica SA is not sufficient to cover the negative balance of the current bank accounts of the participants, the bank will make available the necessary funds from the overdraft facility that will be signed between the bank and Electrica SA.

On 30 December 2020, Electrica Energie Verde 1 SRL ("EEV1"), the new company acquired with a 100% shareholding by Electrica Furnizare SA, entered into the second cash pooling system.

The credit facility that can be borrowed by EEV1 under the agreement is up to RON 15,000,000 and the amount that can be borrowed by Electrica under the convention is up to RON 10,000,000. Interest rate: ROBOR 1M + 0.07% p.a. However, if the amounts drawn by Electrica Energie Verde 1 are covered both by the internal liquidity of Electrica SA, and by drawing from the credit line granted to Electrica SA, the amount of interest due to Electrica SA will be calculated using a weighted interest rate, calculated on the basis of the ROBOR Internal Rate 1M +0.07% p.a. and the ROBOR Bank Rate 1M + 0.8% p.a. The agreement has as due date 28 January 2022 with the option of automatic renewal for successive periods of 1 (one) year.

As of 31 December 2020, the credit facilities were not used, the outstanding balance being nil. For the amounts drawn/transferred to the cash pooling systems between Electrica SA and the other participants, please refer to Note 29.

SOCIETATEA ENERGETICA ELECTRICA S.A.

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(All amounts are in RON, if not otherwise stated)

24 Capital and reserves

(a) Share capital, share premium, gains and losses referring to share issue

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2020 (31 December 2019: 346,443,597) with a nominal value of RON 10 per share. As of 4 July 2014, after the Initial Public Offering ("IPO"), the Company's shares are listed on the Bucharest Stock Exchange and the Global Depository Receipts are listed on the London Stock Exchange.

The shares owned by the Company's shareholders that are traded on the London Stock Exchange are the global depository receipts (GDRs). A global depository receipt represents four shares. The Bank of New York Mellon is the depository bank for these securities. The GDRs' weight in Electrica's total share capital diminished following the Initial Public Offering, reaching a level of 1.03% at the end of 2020 as compared to 10.17% at 4 July 2014.

The holders of ordinary shares are entitled to receive dividends as declared, and are entitled to one vote per share in the shareholders' meetings of the Company, except for the 6,890,593 shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equal and confer equal rights to the net assets of the Company, except for treasury shares.

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders.

After IPO privatization, the Company recognized an increase of share capital of RON 1,771,887,440 and a share premium of RON 171,128,062. The transaction costs of RON 68,078,885 were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in kind and cash contribution, with the amount of RON 5,036,680, from the amount of RON 3,459,399,290 to the amount of RON 3,464,435,970, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering are in amount of RON 963,601. Also, the Company recorded gains referring to share issue of RON 2,185,519, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

(b) Treasury shares reserve

In July 2014, the Company purchased 5,206,593 ordinary shares and 421,000 Global Depository Receipts, equivalent to 1,684,000 shares (totaling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depository Receipts was RON 75,372,435.

(c) Revaluation reserves

The reconciliation between opening and closing balance of the revaluation reserve is as follows:

	2020	2019
Balance at 1 January	5,851,829	11,837,805
Revaluation of property, plant and equipment	11,901,253	-
Deferred tax liability arising on revaluation of property, plant and equipment	(3,059,897)	-
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(2,087,919)	(5,985,976)
Balance at 31 December	12,605,266	5,851,829

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*(All amounts are in RON, if not otherwise stated)***(d) Legal reserves**

The Legal reserves are set up as 5% of the gross profit for the year, until the total legal reserves reach 20% of the paid-up nominal share capital of the Company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

(e) Dividends

The dividends distributed by the Company in 2020 and 2019 (from the statutory profits of preceding years) were as follows:

	2020	2019
Distributed dividends	246,108,017	247,506,015

On 29 April 2020, the General Shareholders Meeting of the Company approved the distribution of dividends as follows:

- Dividends to be distributed to shareholders from the net distributable profit for the financial year ended as of 31 December 2019 (100%): RON 244,885,112;
- Dividends to be distributed to shareholders from the net gain obtained from the Secondary Public Offering, after covering the loss associated with the Secondary Public Offering costs: RON 1,221,918;
- Dividends to be distributed from "Other reserves": RON 987.

