SOCIETATEA ENERGETICA ELECTRICA S.A.

Consolidated Financial Statements

as at and for the year ended

31 December 2020

prepared in accordance with

International Financial Reporting Standards as adopted by the European Union

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

	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements	25	5,455,185	5,188,155
Other intangible assets	25	7,213	13,410
Property, plant and equipment	24	508,130	544,098
Restricted cash	21	-	320,000
Deferred tax assets	17	19,666	19,887
Other non-current assets		1,173	1,845
Right of use assets		27,091	35,034
Total non-current assets		**6,018,458**	**6,122,429**
Current assets			
Trade receivables	18	1,029,775	889,979
Other receivables	20	32,460	28,503
Cash and cash equivalents	21	570,929	607,506
Deposits with maturity date more than three months	19	-	66,471
Restricted cash	21	320,000	-
Inventories	23	70,066	74,370
Prepayments		2,817	2,699
Current income tax receivable		1,837	8,288
Assets held for sale	22	15,476	17,027
Total current assets		**2,043,360**	**1,694,843**
Total assets		**8,061,818**	**7,817,272**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	3,464,436	3,464,436
Share premium	26	103,049	103,049
Treasury shares reserve	26	(75,372)	(75,372)
Pre-paid capital contributions in kind from shareholders	26	7	7
Revaluation reserve	26	116,372	87,665
Legal reserves	26	392,276	371,833
Retained earnings		1,759,506	1,637,909
Total equity attributable to the owners of the Company		**5,760,274**	**5,589,527**
Total equity		**5,760,274**	**5,589,527**

(continued on page 2)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	31 December 2020	31 December 2019
Liabilities			
Non-current liabilities			
Lease liability – long term		16,875	9,607
Deferred tax liabilities	17	177,787	168,138
Employee benefits	15	143,876	126,424
Other payables	28	33,873	36,775
Long-term bank borrowings	30	400,296	432,786
Total non-current liabilities		**772,707**	**773,730**
Current liabilities			
Financing for network construction related to concession agreements		-	1,008
Lease liability – short term		10,747	26,900
Bank overdrafts	21	164,966	350,624
Trade payables	27	607,195	730,455
Other payables	28	240,946	218,285
Deferred revenue		5,629	6,918
Employee benefits	14,15	92,292	87,857
Provisions	29	19,238	19,558
Current income tax liability		9,211	4,898
Current portion of long-term bank borrowings	30	378,613	7,512
Total current liabilities		**1,528,837**	**1,454,015**
Total liabilities		**2,301,544**	**2,227,745**
Total equity and liabilities		**8,061,818**	**7,817,272**

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

Chief Executive Officer
Georgeta Corina Popescu

4 March 2021

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Chief Financial Officer
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SOCIETATEA ENERGETICA ELECTRICA S.A.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in THOUSAND RON, except per share data)

	Note	2020	2019
Revenue	9	6,501,100	6,279,834
Other income	11	165,422	160,031
Electricity and natural gas purchased	10	(3,905,705)	(3,859,617)
Construction costs related to concession agreements	25	(675,967)	(759,205)
Employee benefits	16	(774,501)	(620,192)
Repairs, maintenance and materials		(104,577)	(100,379)
Depreciation and amortization	24,25	(490,918)	(480,273)
Reversal of impairment/(Impairment) for trade and other receivables, net	18,20	62,167	(4,940)
Other operating expenses	11	(325,104)	(381,037)
Operating profit		**451,917**	**234,222**
Gain from bargain purchase of subsidiaries	32	**7,477**	**-**
Finance income	12	9,651	14,118
Finance costs	12	(26,736)	(22,297)
Net finance cost		**(17,085)**	**(8,179)**
Profit before tax		**442,309**	**226,043**
Income tax expense	17	(54,766)	(19,366)
Profit for the year		**387,543**	**206,677**
Profit for the year attributable to:			
- owners of the Company		387,543	206,677
Profit for the year		**387,543**	**206,677**
Earnings per share			
Basic and diluted earnings per share (RON)	13	**1.14**	**0.61**

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

4 March 2021

Chief Executive Officer
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(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2020	2019
Profit for the year		**387,543**	**206,677**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit liability	15	(7,152)	291
Tax related to re-measurements of the defined benefit liability	17	572	502
Revaluation of property, plant and equipment	24	43,823	-
Tax related to revaluation of property, plant and equipment	17	(7,931)	-
Other comprehensive income, net of tax		**29,312**	**793**
Total comprehensive income		**416,855**	**207,470**
Total comprehensive income attributable to:			
- owners of the Company		416,855	207,470
Total comprehensive income		**416,855**	**207,470**

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

Chief Executive Officer
Georgeta Corina Popescu

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4 March 2021

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

	Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity
Balance at 1 January 2020		**3,464,436**	**103,049**	**(75,372)**	**7**	**87,665**	**371,833**	**1,637,909**	**5,589,527**
Comprehensive income									
Profit for the year		-	-	-	-	-	-	387,543	**387,543**
Other comprehensive income		-	-	-	-	35,892	-	(6,580)	**29,312**
Total comprehensive income		**-**	**-**	**-**	**-**	**35,892**	**-**	**380,963**	**416,855**
Transactions with owners of the Company									
Contributions and distributions									
Dividends to the owners of the Company	26	-	-	-	-	-	-	(246,108)	**(246,108)**
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**-**	**-**	**(246,108)**	**(246,108)**
Other changes in equity									
Set up of legal reserves	26	-	-	-	-	-	20,443	(20,443)	**-**
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	26	-	-	-	-	(7,185)	-	7,185	**-**
Balance at 31 December 2020		**3,464,436**	**103,049**	**(75,372)**	**7**	**116,372**	**392,276**	**1,759,506**	**5,760,274**

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

	Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity
Balance at 1 January 2019		**3,459,399**	**103,049**	**(75,372)**	**5,144**	**108,704**	**352,038**	**1,675,479**	**5,628,441**
Comprehensive income									
Profit for the year		-	-	-	-	-	-	206,677	**206,677**
Other comprehensive income		-	-	-	-	-	-	793	**793**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**207,470**	**207,470**
Transactions with owners of the Company									
Contributions and distributions									
Issue of ordinary shares	26	5,037	-	-	(5,137)	-	-	1,222	**1,122**
Dividends to the owners of the Company	26	-	-	-	-	-	-	(247,506)	**(247,506)**
Total transactions with owners of the Company		**5,037**	**-**	**-**	**(5,137)**	**-**	**-**	**(246,284)**	**(246,384)**
Other changes in equity									
Set up of legal reserves	26	-	-	-	-	-	19,795	(19,795)	**-**
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	26	-	-	-	-	(21,039)	-	21,039	**-**
Balance at 31 December 2019		**3,464,436**	**103,049**	**(75,372)**	**7**	**87,665**	**371,833**	**1,637,909**	**5,589,527**

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

Chief Executive Officer

Georgeta Corina Popescu

Chief Financial Officer

Mihai Darie

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4 March 2021

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

	Note	2020	2019
Cash flows from operating activities			
Profit for the year		**387,543**	**206,677**
Adjustments for:			
Depreciation	24	27,850	37,743
Amortisation	25	463,068	442,530
Impairment of property, plant and equipment and intangible assets, net	24	3,025	3,441
Gain on disposal of property, plant and equipment and intangible assets	24	(285)	(2,256)
(Reversal of impairment)/Impairment of trade and other receivables, net	18,20	(62,167)	4,940
(Reversal of impairment)/Impairment of assets held for sale	22	(188)	416
Change in provisions, net	29	(320)	(9,548)
Net finance cost	12	17,085	8,179
Changes in employee benefits obligations	15	-	(54,546)
Gain from bargain acquisition of subsidiaries	32	(7,477)	-
Corporate income tax expense	17	54,766	19,366
		882,900	**656,942**
Changes in:			
Trade receivables		(87,249)	(135,955)
Other receivables		3,837	27,156
Prepayments		593	(33)
Inventories		4,307	(10,785)
Trade payables		(76,010)	176,993
Other payables		(2,331)	3,406
Employee benefits		14,735	4,775
Deferred revenue		(1,289)	1,881
Cash generated from operating activities		**739,493**	**724,380**
Interest paid		(19,953)	(12,893)
Income tax paid		(51,672)	(13,901)
Net cash from operating activities		**667,868**	**697,586**

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

	Note	2020	2019
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(6,730)	(15,964)
Payments for network construction related to concession agreements		(637,996)	(887,419)
Payments for purchase of other intangible assets		(2,226)	(2,243)
Proceeds from sale of property, plant and equipment		5,012	8,384
Payments for deposits with maturity of 3 months or longer	19	-	(368,000)
Proceeds from deposits with maturity of 3 months or longer	19	66,471	438,000
Interest received		8,962	15,845
Net cash effect from gain of control over the acquired subsidiary	32	5,577	-
Payment for acquisition of subsidiaries	32	(8,006)	-
Net cash used in investing activities		**(568,936)**	**(811,397)**
Cash flows from financing activities			
Proceeds from issue of share capital, net	26	-	1,122
Proceeds from long-term bank borrowings	30	354,383	120,260
Repayment of long-term bank loans	30	(29,130)	-
Payment of lease liabilities		(29,324)	(38,310)
Dividends paid	26	(245,780)	(247,198)
Repayment of financing for network construction related to concession agreements		-	(11,939)
Net cash from/(used in) financing activities		**50,149**	**(176,065)**
Net increase/(decrease) in cash and cash equivalents		**149,081**	**(289,876)**
Cash and cash equivalents at 1 January	21	256,882	546,758
Cash and cash equivalents at 31 December	21	**405,963**	**256,882**

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

The non-cash transactions are disclosed in Note 21.

Chief Executive Officer
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Chief Financial Officer
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4 March 2021

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

1 Reporting entity and general information

(a) General information about the Group

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

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 registration 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 depositary receipts, one global depositary receipt representing four shares. The Bank of New York Mellon is the depositary bank for these securities.

As at 31 December 2020, the Company's subsidiaries are the following:

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%
Electrica Energie Verde 1 SRL* („EEV1" – former Long Bridge Milenium SRL)	Electricity generation	19157481	Bucuresti	100%*

**indirect shareholding - Electrica Energie Verde 1 SRL is 100% owned by the subsidiary Electrica Furnizare S.A.*

As at 31 December 2019, the Company's subsidiaries were the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 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%

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

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2019
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%

Changes in Group structure during 2020

Merger of the three distribution companies within the Group

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 requests 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 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 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, Distributie Energie Electrica Romania S.A., starting with 1 January 2021.

Merger of the two energy services companies within the Group

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 finalised and the Group's 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 within the Group during 2020 consist only in reorganization of the subsidiaries and have no impact on the consolidated financial statements, Electrica SA remaining the parent company with the same % of ownership.

Acquisition of a photovoltaic park

On 23 June 2020, Electrica Furnizare S.A. signed a sale purchase agreement for the acquisition of 100% of the share capital of Long Bridge Milenium SRL, a company that owns a photovoltaic park located in Stanesti, Giurgiu County, with an installed capacity of MW 7.5 (operational power limited at MW 6.8). The photovoltaic park was built between October 2012 and January 2013 and has been delivering electricity into the national grid since February 2013.

Closing of the transaction and the transfer of shares' ownership to Electrica Furnizare S.A. took place on 31 August 2020, the purchase price of the shares being of RON 7,830 thousand (equivalent of EUR 1,617,940). On 30 October 2020, the purchase price was adjusted in accordance with the purchase agreement based on the financial results of the acquired company as at 31 August 2020, the final price being RON 8,006 thousand (equivalent of EUR 1,637,515 and fees of EUR 17,318). Amongst various elements of the transaction, Electrica Furnizare S.A. also took over the loans granted by the former shareholders of Long Bridge Milenium SRL to the acquired company, in amount of RON 18,473 thousand (equivalent of EUR 3,817,749) (for further details please refer to Note 32).

On 24 November 2020, the company Long Bridge Milenium SRL changed its name to Electrica Energie Verde 1 SRL.

Group's main activities

The main activities of the Group include operation and construction of electricity distribution networks and electricity and natural gas supply to final consumer as well as energy production from renewable sources. The Group is the electricity distribution operator and the main electricity supplier in Muntenia Nord area (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and BistritaNasaud counties) and Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with transformation station and 0.4 kV to 110 kV power lines.

The Company's distribution subsidiary, Distributie Energie Electrica Romania S.A. which resulted from the merger through absorption of the three distribution subsidiaries Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. now operates electric lines in 18 counties, from three geographical areas of the country, representing 40.7% of the Romanian territory, and serves over 3.8 million users. It invoices the electricity distribution service to electricity suppliers (mainly to Electrica Furnizare S.A. subsidiary) which further invoices the electricity consumption to final consumers.

Electrica Furnizare S.A. is active on both the competitive market and as the supplier of last resort for aprox. 3.1 million clients (defined as supplier designated by the regulatory authority to deliver the universal service of electricity supply under specific regulated conditions) in Muntenia Nord, Transilvania Nord and Transilvania Sud areas. According to the regulations issued by the National Authority for Energy Regulation ("ANRE"), the suppliers of last resort have the obligation to ensure electricity supply to final customers which have not exercised their eligibility right – the right to choose their electricity supplier (hereinafter named captive consumers). Starting with 1 January 2021, as a result of the changes in the regulatory framework, Electrica Furnizare S.A. is designated as supplier of last resort (SoLR) at national level, continuing to supply the existing clients in the universal service regime, but also with the possibility to take over in the supply of last resort regime the clients who are left without a supplier from any network area on the Romanian territory.

At the same time, Electrica Furnizare S.A. is also designated as SoLR for natural gas at national level, but only with the possibility of taking over the customers left without a supplier.

Through the acquisition of the new subsidiary Electrica Energie Verde 1 S.R.L. (former Long Bridge Milenium S.R.L.) as of 31 August 2020, the Group entered on the electricity generation segment, in particular from renewable sources.

Electrica Energie Verde 1 S.R.L. is a producer of electricity from renewable sources, operating a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of MW 7.5 (operating capacity limited MW to 6.8). In 2020 the operation of the plant was continuous, with no significant events leading to production shutdowns, producing in total MWh 10,131. According to Law no. 220/2008 and based on the accreditation issued by ANRE, Stanesti park receives a number of 6 green certificates ("GC") for each MWh produced and delivered, of which until 2020, 4 GC were issued for trading and 2 GC were postponed (the amendment is introduced by Law no. 184/2018). The postponed green certificates will be reinserted starting with 1 January 2021, in equal monthly tranches until 31 December 2030.

(b) Regulations in the energy sector

Regulatory environment

The activity in the energy sector is regulated by the Romanian Energy Regulatory Authority.

Some of the main responsibilities of ANRE are to approve prices and tariffs and to issue substantiation methodologies used to set regulated prices and tariffs.

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

Electricity distribution

Electricity distribution is a monopoly activity. Distribution tariffs are established through a "tariff basket-price cap" mechanism. The methodology for setting the electricity distribution tariffs applicable for the years ended 2019 and 2020 was approved by ANRE Order no. 169/2018 with subsequent amendments (Orders no. 193/2018, no. 60/2019, no. 203/2019, no. 207/2020 and no. 3/2021).

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

	Order 198,199,197/20.12.2018		
	1 January-28 February 2019		
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.16	60.00	158.67
SDEE Transilvania Sud S.A.	20.27	60.10	160.31
SDEE Muntenia Nord S.A.	15.21	48.29	162.46

	Order 25,26,24/25.02.2019		
	1 March-30 June 2019		
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.58	61.40	162.38
SDEE Transilvania Sud S.A.	20.75	61.52	164.08
SDEE Muntenia Nord S.A.	15.56	49.40	166.20

	Order 79,80,78/24.06.2019		
	1 July-31 December 2019		
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.03	62.88	166.27
SDEE Transilvania Sud S.A.	21.21	62.88	167.72
SDEE Muntenia Nord S.A.	15.93	50.58	170.16

	Order 228,229,227/16.12.2019		
	1 January-15 January 2020		
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.11	65.48	171.98
SDEE Transilvania Sud S.A.	20.69	62.49	169.01
SDEE Muntenia Nord S.A.	16.97	54.09	180.15

	Order 8,9,7/15.01.2020		
	16 January-31 December 2020		
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.77	64.31	168.91
SDEE Transilvania Sud S.A.	20.31	61.34	165.90
SDEE Muntenia Nord S.A.	16.68	53.16	177.06

In 2019, a new regulatory period began, governed by the provisions of ANRE Order no. 169/2018 for the approval of the

Methodology for establishing the tariffs for the electricity distribution service (IV regulatory period: 2019-2023).

The following items are considered by ANRE when setting the target revenue for one year of the regulatory period: controllable and non-controllable operating and maintenance costs; costs of electricity purchased for own technological consumption (distribution network losses); regulated depreciation charge; the return on the regulated assets base ("RAB"); revenues from reactive energy and revenues from other activities, as well as corrections from previous periods.

Starting with 2019, the regulated rate of return ("RRR") on RAB was 5.66%, according to ANRE Order no. 168/2018. For the investments in the electricity distribution networks commissioned during the period 2019-2023, an incentive of 1 percentage point is granted over the regulated rate of return approved by the ANRE Order no. 168/2018. Subsequently, according to Government Emergency Ordinance no. 19/2019, the approved regulated rate of return was 6.9%.

On 9 January 2020 was issued the Government Emergency Ordinance no. 1 which modified:

- The Energy Law regarding the cancellation of the article approving the regulated rate of return of 6.9% starting with 30 April 2020;
- ANRE functioning law, imposing the establishment of the value of the contribution charged by ANRE (thus by ANRE Order no. 1/2020, the contribution has changed from 2% to 0.2%).

ANRE Order no. 75/2020 for establishing the regulated rate of return for the electricity and natural gas distribution and transport tariffs until the end of the fourth regulatory period entered into force on 13 May 2020.