The total amount of dividends to be distributed to shareholders in 2020 was of RON 246,108,017. The value of dividends per share distributed to the shareholders of the Company were: RON 0.7248 per share (2019: RON 0.73 per share). When calculating the dividend per share, the Company's repurchased own shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 246,108,017 (2019: RON 247,506,015), the dividends paid were RON 245,779,724 (2019: RON 247,197,612), the remaining difference represents dividends uncollected by the shareholders.

25 Trade payables

	31 December 2020	31 December 2019
Suppliers of goods and services	7,028,982	3,638,583
Capital expenditure suppliers	103,421	694,883
Suppliers – related parties (Note 29)	67,529	552,581
Total	7,199,932	4,886,047

Payables to related parties are detailed in Note 29.

26 Other payables

	31 December 2020		31 December 2019	
	Current	Non-current	Current	Non-current
Cash-pooling payables	34,110,477	-	-	-
Dividends payable	1,705,199	-	1,376,906	-
VAT under settlement	14,391	-	-	-
Other payables to the state budget	6,782	-	6,428	-
Other liabilities	197,565	-	229,874	-
Total	36,034,414	-	1,613,208	-

Cash-pooling payables comprises the payable of Electrica as at 31 December 2020 as cash pool leader in the two cash-pooling systems set up at Group level (Note 23 and Note 29).

SOCIETATEA ENERGETICA ELECTRICA S.A.

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Other liabilities include mainly guarantees and sundry creditors. Dividends payable represent the dividends uncollected by the shareholders.

In August 2020, the VAT group was established at the Electrica level in accordance with the provisions of Article 269 (9) of the Tax Code and the rules for its application, National Agency for Fiscal Administration ("NAFA") Order No. 3006/2016 on the approval of the Procedure for the implementation and administration of the single tax group. The members of the VAT group are Electrica SA and its subsidiaries. The representative of the group is Electrica Furnizare S.A., having all the reporting and VAT record obligations stipulated by the legal regulations in force for the whole group.

For the implementation of the group, the members submitted application No. 2366/06.07.2020 which included the documentation for the formation of the group according to the provisions of the Tax Code and the NAFA Order 3006/2016. Approval of the formation of the Electrica VAT Group was granted by address No 1587/SRC/09.07.2020, issued by the National Agency for Fiscal Administration – General Directorate for the Administration of Large Taxpayers, Taxpayers Register Service and Tax File Management.

27 Provisions

	Litigations and other risks
Balance at 1 January 2020	3,307,469
Provisions recognized	2,510,794
Provisions utilized	-
Provisions reversed	-
Balance at 31 December 2020	5,818,263

During 2020, the Company collected a doubtful other receivable from Autoritatea pentru Administrarea Activelor Statului ("AAAS"), following the request it made to a bailiff. However, on 13 July 2020, AAAS filed for appeal against the measure of the judicial bailiff in order to cancel the enforcement order. In the first instance, the challenge to the execution of AAAS was upheld. Against the ruling, the Company made an appeal for which no court date has yet been set. If the Company loses the appeal, it will be obliged to return to AAAS the amount that was transferred by the liquidators, thus a provision in amount of RON 1,628,660 was recognised for the amount initially collected.

The provisions in amount of RON 4,140,732 as at 31 December 2020 (31 December 2019: RON 3,307,469) refer to the benefits granted upon the termination of executive directors' and management key personnel contracts in the form of a non-compete clause.

28 Financial instruments - fair values and risk management

(a) Accounting classifications and fair values

According to IFRS 9, financial assets are measured at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Company assessed that the carrying amount is a reasonable approximation of the fair value for the financial assets and financial liabilities.

(b) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

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(All amounts are in RON, if not otherwise stated)

These risks are further explained and detailed.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company's receivables from customers, cash-pooling debtors, cash and cash equivalents, restricted cash and bank deposits.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Company had a high credit risk mainly from State-owned companies. Until 2012, the Company had a concentration of credit risk with Oltchim, company that went into bankruptcy procedures during 2019 (see Note 16).