Thus, for the year 2020, the regulated rate of return is as follow:

- For the period 1 January 2020 – 29 April 2020: 6.9%;
- For the period 30 April 2020 – 12 May 2020: 5.66% plus an incentive of 1% for new investments;
- For the period 13 May 2020 – 31 December 2020: 6.39% plus an incentive of 1% for new investments.

The Methodology for establishing the distribution tariffs approved by ANRE Order no. 169/2018 was modified by ANRE Orders no. 207/2020 and no. 3/2021 as follows:

- granting a 2% RRR incentive for investments in the electricity distribution network financed from own funds in projects in which European non-reimbursable funds are also attracted, if the investments are performed and put into function by operators after 1 February 2021;
- in cases where, for certain categories of tangible/intangible assets, the regulated legislation establishes other regulated useful lives than those provided by the Methodology or in the Catalogue on the classification and normal operating useful lives of fixed assets, approved by Government decision, the annual regulated depreciation of those assets is calculated on the basis of the regulated useful lives established by the primary legislation.

Regulatory asset base ("RAB")

In accordance with the old tariff methodology for electricity distribution approved by ANRE Order no. 72/2013 with subsequent amendments (Orders no. 112/2014, no. 146/2014 and no. 165/2015), and the new tariff methodology of electricity distribution approved by ANRE Order no. 169/2018 with subsequent amendments (ANRE Orders no. 193/2018, no. 60/2019, no. 203/2019, no. 207/2020 and no. 3/2021), hereinafter referred to as Methodology, the determination of the distribution tariffs is based on, inter alia, the RAB. The RAB calculation is based on capital expenditure.

The regulatory asset base at the beginning of the first regulatory period (1 January 2005) ("initial RAB") includes the net book value of the property, plant and equipment and intangible assets as approved by ANRE and used only for regulated electricity distribution.

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

Tariff adjustments

Annually, ANRE makes revenue corrections due to: change in the quantities of electricity distributed compared to the forecast; change in quantities and acquisition price for the regulated own technological consumption (distribution network losses) compared to the forecast; the annual change in controllable operating and maintenance costs, realized and accepted against the forecast; annual change in uncontrollable operating and maintenance costs compared to the forecast; changes in revenues from reactive energy compared to the forecast; failure to meet/exceeding the approved investments programme; revenues generated from other operations made by the distribution operator and the quantity of electricity recovered from recalculations.

In regulated activities, the regulator establishes through the tariff adjustment mechanism (as presented above), the criteria to recognise over or under recoveries of one period in future periods. The Group does not recognise regulatory assets and liabilities in respect of these under or over recoveries, as these differences are recovered or returned through the tariffs charged in subsequent periods.

Electricity supply

Regulated market

Starting with the 1 January 2018, the total liberalization of the energy market was achieved and conditions were created for the transition to eligibility of a larger number of household customers. There were significant migrations of domestic customers between suppliers, which led to a change in the structure of their portfolio. Furthermore, in 2019 there was an increase in the number of products offered by suppliers to final clients and customer options for offers that combine electricity, natural gas and/or telecommunications services.

However, after the total aforementioned liberalization from 1 January 2018, the regulatory framework for the supply activity has been modified starting with 1 March 2019, in accordance with the provisions of the Government Emergency Ordinance (GEO) no. 114/2018. The new secondary legislation approved by ANRE has reintroduced the regulated contracts with the electricity producers and modified the pricing methodology for the household customers in the regulated segment. Subsequently, by Government Emergency Ordinance no. 1/2020, the period of application of regulated tariffs to household customers was shortened, respectively until 31 December 2020. The secondary legislation issued by ANRE approved a series of rules and conditions for the liberalization of the electricity market with regards to the manner and frequency of informing and offering the final clients beneficiaries of universal service, the supply in last resort regime, the applicable framework contracts and the possibility to grant a commercial discount to the domestic clients, at least until 30 June 2021.

The abovementioned regulatory changes are applicable for clients in the regulated market. Taking into account the provisions of the Electricity Law and the European Directive no. 54/2003, the electricity market is fully liberalised starting with 1 July 2007 and all consumers were declared eligible. The eligible consumers are free to choose their electricity supplier from which they purchase electricity at negotiated prices. For the other consumers (including those that did not exert their eligibility right), as mentioned before, the tariffs/prices have been regulated/approved on the basis of ANRE orders, until 31 December 2019 for non-household clients and 31 December 2020 for household clients.

Through ANRE Order no. 188/2020 for the approval of the Regulation for the designation of suppliers of last resort, the notion of obligatory SoLR and optional SoLR disappears. The designation of a supplier as SoLR is made at national level and not on network areas, as previously provided. SoLRs are designated for an indefinite period, starting with 1 January 2021, and in the designation process the eligibility criterion based on serving a number of at least 2,000 consumption places at national level is no longer applied, so that any supplier can become SoLR.

Through ANRE Decision no. 2123/2020, Electrica Furnizare S.A. was designated as a supplier of last resort for an indefinite period, starting with 1 January 2021, for all network areas in Romania. The criterion for taking over a customer as a last resort supplier will be the "lowest cost", regardless of whether they are domestic or non-domestic clients. The lowest cost is established by ANRE monthly, for each network area, by consulting the offers published by SoLR on their own web pages.

Competitive market

Transactions on the competitive wholesale market are transparent, public, centralised and non-discriminatory. Participants to the wholesale market can trade electricity based on the bilateral contracts concluded on the dedicated markets.

The supply of electricity to customers on the competitive market is based on negotiated contracts (within the limits of the regulations in force). Electricity consumption is invoiced, according to the contractual provisions, at negotiated tariffs with the final customer.

Green certificates

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

For 2020, the mandatory estimated annual quota for green certificates was established by ANRE through Order no. 238/2019 (0.45061 GC/MWh) following that until 1 March 2021, ANRE will establish also through Order, the annual mandatory quota for the acquisition of green certificates related to 2020, based on the quantities of electricity from renewable sources and the final consumption of electricity of the previous year. For 2019, the mandatory quota of green certificates was established by ANRE through Order no. 18/2020, at the value of 0.433548 GC/MWh.

Electricity generation

Green certificates

Electricity producers are entitled by to receive a certain number of green certificates for each MWh of electricity produced from renewable sources and injected into the network, according to Law No. 220/2008 and based on the accreditation issued by ANRE. Photovoltaic Stanesti Park is accredited to receive a number of 6 GC for each MWh produced and delivered, of which by 2020 4 GC were issued for trading and 2 GC postponed (the postponement is introduced by Law no. 184/2018).

The green certificates can be sold on the spot market, term market or a combination of both. The selling price must fall between the minimum and maximum values set by Law no. 220/2008 for establishing the system for promoting the production of electricity from renewable energy sources, republished, with subsequent amendments.

The trading value of green certificates on the markets in accordance with the provisions of Law no. 220/2008, republished, with subsequent amendments and additions from Order no 24/2017, falls between:
(a) a minimum trading value of EUR 29.4/GC and
(b) a maximum trading value of EUR 35/GC.

For the year 2020, the trading of green certificates was carried out at the minimum price on all markets, as a result of the excess GC offered for sale compared to the suppliers' purchasing obligations.

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 Group has adopted all the necessary measures for the activity of the companies within the Group 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. In addition, technicians who perform field work received special equipment in order to minimize the risk of infection. A resilience plan was developed for each company within the Group, identifying essential activities and critical roles through scenario analysis and ensuring staff backup. All the aforementioned resilience plans were integrated at Group level in order to ensure that actions taken were appropriate for each company individually as well as for the Group overall. As a result all key functions of the Group were maintained, enabling the Group to provide secure energy distribution and supply services while maintaining the safety of employees and customers.

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 Group's financial performance maintained a positive trend as compared with the previous year, with improvements in profit, revenues and operating cash flows. Furthermore, the liquidity of the Group remained at a good level, with no significant difficulties in receivables collection and consequently payment of debts being noted. Therefore, based on the publicly available information and considering the actions already implemented, the Group does not anticipate a negative financial impact of the COVID-19 outbreak on its operations and no significant threat over the Group'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 Group cannot preclude the possibility of further lock downs or an escalation in the severity of current measures.

Where it was possible to determine the financial impact based on professional judgment made by management, this has been recognized in the consolidated statement of profit or loss for the year ended 31 December 2020 (see Note 18 for bad debt allowances). The Group continues to closely monitor the macroeconomic outlook and as additional information will be available, their effects on the activity of Group companies and over the financial results will be analyzed.

Moreover, the Group will build on its policy to promptly and transparently communicate any information that is reasonably expected to affect investor's perception and as further effects of the COVID-19 pandemic over the financial results of the Group can be established, such information will be included in the future financial statements and will be made available to investors.

2 Basis of accounting

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-EU"). The consolidated financial statements were authorized for issue by the Board of Directors on 4 March 2021 and will be submitted for shareholders' approval in the meeting scheduled on 28 April 2021.

The Company also issues an original version of the consolidated financial statements prepared in accordance with IFRS-EU in Romanian language, that will be used for submitting to the Bucharest Stock Exchange, which is the original binding version.