Cash and bank deposits are placed in financial institutions, which are considered to have good creditworthiness. The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Company establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

Impairment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2020:

	31 December 2020				
	Expected loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	0%	411,954	-	411,954	No
Past due 1-30 days	0%	-	-	-	No
Past due 31-60 days	0%	-	-	-	No
Past due 61-90 days	0%	-	-	-	No
Past due more than 90 days	100%	582,083,147	(582,083,147)	-	Yes
Total		582,495,101	(582,083,147)	411,954	

Allowances for impairment are referring mainly to Oltchim in amount of RON 518,938,151 (2019: RON 614,124,366), Transenergo Com in amount of RON 35,725,171 (2019: RON 35,725,171) and to Fidelis Energy in amount of RON 11,218,320 (2019: RON 11,218,320). Please see Note 16.

An analysis of trade receivables from the point of view of the credit risk and expected credit losses for trade receivables for customers as at 31 December 2019, is as follows:

	31 December 2019				
	Expected loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	0%	4,417,554	-	4,417,554	No
Past due 1-30 days	0%	634,287	-	634,287	No
Past due 31-60 days	0%	-	-	-	No
Past due 61-90 days	0%	-	-	-	No
Past due more than 90 days	100%	679,778,904	(679,778,904)	-	Yes
Total		684,830,745	(679,778,904)	5,051,841	

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*(All amounts are in RON, if not otherwise stated)***(ii) Liquidity risk**

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has significant cash and cash equivalents so that no liquidity risk is experienced.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The following table presents the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest accrued.

Financial liabilities	Carrying amount	Contractual cash flows			
		Total	less than 1 year	1-2 years	2-5 years
31 December 2020					
Trade payables	7,199,932	7,199,932	7,199,932	-	-
Lease liability	1,454,297	1,454,297	968,556	365,389	120,352
Total	8,654,229	8,654,229	8,168,488	365,389	120,352
31 December 2019					
Trade payables	4,886,047	4,886,047	4,886,047	-	-
Lease liability	1,808,380	1,808,380	795,513	746,474	266,393
Total	6,694,427	6,694,427	5,681,560	746,474	266,393

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Company. The functional currency of the Company is the Romanian Leu (RON).

The currencies in which these transactions are primarily denominated are RON and EUR. The Company also has deposits and bank accounts denominated in foreign currency (EUR). The Company's policy is to use the local currency in its transactions as far as practically possible. The Company does not use derivative or hedging instruments.

Exposure to currency risk

The summary of the quantitative data about the Company's exposure to currency risk is as follows:

In RON	31 December 2020	31 December 2019
	denominated in EUR	denominated in EUR
Cash and cash equivalents	898,585	143,088
Lease liability	(1,454,297)	(1,808,380)
Net statement of financial position exposure	(555,712)	(1,665,292)

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The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
	2020	2019	2020	2019
RON				
EUR 1	4.8371	4.7452	4.8694	4.7793

Sensitivity analysis

A reasonable possible appreciation (depreciation) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency, the profit before tax and the equity, respectively, by the amounts shown below. The analysis assumes that all other variables, in especially the interest rates, remain constant and ignores the impact of forecasted sales and purchases.

<i>Effect</i>	Profit before tax	
	Appreciation	Depreciation
31 December 2020		
EUR (5% movement)	(27,786)	27,786
31 December 2019		
EUR (5% movement)	(83,265)	83,265

Interest rate risk

The Company exposures to interest rates on financial assets and financial liabilities are detailed below. The Company is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market. The Company does not have in place hedging contracts for interest rate.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	31 December 2020	31 December 2019
Fixed-rate instruments		
<i>Financial assets</i>		
Call deposits	175,066,480	177,259,958
Deposits with maturity date more than 3 months	-	66,471,188
Restricted cash	320,000,000	320,000,000
	495,066,480	563,731,146
Variable-rate instruments		
<i>Financial assets</i>		
Cash pooling receivables (Note 23, Note 29)	166,281,881	-
<i>Financial liabilities</i>		
Cash pooling payables (Note 23, Note 29)	(34,110,477)	-
Lease liability	(1,454,297)	(1,808,380)
Total	130,717,107	(1,808,380)

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

SOCIETATEA ENERGETICA ELECTRICA S.A.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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*(All amounts are in RON, if not otherwise stated)**Cash flow sensitivity analysis for variable-rate instruments*

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	50 bp decrease
31 December 2020		
Variable-rate instruments	653,586	(653,586)
31 December 2019		
Variable-rate instruments	(9,042)	9,042

29 Related parties**(a) Main shareholders**

As at 31 December 2020 and 31 December 2019, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy (former Ministry of Economy, Energy and Business Environment) with a share of ownership of 48.79% from the share capital.