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

3 Functional and presentation currency

These consolidated financial statements are presented in Romanian Lei (RON), which is the functional currency of all Group companies. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below.

Revenue recognition

The Group assesses its revenue arrangements based on specific criteria to determine if it is acting as a principal or an agent. In applying IFRS 15, the Group has identified that it acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP") and thus recognises revenue as the net amount of the commission earned by the Group. The Group concluded that it is acting as a principal in all other revenue arrangements.

Service Concession Arrangements

The distribution subsidiaries (as operators) that merged into one single distribution operator as of 31 December 2020 concluded concession contracts with the Ministry of Economy (as grantor) in 2005, updated by subsequent addendums. These contracts concern the operation of electricity distribution service in the established territory (Transilvania Nord, Transilvania Sud, Muntenia Nord), on the risk and responsibility of the operators and taking into account the regulations applicable to the operation, modernization, rehabilitation and development of energy distribution networks specified in the Electricity Law, the terms and conditions of the licenses for electricity distribution and the regulations issued by ANRE. The distribution operator resulting from the merger of the three distribution operators within the Group, Distributie Energie Electrica Romania concluded addendums to the concession agreements signed with the Ministry of Economy for the operation of electricity distribution service in all three areas.

IFRIC 12 "*Service Concession Arrangements*" deals with public-to-private service concession arrangements. IFRIC 12 applies to public-to-private service concession arrangements if:

(a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

The control or regulation referred to in condition (a) could be by contract or otherwise (such as through a regulator). The activities of the electricity distribution operators, including distribution tariffs, are regulated by ANRE.

The concession contracts are concluded for a period of 49 years and may be extended for a period equal to no more than half of that period. As a price for the concession, the operators pay an annual royalty fee recognized in the distribution tariff of 1/1000 of the revenues from electricity distribution. According to the concession contracts, the operators use the assets representing the distribution network owned by them located in the above-mentioned territory for electricity distribution. According to the concession contracts, the grantor will buy at the end of the term of concession contract the ownership right of the "relevant assets", that are mainly the electricity distribution networks, at a price equal to the value of the regulated assets base at the end of the concession.

Within the arrangements, the Group incurs significant expenditure in relation to the development and maintenance of the infrastructure. The construction works are either outsourced by the Group to sub-contractors, or performed internally. Significant management judgment is involved in accounting for the concession arrangements under IFRIC 12, including those in respect of the recognition of revenue based on the separation of construction or upgrade services from operation services.

The concessionaires act as service suppliers (they build, modernize and maintain the distribution network) and the revenues related to the construction or improvement of infrastructure is recorded according to IFRS 15. This results in revenues and expenditures being recognized in the profit and loss account (related to the construction and modernization of infrastructure), as well as of a margin resulting from rendering the construction services establised by the Group. The 3% margin applied is determined based on the Group's experience in working with external contractors.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve month period is included in the following notes:

- Note 6 k) – assumptions regarding the useful life of the intangible assets related to concession arrangements;
- Note 6 j) – estimates regarding the useful lives of property, plant and equipment;
- Nota 6 b) – assumptions regarding recognition of revenue from supply and distribution of electricity to consumers based on estimates for electricity delivered and for which no reading was performed yet;
- Notes 18 and 31 – assumptions and estimates about measurement of the allowance for trade receivables at the level of expected credit losses (ECL), respectively in determining the loss rates;
- Note 24 – assumptions regarding the revalued amount of property, plant and equipment;
- Notes 29 and 34 – recognition and measurement of provisions and contingencies;
- Note 15 – measurement of defined benefit obligations and other long-term employee benefits: key actuarial assumptions.

Management projections din 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.

Measurement of fair values

A number of the Group'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 Group uses market observable data as far as possible. Fair values are categorised into different levels in a 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, which the Group can access;
- 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 might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group 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 made in measuring fair values is included in the following notes:

- Note 31 – Financial instruments;
- Note 24 – Property, plant and equipment.

5 Basis of measurement

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

6 Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidation perimeter from the date that control commences until the date on which control ceases.

(ii) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Non-controlling interests

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

The Group recognize the revenues 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 Group 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.

Supply and distribution of electricity

The revenue from supply and distribution of electricity to consumers is recognized when electricity is delivered to consumers (consumed by consumers), based on meter readings and based on estimates for electricity delivered and for which no reading was performed yet. The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on meter readings or on estimated consumptions based on the historical data of each consumer. Electricity supplied to consumers which is not yet billed as at the reporting date is accrued on the basis of recent average consumption or based on subsequent meter readings. Differences between estimated and actual amounts are recorded in subsequent periods.

Revenues from electricity distribution and supply also include the cost of green certificates recharged by the Group to final consumers (see paragraph (h)).

The Group acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP"). Thus, in its quality as an agent, the Group recognizes revenue for the commission earned in exchange for facilitating the transfer of goods or services. Any holder of a production/supply/distribution license must be established as a Balancing Responsible Party or must delegate this responsibility to a Balancing Responsible Party. By delegating this responsibility to a BRP, there is the benefit of imbalance aggregation in the meaning of Balancing Market cost reduction by comparison with the case where the producer/supplier/distributor would act itself as a Balancing Responsible Party.

Electrica Furnizare S.A. acts as BRP for a large number of participants, electricity producers as well as electricity suppliers and distribution operators. For the settlement of imbalances, BRP Electrica is using the "method of internal redistribution of payments", ensuring benefits of imbalance aggregation for all the participants included in the BRP. BRP Electrica provides the transmission of physical notifications to CNTEE Transelectrica SA and its role is to balance the differences between the electricity contracted and the electricity measured at the level of the entire BRP.

Generation and sale of electricity

The electricity produced by the Group is mainly sold on the Day Ahead Market and the revenue is recognized when the electricity is injected into the network and is being sold on the market.

Sale of green certificates

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

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWH of electricity produced from renewable sources and injected into the network. The green certificates can be sold on the spot market, term market or a combination of both. The selling price must fall between the minimum and maximum values set by Law no. 220/2008 for establishing the system for promoting the production of electricity from renewable energy sources, republished, with subsequent amendments. Revenue from green certificates is recognized in the profit or loss statement when the green certificates are sold on the trading market.

Rendering of services

Revenues related to services rendered are recognised in the period in which the services were rendered based on statements of work performed, regardless of when paid or received, in accordance with the accrual basis.

Sales of goods

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Service concession arrangement

Revenue related to construction or upgrade services under service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the accounting policy on recognising revenue on construction contracts, as follows:

- Contract revenue includes the initial amount agreed plus any variation in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.
- If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.
- Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately as expense.

(c) Commissions

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for the transactions acting as Balancing Responsible Party. If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the income recognised is the net amount of commission earned by the Group.

(d) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- foreign currency gains or losses 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.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates 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.

(f) 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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, 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 Group 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, taking into account 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 Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Group'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.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group 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.

(g) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised 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 on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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 at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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 has become probable that the future taxable profits will be available against which they can be used.

The Group applies IFRIC 23 „Uncertainty over Income Tax Treatments”. IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, the Group shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation.

The Group assesses whether it is probable (more than 50% chances) that a tax authority will accept an uncertain tax treatment.

Thus, the Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

(a) the most likely amount - the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.

(b) the expected value - the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

(h) Green certificates

Electricity supply

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

The cost of green certificates is accrued in the profit or loss based on the quantitative quota determined by the regulator representing the quantity of the green certificates that the Group has to purchase for the year and based on the price of green certificates acquired on the centralized market. The obligation for covering the annual acquisition quota is accrued in profit or loss.

Electricity generation

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWH of electricity produced from renewable sources and injected into the network.

Green certificates are recognized at the time of the sale, while the existing balance of green certificates at period end is disclosed as a contingent asset, which is not recognized, as the sale of green certificates is not completely under the control of the company.

(i) Inventories

Inventories consist mainly of spare parts that do not meet the recognition criteria for property, plant and equipment, consumables, goods for resale, other inventories and the natural gas storage.

Inventories are measured at the lower of cost and net realizable value.

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.

Consumables used for the repairs and maintenance of the electricity network are included in profit and loss when consumed and presented in "*Repairs, maintenance and materials*".

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated initially 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 other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Revaluations of land and buildings are made with sufficient regularity to ensure that the carrying amount does not differ materially from the one that 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 Group.

(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 Group will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

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

Category	**Useful lives (years)**
Buildings	45-70
Equipment	3-25
Motor vehicles and office equipment	3-10

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

(k) Intangible asset in a service concession arrangement

(i) Recognition and measurement

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses.

(ii) Amortization

The amortization method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset, and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. The Group determined that the amortization method that reflects appropriately the expected pattern of consumption of the expected future economic benefits is correlated with the amortisation of the regulated asset base "RAB".

(l) Connection fees

According to art. 25 paragraph (1) of Law no. 123/2012 on electricity and natural gas, as subsequently amended and supplemented, access to power grids of public interest is a mandatory service provided under regulatory conditions, which the transmission and system operator as well as the distribution operators must ensure.

At the request of a new or pre-existing customer, the distribution operators are obliged to communicate the technical and economic conditions for the connection network and to cooperate with the applicant to choose the most advantageous technical and economic solution. Afterwards, a connection contract is concluded between the distribution operator and the customer at a regulated tariff. The actual construction of the connection installation is carried out by a construction supplier certified by ANRE.

The Group collects cash from customers, which is used only to pay for the construction of the connection station, and the Group must then use this asset to connect customers to the network. According to ANRE Order no. 59/2013, with subsequent amendments, these assets remain in the ownership of the network operator.

The Group recognizes the assets at nil value, net of the amount of the deferred income representing the contributions from customers. The assets financed from connection fees received from the new users of the distribution network are not included in the RAB. At the end of the concession contract, the assets built from the connection tariff will be transferred to the concessionaire free of charge together with the assets part of RAB.

Starting with 2021, according to ANRE Order no. 160/2020 amending ANRE Order no.59/2013, the connection installations that are financed by the customers will remain in their ownership and are being exploited by the network operator. However, for the connection installations of all household consumers and of the non-household with lengths less than 2.5 km, the distribution operator has the obligation to finance them and these will remain in the ownership of the network operator.

(m) Other intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization 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 generally recognised in profit or loss.

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

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

(n) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(o) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group 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 minus the principal reimbursements, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, 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.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised 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 deposits.

Trade receivables

Trade receivables include mainly unsettled invoices issued until reporting date for supply and distribution of electricity and services, late payment penalties and accrued revenue for electricity delivered and services rendered until the end of the year, but invoiced after the end of the year.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturities of three months or less from the set-up date that are subject to an insignificant risk of changes in their fair value, and are used by the Group 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) valued 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 bank borrowings, bank overdrafts, financing for network construction related to concession agreements and trade payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

(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 recognised as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are 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.

(iv) Impairment

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized 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.

The Group always recognizes lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group'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 Group 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 Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Write-off policy

The Group writes off a financial asset after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group'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 Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(p) Revaluation reserve

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

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised 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.

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.

(q) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised 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.

(r) Pre-paid 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.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group 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 Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(t) 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 Group; 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 Group's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset 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 Group.

A contingent asset is not recognized in the Group's financial statements, but disclosed when an inflow of economic benefits is probable.

(u) Leases

(i) The Group as lessee

The Group applies IFRS 16 „Leases".

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 Group 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.

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 Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated 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 Group 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 Group 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 consolidated statement of financial position.

(ii) Rental income

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

(v) Segment reporting

Segment results that are reported to the Company's Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly deferred taxes.

(w) 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 consolidated 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 consolidated 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 3 "Business Combinations" - Definition of a Business* - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- *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);
- *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 Group's consolidated 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 consolidated 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 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"* - adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023);
- *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 Group has elected not to adopt the amendments to existing standards in advance of their effective dates. The Group anticipates that the adoption of these amendments to existing standards will have no material impact on the financial statements of the Group 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 consolidated financial statements (the effective dates stated below is for IFRS as issued by IASB):

- *IFRS 14 "Regulatory Deferral Accounts"* (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- *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 IFRS 3 "Business Combinations"* - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022);
- *Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- *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 Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Group in the period of initial application.

8 Operating segments

(a) Basis for segmentation

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Electricity and natural gas supply	Buying and supplying electricity and natural gas to final consumers (includes Electrica Furnizare S.A.)
Electricity distribution	Electricity distribution service which includes the former 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. (that covers the all three distribution areas: Transilvania Sud, Transilvania Nord and Muntenia Nord), Electrica Serv S.A. and the activity performed by Societatea Energetica Electrica S.A. within the distribution network until June 2020
Electricity generation	Production of electricity from renewable sources (photovoltaic panels) (includes Electrica Energie Verde 1 SRL)
External electricity network maintenance	Repairs, maintenance and other services for electricity networks owned by other distributors (includes Servicii Energetice Muntenia S.A. until 30 November 2020 and part of Electrica Serv S.A. onwards)
Headquarter	Includes corporate activities at parent company level

The Board of Directors of the Company reviews management reports of each segment. Segment earnings before interest, tax, depreciation and amortisation ("EBITDA") is used to measure performance because management believes that such information is one of the most relevant in evaluating the results of the segments.

There are varying levels of integration between the Electricity supply, Electricity distribution and External electricity network maintenance segments. This integration includes energy distribution, shared electricity network maintenance services, respectively. Inter-segment pricing policy is determined on an arm's length basis.

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

(b) Information about reportable segments

Year ended 31 December 2020	**Electricity and natural gas supply**	**Electricity distribution**	**Electricity generation**	**External electricity network maintenance**	**Headquarter**	**Total for reportable segments**	**Consolidation eliminations and adjustments**	**Consolidated total**
External revenues	4,980,587	1,486,629	3,736	30,148	-	**6,501,100**	-	**6,501,100**
Inter-segment revenue	34,553	1,264,197	-	159	-	**1,298,909**	(1,298,909)	**-**
Segment revenue	**5,015,140**	**2,750,826**	**3,736**	**30,307**	**-**	**7,800,009**	**(1,298,909)**	**6,501,100**
Segment profit/(loss) before tax	**255,862**	**95,094**	**(705)**	**(5,186)**	**304,737**	**649,802**	**(207,493)**	**442,309**
Net finance income/(cost)	4,228	(65,090)	(1,318)	(118)	260,183	**197,885**	(214,970)	**(17,085)**
Amortization and depreciation	(12,827)	(465,793)	(717)	(1,065)	(10,516)	**(490,918)**	-	**(490,918)**
(Impairment)/Reversal of impairment of property, plant and equipment and intangible assets, net	(1,037)	1,785	(1,500)	(537)	(1,736)	**(3,025)**	-	**(3,025)**
Reversal of impairment of assets held for sale	-	188	-	-	-	**188**	-	**188**
Adjusted EBITDA*	265,498	624,004	2,830	(3,466)	56,806	**945,672**	7,477	**953,149**
Reversal of impairment/(Impairment) of trade and other receivables, net	(31,880)	(4,126)	(237)	(173)	98,583	**62,167**	-	**62,167**
Segment profit/(loss) after tax	214,152	77,099	(617)	(3,412)	307,814	**595,036**	(207,493)	**387,543**
Employee benefits	(112,603)	(612,326)	-	(17,752)	(31,820)	**(774,501)**	-	**(774,501)**
Capital expenditure	4,564	601,756	24	236	1,060	**607,640**	-	**607,640**
Segment assets	**1,203,027**	**7,531,380**	**44,658**	**98,432**	**768,206**	**9,645,703**	**(1,583,885)**	**8,061,818**
Trade and other receivables	893,180	529,842	109	7,797	165,323	**1,596,251**	(534,016)	**1,062,235**
Cash and cash equivalents	185,423	185,498	4,808	1,715	193,485	**570,929**	-	**570,929**
Restricted cash (short term)	-	-	-	-	320,000	**320,000**	-	**320,000**
Trade and other payables and short term employee benefits	821,440	625,335	27,786	3,579	11,615	**1,489,755**	(515,449)	**974,306**
Bank overdrafts	-	164,966	-	-	-	**164,966**	-	**164,966**
Lease liability	2,782	23,032	-	354	1,454	**27,622**	-	**27,622**
Bank borrowings	-	778,909	-	-	-	**778,909**	-	**778,909**

**Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) for operating segments is defined and calculated as segment profit/(loss) before tax of a given operating segment adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets in the operating segment, ii) impairment of assets held for sale and iii) net finance income in the operating segment. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.*

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

The breakdown of the Electricity distribution reportable segment is as follows:

Year ended 31 December 2020	**Distribution Muntenia Nord**	**Distribution Transilvania Nord**	**Distribution Transilvania Sud**	**Electricity network maintenance**	**Eliminations**	**Total Electricity distribution**
External revenues	459,109	517,727	494,255	15,538	-	**1,486,629**
Inter-segment revenue	466,310	411,154	380,477	117,036	(110,780)	**1,264,197**
Segment revenue	**925,419**	**928,881**	**874,732**	**132,574**	**(110,780)**	**2,750,826**
Segment profit/(loss) before tax	**28,502**	**52,641**	**18,265**	**(6,591)**	**2,277**	**95,094**
Net finance (cost)/income	(21,724)	(21,889)	(22,679)	1,202	-	**(65,090)**
Amortization and depreciation	(136,810)	(154,043)	(151,717)	(25,500)	2,277	**(465,793)**
Reversal of impairment of property, plant and equipment and intangible assets, net	864	85	244	592	-	**1,785**
Reversal of impairment of assets held for sale	-	-	-	188	-	**188**
Adjusted EBITDA*	186,172	228,488	192,417	16,927	-	**624,004**
(Impairment)/Reversal impairment of trade and other receivables, net	(4,525)	(2,341)	1,986	754	-	**(4,126)**
Profit/(loss) after tax	21,648	44,587	16,066	(7,479)	2,277	**77,099**
Employee benefits	(187,077)	(194,933)	(193,455)	(36,861)	-	**(612,326)**
Capital expenditure	199,899	209,180	189,850	2,827	-	**601,756**
Segment assets	**2,524,684**	**2,373,531**	**2,294,695**	**376,770**	**(38,300)**	**7,531,380**
Trade and other receivables	157,211	154,943	158,630	93,000	(33,942)	**529,842**
Cash and cash equivalents	67,351	27,544	76,887	13,716	-	**185,498**
Trade and other payables and short term employee benefits	113,740	262,164	216,908	66,465	(33,942)	**625,335**
Bank overdrafts	-	49,138	115,828	-	-	**164,966**
Lease liability	2,152	885	3,358	16,637	-	**23,032**
Bank borrowings	254,749	241,784	282,376	-	-	**778,909**