(b) Management and administrators' compensation

	2020	2019
Management compensation	6,042,695	4,199,926

Executive management compensation refers to both the managers with mandate contract and those with labour contract, concluded with Electrica SA. This also includes the benefits in the event of the termination of mandate contracts for executive directors.

As of 31 December 2020 and 31 December 2019, the Company had 7 managers with mandate agreements, as no changes occurred during 2020.

Compensations granted to the members of the Board of Directors were as follows:

	2020	2019
Members of Board of Directors	2,468,177	2,527,131

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Shareholders Meeting that took place on 9 February 2018, the annual number of paid meetings is limited to twelve for the Board of Directors meetings and to six for each of the committees.

No loans were granted to managers and administrators in 2020 and 2019.

SOCIETATEA ENERGETICA ELECTRICA S.A.**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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*(All amounts are in RON, if not otherwise stated)***(c) Transactions with the Group companies*****(i) Balance of receivables and payables from/ to Group companies:****Trade Receivables/Trade Payables*

	Receivables from		Payables to	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Distributie Energie Electrica Romania S.A.	449,299	-	-	-
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	-	2,422,073	-	44,800
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	-	1,824,948	-	461,967
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	-	1,377,686	-	-
Electrica Serv S.A.	29,515	34,347	-	-
Electrica Furnizare S.A.	29,790	7,059	67,529	45,814
Servicii Energetice Muntenia S.A.	-	2,073	-	-
Total	508,604	5,668,186	67,529	552,581

As at 31 December 2020, receivables from electricity distribution subsidiaries include mainly other services invoiced, while as at 31 December 2019, receivables from electricity distribution subsidiaries include mainly receivables from the services rendered related to the AMR system.

Loans granted/interest receivable:

	Loans granted to		Interest receivable from	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Distributie Energie Electrica Romania S.A.	1,030,000,000	-	13,518,378	-
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	-	380,000,000	-	4,901,556
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	-	360,000,000	-	4,773,778
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	-	290,000,000	-	3,843,044
Servicii Energetice Muntenia S.A.	-	5,500,000	-	41,937
Total	1,030,000,000	1,035,500,000	13,518,378	13,560,315

Cash-pooling system:

	Amount drawn by participants	Amount contributed to by participants	Net position	Interest receivable/ (payable)
	31 December 2020	31 December 2020	31 December 2020	31 December 2020
Distributie Energie Electrica Romania S.A.	151,282,223	-	151,282,223	304,831
Electrica Furnizare S.A.	-	(200,121)	(200,121)	(171,143)
Electrica Energie Verde 1 S.R.L.	14,999,506	-	14,999,506	862
Electrica Serv S.A.	152	(33,910,356)	(33,910,204)	(60,591)
Total	166,281,881	(34,110,477)	132,171,404	73,959

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(ii) Transactions with subsidiaries

Sales/Purchases (including recharging)

	Sales in 2020	Sales in 2019	Purchases in 2020	Purchases in 2019
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	3,457,185	7,871,650	27,736	356,944
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	670,475	5,683,561	26,494	388,208
Electrica Furnizare S.A.	448,821	93,075	407,020	381,381
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	273,181	6,795,950	-	10,000
Electrica Serv S.A.	264,591	370,469	-	-
Servicii Energetice Muntenia S.A.	-	2,512	-	-
Total	5,114,253	20,817,217	461,250	1,136,533

Starting with July 2020, the Company no longer provides services related to the AMR system as the system was transferred as a contribution in kind to the share capital of its distribution subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A.).

Reimbursements / Borrowings

	Borrowings granted in 2020	Borrowings granted in 2019	Reimbursements in 2020	Reimbursements in 2019
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	-	48,092,536	-	-
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	-	13,440,613	-	-
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	-	379,462	-	-
Servicii Energetice Muntenia S.A. (*)	-	297,014	5,500,000	-
Total	-	62,209,625	5,500,000	-

* Transactions presented are carried out with Servicii Energetice Muntenia S.A. for the period 01.01.2020-30.11.2020, until the effective date of merger by absorption with Electrica Serv S.A..

On 28 May 2020, the Company signed an agreement with Servicii Energetice Muntenia S.A. in which the Company acquired a plot of land in amount of RON 31,867,062 and buildings in amount of RON 1,905,508, the amounts being compensated, among others, with the settlement of the loan granted to subsidiary in amount of RON 5,500,000. (Note 20).