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

Year ended 31 December 2019	**Electricity and natural gas supply**	**Electricity distribution**	**External electricity network maintenance**	**Headquarter**	**Total for reportable segments**	**Consolidation eliminations and adjustments**	**Consolidated total**
External revenues	4,734,062	1,519,105	26,667	-	**6,279,834**	-	**6,279,834**
Inter-segment revenue	34,624	1,222,070	5,462	-	**1,262,156**	(1,262,156)	**-**
Segment revenue	**4,768,686**	**2,741,175**	**32,129**	**-**	**7,541,990**	**(1,262,156)**	**6,279,834**
Segment profit/(loss) before tax	**127,133**	**102,742**	**(1,095)**	**261,698**	**490,478**	**(264,435)**	**226,043**
Net finance income/(cost)	3,158	(58,992)	(277)	312,367	**256,256**	(264,435)	**(8,179)**
Amortization and depreciation	(15,149)	(441,785)	(1,206)	(22,133)	**(480,273)**	-	**(480,273)**
Impairment of property, plant and equipment and intangible assets, net	-	(3,441)	-	-	**(3,441)**	-	**(3,441)**
Impairment of assets held for sale	-	(416)	-	-	**(416)**	-	**(416)**
Adjusted EBITDA*	139,124	607,376	388	(28,536)	**718,352**	-	**718,352**
Reversal of impairment/(Impairment) of trade and other receivables, net	5,985	(10,945)	20	-	**(4,940)**	-	**(4,940)**
Segment profit/(loss) after tax	104,046	106,393	(1,008)	261,681	**471,112**	(264,435)	**206,677**
Employee benefits	(81,666)	(492,787)	(16,239)	(29,500)	**(620,192)**	-	**(620,192)**
Capital expenditure	8,959	752,934	559	2,158	**764,610**	-	**764,610**
Segment assets	**1,131,164**	**7,270,810**	**130,554**	**633,104**	**9,165,632**	**(1,348,360)**	**7,817,272**
Trade and other receivables	745,470	455,539	15,053	919	**1,216,981**	(298,499)	**918,482**
Cash and cash equivalents	258,960	167,077	1,192	180,277	**607,506**	-	**607,506**
Restricted cash (long term)	-	-	-	320,000	**320,000**	-	**320,000**
Deposits with maturity date more than three months	-	-	-	66,471	**66,471**	-	**66,471**
Trade and other payables and short term employee benefits	838,054	492,300	4,058	9,771	**1,344,183**	(270,811)	**1,073,372**
Bank overdrafts	-	350,624	-	-	**350,624**	-	**350,624**
Lease liability	1,736	32,542	420	1,809	**36,507**	-	**36,507**
Financing for network construction related to concession agreements and bank borrowings	-	441,306	-	-	**441,306**	-	**441,306**

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

The breakdown of the Electricity distribution reportable segment is as follows:

Year ended 31 December 2019	**Distribution Muntenia Nord**	**Distribution Transilvania Nord**	**Distribution Transilvania Sud**	**Electricity network maintenance**	**Eliminations**	**Total Electricity distribution**
External revenues	443,332	491,367	567,881	16,525	-	**1,519,105**
Inter-segment revenue	433,552	385,533	396,138	166,873	(160,026)	**1,222,070**
Segment revenue	**876,884**	**876,900**	**964,019**	**183,398**	**(160,026)**	**2,741,175**
Segment profit/(loss) before tax	**(2,143)**	**61,366**	**12,671**	**28,572**	**2,276**	**102,742**
Net finance (cost)/income	(19,001)	(22,398)	(18,194)	601	-	**(58,992)**
Amortization and depreciation	(126,044)	(145,346)	(142,753)	(29,918)	2,276	**(441,785)**
(Impairment)/Reversal of impairment of property, plant and equipment and intangible assets, net	(416)	(1,358)	(2,132)	465	-	**(3,441)**
Impairment of assets held for sale	-	-	-	(416)	-	**(416)**
Adjusted EBITDA*	143,318	230,468	175,750	57,840	-	**607,376**
Impairment of trade and other receivables, net	(5,012)	(2,155)	(3,203)	(575)	-	**(10,945)**
Profit/(loss) after tax	(1,643)	53,980	17,928	33,852	2,276	**106,393**
Employee benefits	(159,317)	(148,516)	(167,817)	(17,137)	-	**(492,787)**
Capital expenditure	228,634	231,175	289,195	3,930	-	**752,934**
Segment assets	**2,469,585**	**2,303,039**	**2,173,687**	**407,150**	**(82,651)**	**7,270,810**
Trade and other receivables	146,780	143,733	141,236	99,807	(76,017)	**455,539**
Cash and cash equivalents	73,024	35,394	6,353	52,306	-	**167,077**
Trade and other payables and short term employee benefits	166,738	188,382	166,554	46,643	(76,017)	**492,300**
Bank overdrafts	68,719	166,613	115,292	-	-	**350,624**
Lease liability	4,383	4,976	485	22,698	-	**32,542**
Financing for network construction related to concession agreements and bank borrowings	94,222	123,711	223,373	-	-	**441,306**

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

(c) Reconciliation of information on reportable segments to consolidated amounts

	31 December 2020	31 December 2019
Total assets		
Total assets for reportable segments	9,645,703	9,165,632
Elimination of inter-segment assets	(1,603,551)	(1,368,247)
Unallocated amounts	19,666	19,887
Consolidated total assets	**8,061,818**	**7,817,272**
Trade and other receivables		
Trade and other receivables for reportable segments	1,596,251	1,216,981
Elimination of inter-segment trade and other receivables	(534,016)	(298,499)
Consolidated trade and other receivables	**1,062,235**	**918,482**
Trade and other payables and short term employee benefits		
Trade and other payables and short term employee benefits for reportable segments	1,489,755	1,344,183
Elimination of inter-segment trade and other payables and short term employee benefits	(515,449)	(270,811)
Consolidated trade and other payables and short term employee benefits	**974,306**	**1,073,372**

9 Revenue

	2020	2019
Electricity distribution and supply	5,697,668	5,375,107
Supply of natural gas	42,362	63,329
Construction revenue related to concession agreements (Note 25)	696,246	774,389
Repairs, maintenance and other services rendered	54,472	58,272
Proceeds from sale of green certificates	3,163	-
Re-connection fees	2,673	7,173
Sales of merchandise	4,516	1,564
Total	**6,501,100**	**6,279,834**

In respect to the timing of the revenue recognition, most of the Group's services provided are transferred to the customer over time, only a small part amounting to RON 2,131 thousand (2019: RON 2,090 thousand) being transferred at a point in time (e.g. metering services provided by the distribution companies, providing periodic data analysis to the customer for certain taxes collected on behalf of them).

10 Electricity and natural gas purchased

	2020	2019
Electricity purchased	3,298,325	3,273,474
Green certificates purchased	557,222	518,379
Natural gas purchased	50,158	67,764
Total	**3,905,705**	**3,859,617**

The cost of electricity and natural gas purchased includes the cost of the green certificates purchased by the supply subsidiary which has a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. The cost of green certificates is then invoiced to final customers separately from electricity tariffs.

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

11 Other income and expenses

(a) Other income

	2020	2019
Rental income	93,753	103,677
Late payment penalties from customers	26,872	24,475
Revenues from indemnities	17,153	-
Revenue from notices	6,018	12,587
Other	21,626	19,292
Total	**165,422**	**160,031**

Rental income refers mainly to the rental of the electricity poles by the distribution subsidiary to telecom operators.

Revenues from indemnities consist mainly of the amount of RON 12,827 thousand collected in 2020 by Electrica S.A. from the National Agency of 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 (please refer to Note 34). As at 31 December 2020, the amount was entirely collected from the NAFA. Furthermore, during the year, the supply subsidiary Electrica Furnizare S.A. benefited from the cancellation of ancillary fiscal obligations in the amount of RON 4,326 thousand as a result of the application of the facilities stipulated by the Government Ordinance no. 6/2019.