Interest income for loans

	Interest income 2020	Interest income 2019
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	15,244,917	15,188,141
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	13,318,333	14,352,283
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	10,750,233	10,565,727
Servicii Energetice Muntenia S.A. (*)	101,750	245,703
Total	39,415,233	40,351,854

* Transactions presented are carried out with Servicii Energetice Muntenia S.A. for the period 01.01.2020-30.11.2020, until the effective date of merger by absorption with Electrica Serv S.A..

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*(All amounts are in RON, if not otherwise stated)**Dividends income*

	Dividends income 2020	Dividends income 2019
Electrica Furnizare S.A.	124,015,481	140,491,455
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	54,065,512	66,691,458
Electrica Serv S.A.	27,247,429	11,547,903
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	6,935,492	45,704,009
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	2,705,803	-
Total	214,969,717	264,434,825

Cash pooling system – interest income/(expense)

	Interest income/(expense) 2020
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	2,132,479
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	1,256,996
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	568,730
Electrica Energie Verde 1 S.R.L.	862
Servicii Energetice Muntenia S.A.(*)	14
Electrica Serv S.A.	(673,516)
Electrica Furnizare S.A.	(1,282,859)
Total	2,002,706

* Transactions presented are carried out with Servicii Energetice Muntenia S.A. for the period 01.01.2020-30.11.2020, until the effective date of merger by absorption with Electrica Serv S.A..

(d) Transactions with companies in which the state has control or significant influence

The Company had sale and purchase transactions mainly with the following companies:

Supplier	Purchases (without VAT)		Balance (including VAT)	
	2020	2019	31 December 2020	31 December 2019
ANCOM	542,560	534,532	90,871	133,633
Others	30,877	27,278	860	484
Total	573,437	561,810	91,731	134,117

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2020	31 December 2020		
Oltchim	-	518,938,151	(518,938,151)	-
CET Braila	-	3,118,411	(3,118,411)	-
Total	-	522,056,562	(522,056,562)	-

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2019	31 December 2019		
Oltchim	-	614,124,366	(614,124,366)	-
CET Braila	-	3,826,035	(3,826,035)	-
Total	-	617,950,401	(617,950,401)	-

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

30 Contingencies

(a) Contingent Liabilities

Litigation with National Agency of Fiscal Administration ("NAFA")

In May 2017, after the revision of Electrica's tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,248,818 as a result of certain tax record allocations for prior periods. Electrica SA filed a complaint with the tax authorities against the enforcement order and also filed a legal action to suspend the enforced payment by the resolution of the above mentioned complaint. These additional interest and penalties are related to the prior enforcement orders received by Electrica SA in the prior years of RON 72,460,387.

In February 2018, Electrica SA has obtained a favourable Supreme Court ruling in one of the litigations with NAFA, which essentially maintains into force a prior Court of Appeal decision, which is favourable for the Company. Based on this Court ruling and in conjunction with all other litigations with NAFA on the same historical amounts, for taxes including penalties and interest, as well as based on analysis with internal and external lawyers, the management best estimate is that Electrica SA shall be able to obtain favourable Court rulings with the end result of no future cash outflows.

Also, in April 2019, Electrica SA obtained another favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to correct the evidence of the tax receivables so that it reflects the extinction by prescription of the amount of RON 16,915,950 representing income tax as well as all the related accessories. This decision forms the object of the appeal declared by NAFA, with the Court term on 17 November 2021, at the High Court of Cassation and Justice.

Moreover, in November 2019, Electrica SA obtained one more favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to cancel the administrative documents issued regarding the accessory fiscal obligations in the amount of RON 39,248,818 and ordered the refund/ compensation of the amount and the correction of the tax record. Against this decision, NAFA filed an appeal, registered to the High Court of Cassation and Justice, with the Court term on 23 March 2022.

Thus, as at 31 December 2019 Company did not recognize a provision in this respect, taking into account that management's best estimate is that the Company shall be able to obtain a favourable final Court decision in this case.

During 2020, the Company recognized revenues from indemnities in the amount of RON 12,827,435 (Note 9) related to the amounts collected during the year by Electrica SA from NAFA as a result of the final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions.

Moreover, as at 31 December 2020, the Company no longer has a contingent liability of RON 39,248,818 in respect to the additional interest and penalties to be paid by Electrica SA to NAFA, as it applied for the cancellation of ancillary fiscal obligations stipulated by the Government Emergency Ordinance no. 69/2020. Through NAFA's decision no. 2738/22.12.2020, the cancellation of the ancillary fiscal obligations mentioned above was approved, based in articles IX-XI of the Government Emergency Ordinance no. 69/2020.

Other litigations and claims

The Company is involved in a series of litigations and claims (ie. with SAPE, ANRE, NAFA, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 27, the Company set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Company does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

The Company discloses, if the case, information on the most significant items of litigations or claims for which the Company did not set-up provisions as they relate to possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company (ie. litigations for which different inconsistent sentences were issued by the Courts, or litigations which are in early stages and no preliminary ruling was issued so far):

- In 2015, Electrica SA was sued by Hidroelectrica S.A., which claimed the payment of RON 5,444,761 and other damages, representing claims related to acquisition of electricity by the Company from Hidroelectrica S.A. at a price alleged to be unfair. The first court dismissed the exception of prescription of the material right for action as unreasonable and the action as unfounded. Both parties have filed an appeal, which were dismissed as unfounded. After that, both parties filed another appeal in which the court quashed the contested decision and sent the case for a new trial at the same court. As of the date of these financial statements, no term was set for the retrial.
- In respect of the litigation in which the Company was sued by Societatea de Administrare a Participatiilor in Energie S.A. ("SAPE") for the joint payment of the amount of RON 1,569,144,453 and the amount of EUR 458,381,839 for the alleged damages suffered by the Romanian State as a result of the inaction regarding the monitoring, coordination and verification of the performance with the observance of the conditions of legality of the privatization contracts of Electrica SA subsidiaries, Electrica SA filed a pleading in which it invoked the exception of the lack of passive procedural quality, exception regarding the statute of limitation, as well as other arguments on the merit of the case against SAPE's allegations. On 20 June 2019, the court dismissed SAPE's action for claims of approx. EUR 800 million, admitting:
 - the exception of Electrica's lack of passive processing quality, for the claim based on contractual civil liability;
 - the exception of the prescription of the material right to action, for the claim based on civil tort liability.

The decision remained final by non-appeal.

(b) Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of taxpayers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities sometimes demonstrate inconsistency in interpretation of the law. Income tax statements may be subject to revision and corrections made by tax authorities, generally for a five-year period after they are filled in. The company was the subject of fiscal inspections until 31 March 2013.

The Company may incur expenses related to tax adjustments related to previous years as a result of tax authorities inspections and disputes. The Company's management considers that adequate reserves were established in the separate financial statements for all the significant fiscal obligations, however a risk that the tax authorities could take different positions still persists.

(c) Transfer prices

According to the fiscal legislation, the fiscal assessment for a transaction with affiliates is based on the market price concept for that transaction. Based on this concept, the transfer prices must be adjusted in order to reflect the market prices that would have been established between the entities having no affiliation relation and are acting independently, based on "normal market conditions".

Likely, verifications of the transfer prices may be done in the future by the fiscal authorities, in order to establish if these prices are respecting the principle of the "normal market conditions" and that the tax base for Romanian taxpayer is not distorted.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in RON, if not otherwise stated)

31 Commitments

a) Contractual commitments

Contractual commitments as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Purchase of property, plant and equipment, intangible assets and other maintenance and repairs services	4,859,511	457,393

b) Investment program

The investment program approved for the year 2021 is as follows:

	2021
Investment program	10,727,054

The capital expenditures actually incurred may differ from the ones planned.

c) Guarantees and pledges

The Company has a facility for issuing bank guarantee letters in the amount of RON 200,000,000 contracted from Unicredit Bank and which is used at Group level, out of which the used amount as of 31 December 2020 is RON 171,870,774 (31 December 2019: RON 182,507,819). The maturity of the facility is on 31 December 2027.

32 Subsequent events

Overdraft facility granted by ING Bank N.V

On 19 January 2021, the credit facility contract signed between Electrica SA and ING Bank N.V. for an overdraft facility of up to RON 210,000,000 thousand for financing the current activity, in the context of the liquidity concentration operations set-up within the Group and having the following characteristics: Interest rate: ROBOR 1M+0.8% p.a., was extended until 28.01.2022.

Chief Executive Officer

Georgeta Corina Popescu

Chief Financial Officer

Mihai Darie

4 March 2021