(b) Other operating expenses

	2020	2019
Other taxes and duties	42,388	101,851
Utilities	40,753	40,787
Printing and distribution of invoices services	38,720	36,943
IT services	29,106	27,149
Security services	27,012	27,220
Meters reading expenses	19,514	25,867
Cash collection services	16,079	16,470
Call centre services	10,678	12,654
Expenses with services from subcontractors	7,989	5,793
Postage and telecommunication services	7,307	11,757
Cleaning expenses	5,145	4,526
Cost of merchandise sold	4,994	2,079
Rent	4,992	18,036
Marketing expenses for the supply activity	4,859	1,257
Sponsorships and donations	3,611	1,692
Expenses with clients notified	1,224	5,917
Other	60,733	41,039
Total	**325,104**	**381,037**

According to ANRE Order no. 1 published on 15 January 2020 the monetary contribution charged by ANRE to holders of licences in 2020 is of 0.2% (as compared to 2% in 2019), applied to the turnover obtained from licensed activities. This led to a decrease in contributions charged by ANRE for both distribution and supply subsidiaries, from RON 55,907 thousand for the year 2019 to RON 10,622 thousand for the year 2020 presented as *Other taxes and duties*.

The decrease in rent expenses is mainly due to lower optical fiber leases contracted from telecom suppliers.

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

12 Net finance result

	2020	2019
Interest income	8,962	13,132
Other finance income	689	986
Total finance income	**9,651**	**14,118**
Interest expense	(20,710)	(12,893)
Interest cost for employee benefits (Note 15)	(5,883)	(7,764)
Foreign exchange losses, net	(143)	(1,640)
Total finance costs	**(26,736)**	**(22,297)**
Net finance cost	**(17,085)**	**(8,179)**

13 Earnings per share

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

Profit attributable to shareholders

	2020	2019
Profit for the year attributable to the owners of the Company	387,543	206,677
Profit attributable to shareholders of the Company	**387,543**	**206,677**

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

	2020	2019
Issued ordinary shares at 1 January (Note 26)	**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, treasury shares (6,890,593 shares) were not treated as outstanding ordinary shares and were deducted from the number of issued ordinary shares.

Earnings per share	2020	2019
Basic and diluted earnings per share (RON)	**1.14**	**0.61**

14 Short-term employee benefits

	31 December 2020	31 December 2019
Personnel payables	52,573	47,796
Current portion of defined benefit liability and other employee benefits	10,420	13,821
Social security charges	24,531	21,808
Tax on salaries	4,768	4,432
Total	**92,292**	**87,857**

For details of the related employee benefit expenses, see Note 16.

In Romania, all employers and employees, as well as other persons, are contributors to the State social security system. The social security system covers pensions, child benefit, temporary inability to 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.

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

15 Post-employment and other long-term employee benefits

The Group 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 Contracts.

Also, in accordance with Government Decisions no. 1041/2003 and no. 1461/2003, the Group provides also, as benefit in kind, free of charge electricity in quantity of KWh 1,200 per year to employees who retired before 30 September 2000 from the companies that belonged to the former Minister of Energy.

From all the Collective Labour Contracts of the Group companies 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 Contracts valid until 31 December 2019 for all subsidiaries and until 31 March 2020 for Electrica SA. Thus, the Group management considers that legally, the companies belonging to the Electrica Group have the obligation to continue to grant the free quota of electricity to the persons retired before 30 September 2000 and who fulfil the conditions stipulated in the Government Decision no. 1041/2003, this right resulting from the stipulations of the Government Decision no. 1041/2003. The free of charge electricity benefit granted to employees who retired from the Group after 30 September 2000 or who will retire in the future from the Group is no longer granted starting with 1 January 2020 in case of all subsidiaries and 1 April 2020 in case of Electrica SA, due to the fact that the aforementioned benefit was expressly excluded from the Collective Labour Contracts.

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 Contracts in force starting 1 January 2020, respectively 1 April 2020, the retirement bonus increased by 1 gross monthly base salary on all three levels of seniority.

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	68,101	59,698
Other long-term employee benefits	86,195	80,547
Total	**154,296**	**140,245**
- Current portion*	10,420	13,821
- Non-current portion	143,876	126,424

***** *included in Personnel payables in Note 14*

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

The following tables shows a reconciliation from the opening balances to the closing balances for the defined benefit liability and other long-term employee benefits and its components. There are no plan assets.

Defined benefit liability	**2020**	**2019**
Balance at 1 January	**59,698**	**112,847**
Included in profit or loss		
Current service cost	4,519	1,243
Past service cost	(346)	(52,647)
Interest cost	2,493	3,765
Included in other comprehensive income		
Remeasurements loss/(gain)		
- Actuarial loss/(gain)	7,152	(291)
Other		
Benefits paid	(5,415)	(5,219)
Balance at 31 December	**68,101**	**59,698**

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

Other long-term employee benefits	**2020**	**2019**
Balance at 1 January	**80,547**	**84,812**
Included in profit or loss		
Current service cost	8,482	2,522
Past service cost	767	-
Actuarial loss/(gain)	1,645	(5,382)
Interest cost	3,390	3,999
Other		
Benefits paid	(8,636)	(5,404)
Balance at 31 December	**86,195**	**80,547**

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

(ii) Actuarial assumptions

The following were the main actuarial assumptions at each 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 electricity price per KWh used for 2021 is RON 0.525110 and for future periods is adjusted with inflation (2019: RON/KWh 0.46506);
- 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.

(b) *Group specific assumptions:*

- For the year 2021 were taken into consideration the salaries' growth rates approved through the agreements signed with the Trade Unions. Starting with the year 2022, salaries' growth is forecasted at the inflation rate;
- Employees' turnover: based on historical data;
- Jubilee and retirement bonuses granted based on seniority as per the collective labour contracts, as follows:

Jubilee bonus based on years of service in the Group

Seniority	**No of gross monthly base salaries**	
	31 December 2020	**31 December 2019**
20 years	1	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

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

Retirement bonus based on years of service in the Group

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

The Group provides also as benefit free of charge electricity in quantity of kWh 1,200 per year to employees who retired before 30 September 2000 who fulfill the conditions stipulated in the Government Decision no. 1041/2003. In the event of pensioner's death, the husband/wife is entitled to receive the same benefit until he/she will marry again.

Termination benefits

(a) Termination benefits for individual lay-offs at the Group's initiative

In accordance with the Collective Labour Contracts concluded between the Group and the Unions, when individual labour contract are terminated at the Group's initiative, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries
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 Group's initiative

For collective lay-offs, according to the Collective Labour Contracts, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries
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 stipulations do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Group's reorganization and restructuring. Employees who are re-employed within the Group after lay-off 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 Group and the Unions and the Addendums to Collective Labour Contracts, in case the individual labour contract is terminated as voluntary redundancy from the employee, the Group pays termination benefits depending on the period to reach the standard retirement age, the period of service in the Group and the seniority. The number of gross monthly base salaries paid as termination benefits vary between 5 and 23.

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

(iii) Sensitivity analysis

Significant actuarial assumptions for the determination of the benefit obligation are the discount rate, expected salary increase and retirement age. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Increase by 1%		Decrease by 1%	
	2020	**2019**	**2020**	**2019**
Discount rate	(13,216)	(11,471)	13,216	11,471
Salary growth	13,561	11,784	(13,561)	(11,784)

	Increase by 1 year		Decrease by 1 year	
	2020	**2019**	**2020**	**2019**
Retirement age	3,367	3,101	(3,367)	(3,101)

The sensitivity analysis presented above may not be representative of the actual change in the benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the benefit obligation liability recognized in the statement of financial position.

16 Employee benefit expenses

	2020	**2019**
Average number of employees	8,053	8,043
Number of employees at 31 December	8,126	8,292

	2020	**2019**
Wages and salaries*	738,009	610,580
Social security contributions	17,133	14,782
Meal tickets	27,080	23,774
Termination benefits	25,751	2,277
Total employees benefits for the year	**807,973**	**651,413**
Capitalised employee benefit expenses	(33,472)	(31,221)
Total employees benefits in the statement of profit or loss	**774,501**	**620,192**

* *Wages and salaries includes also current service cost, defined benefits and other long-term employee benefits.*

Management remuneration is disclosed in *Note 33 b) Related parties*.

17 Income taxes

In determining the amount of current and deferred tax, the Group 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 Group considers that the accounting records for taxes due are adequate for all open tax 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 Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period when such a determination is made.

(i) Amounts recognised in profit or loss

	2020	**2019**
Current tax expense	53,928	25,099
Deferred tax expense/(benefit)	838	(5,733)
Total expense related to income tax	**54,766**	**19,366**

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

(ii) Amounts recognised in other comprehensive income

	2020			2019		
	Before tax	**Tax (expense)/ benefit**	**Net of tax**	**Before tax**	**Tax benefit**	**Net of tax**
Revaluation of land, land improvements and buildings	43,823	(7,931)	35,892	-	-	-
Remeasurement of defined benefit liability	(7,152)	572	(6,580)	291	502	793
Total	**36,671**	**(7,359)**	**29,312**	**291**	**502**	**793**

(iii) Reconciliation of effective tax rate

	2020		2019	
Profit before tax		**442,309**		**226,043**
Tax using Company's domestic tax rate	**16%**	**70,769**	**16%**	**36,167**
Non-deductible expenses	6%	27,453	10%	22,183
Non-taxable income	-5%	(20,537)	-10%	(21,907)
Deduction of legal reserves	-1%	(3,244)	-1%	(3,167)
Other tax effects	0%	(402)	-5%	(11,343)
Recognition of tax effect of previously unrecognised tax losses	-4%	(19,273)	-1%	(2,567)
Income tax expense	**12%**	**54,766**	**9%**	**19,366**

(iv) Movement in deferred tax balances

					Balance at 31 December 2020		
2020	**Net balance at 1 January 2020**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Acquisition of subsidiaries***	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	35,828	(4,876)	7,931	2,874	41,757	-	41,757
Intangible assets related to concession agreements	162,923	8,789	-	-	171,712	-	171,712
Employee benefits	(20,203)	(1,828)	(572)	-	(22,603)	(22,603)	-
Impairment of trade receivables	(19,402)	(1,457)	-	-	(20,859)	(20,859)	-
Tax loss carried forward	(6,959)	395	-	(1,201)	(7,765)	(7,765)	-
Other items	(3,936)	(185)	-	-	(4,121)	(4,121)	-
Tax liabilities/(assets) before set-off	**148,251**	**838**	**7,359**	**1,673**	**158,121**	**(55,348)**	**213,469**
Set off of tax						35,682	(35,682)
Net tax liabilities/(assets)						**(19,666)**	**177,787**

******see Note 32*

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

				Balance at 31 December 2019		
2019	**Net balance at 1 January 2019**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	46,219	(10,391)	-	35,828	-	35,828
Intangible assets related to concession agreements	154,489	8,434	-	162,923	-	162,923
Employee benefits	(17,228)	(2,473)	(502)	(20,203)	(20,203)	-
Impairment of trade receivables	(30,193)	10,791	-	(19,402)	(19,402)	-
Tax loss carried forward	(2,710)	(4,249)	-	(6,959)	(6,959)	-
Other items	3,909	(7,845)	-	(3,936)	(3,936)	-
Tax liabilities/(assets) before set-off	**154,486**	**(5,733)**	**(502)**	**148,251**	**(50,500)**	**198,751**
Set off of tax					30,613	(30,613)
Net tax liabilities/(assets)					**(19,887)**	**168,138**

(v) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the certain tax losses generated by the Company, because it is not probable that future taxable profit will be available against which the entity generating it can use the benefits therefrom.

	2020	2019
Tax losses	371,426	485,358

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

18 Trade receivables

	31 December 2020	31 December 2019
Trade receivables, gross	1,979,348	1,912,119
Bad debt allowance	(949,573)	(1,022,140)
Total trade receivables, net	**1,029,775**	**889,979**

Trade receivables from related parties are presented in Note 33.

Trade receivables, gross, comprise:

	31 December 2020	31 December 2019
Electricity distribution and supply	1,026,525	858,840
Late payment penalties receivable	84,729	83,955
Customers with judicial execution titles	760,229	865,770
Repairs, maintenance and other services	12,624	15,206
Other	95,241	88,348
Total trade receivables, gross	**1,979,348**	**1,912,119**

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

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables in the form of lifetime expected credit losses is as follows:

Lifetime expected credit losses	**2020**	**2019**
Balance as at 1 January	**1,022,140**	**1,025,714**
Loss allowance recognized	60,773	39,023
Decrease in loss allowance	(121,176)	(33,652)
Amounts written off	(12,164)	(8,945)
Balance as at 31 December	**949,573**	**1,022,140**

The aging of trade receivables is presented in Note 31.

Loss allowances are determined according to IFRS 9 "Financial instruments" based on "expected credit loss" model. In applying IFRS 9, the Group has identified 5 clusters of customers based on shared risk characteristics: 3 separate clusters for the distribution subsidiaries and 2 clusters (households and non-households) for the supply subsidiary.

A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Group 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.

Amounts written off refer mainly to clients for which the bankruptcy procedure was finalized.

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 Group recognized in prior years a bad debt allowance for the entire amount receivable. During 2020, the Group adjusted the uncollected VAT in amount of RON 105,042 thousand 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. As the entire amount 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 bad debt allowance was reversed with the same amount.

In the light of the impact generated by COVID-19 pandemic, the Group has identified the probability of default, taking into account a number of factors to ensure that the classification to default is done not only based on the historical expected credit loss but also based on circumstances according to which economic losses are likely to occur. IFRS 9 is based on a set of principles that, by nature are not mechanical and require the application of a certain degree of professional judgement. In applying IFRS 9 as of 31 December 2020, the Group has considered all the information available without undue costs (including forward looking information) that may affect the credit risk of its receivables since original recognition, thus recording a bad debt allowance in amount of RON 60,773 thousand.

19 Deposits with maturity date more than three months

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

As at 31 December 2020, the Group 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%.

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

20 Other receivables

	31 December 2020	**31 December 2019**
VAT receivable	12,565	12,631
Interest receivable	77	159
Other receivables	40,782	38,441
Lifetime expected credit losses	(20,964)	(22,728)
Total other receivables, net	**32,460**	**28,503**

Other receivables include mainly guarantees and receivables to be recovered from state authorities in respect to medical leave indemnities.

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	**22,728**	**23,159**
Loss allowance recognized	237	-
Decrease in loss allowance	(2,001)	(431)
Amounts written off	-	-
Balance as at 31 December	**20,964**	**22,728**

21 Cash and cash equivalents

	31 December 2020	**31 December 2019**
Bank current accounts	179,362	122,033
Call deposits	391,514	485,325
Cash in hand	53	148
Total cash and cash equivalents in the consolidated statement of financial position	**570,929**	**607,506**
Overdrafts used for cash management purposes	(164,966)	(350,624)
Total cash and cash equivalents in the consolidated statement of cash flows	**405,963**	**256,882**
Restricted cash – long-term	**-**	**320,000**
Restricted cash – short-term	**320,000**	**-**

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 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. in amount of RON 320,000 thousand (31 December 2019: RON 320,000 thousand). As the long term borrowings are repayble on 16 October 2021 (see also Note 30), the amount of the collateral deposits as at 31 December 2020 of RON 320,000 thousand is presented in the consolidated statement of financial position as short-term restricted cash.

The Group has overdrafts from various banks (ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, BNP Paribas and Intesa Sanpaolo Bank) with a total overdraft limit of up to RON 1,155,000 thousand and maturities ranging from January 2021 to January 2022. The overdraft facilities are used for financing the current activity. The outstanding balance of the overdraft facilities as at 31 December 2020 is of RON 164,966 thousand (31 December 2019: RON 350,624).

The collateral for these overdrafts is presented in Note 35 c).

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

The following information is relevant in the context of the consolidated statement of cash flows. Non-cash activity includes:

- set-off between trade receivables and trade payables of RON 9,734 thousand in 2020 (2019: RON 47,329 thousand).

22 Assets held for sale

Electrica Serv S.A.'s Board of Directors approved the selling plan of part of their available assets and accordingly, those assets were presented as Assets held for sale, being expected to be sold in the following period. During 2020 were sold a number of 8 assets in amount RON 1,735 thousand.

The assets held for sale comprise:

	31 December 2020	**31 December 2019**
Land and buildings	15,476	17,027
Total assets held for sale	**15,476**	**17,027**

23 Inventories

As at 31 December 2020 and 31 December 2019, inventories are as follows:

	31 December 2020	**31 December 2019**
Spare parts	40,582	42,771
Consumables and other materials	22,672	24,723
Natural gas	1,725	7,118
Other inventories	23,868	19,049
Allowance for impairment of inventories	(18,781)	(19,291)
Total inventories	**70,066**	**74,370**

Inventories include mainly spare parts, consumables and the natural gas storage (applicable only for the supply subsidiary) that was set up according to ANRE's regulations. Spare parts refer mainly to items such as cables, conductors, sockets, switches which are used for the distribution network.

According to ANRE Decision no. 675/23.04.2020, Electrica Furnizare S.A., as holder of a license for the supply of natural gas, had the obligation to store a minimum level of gas in the underground storage deposits until 31 October 2020. Thus, as at 31 December 2020, the remaining quantity of natural gas stored is of MWh 20,307 (31 December 2019: MWh 57,030), amounting to RON 2,762 thousand (31 December 2019: RON 7,118 thousand). The natural gas in storage is valued at net realizable value, an allowance for impairment of RON 2,698 thousand being recorded in this respect during 2020.

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

24 Property, plant and equipment

The movements in property, plant and equipment in 2020 and 2019 are as follows:

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at 1 January 2019	**258,327**	**190,655**	**268,734**	**90,443**	**45,966**	**854,125**
Additions	251	70	6,390	1,559	4,551	**12,821**
Transfer from construction in progress	-	1,281	13,881	2,907	(18,069)	**-**
Transfer to intangible assets	-	-	-	-	(4,503)	**(4,503)**
Transfer to intangible assets related to concession agreements	(25,386)	-	-	-	-	**(25,386)**
Disposals	(2,467)	(3,512)	(1,831)	(1,485)	(203)	**(9,498)**
Reclassification from Assets held for sale (Note 22)	1,661	4,234	-	-	-	**5,895**
Balance at 31 December 2019	**232,386**	**192,728**	**287,174**	**93,424**	**27,742**	**833,454**
Additions	85	157	1,997	1,259	2,986	**6,484**
Transfer from construction in progress	-	1,269	-	622	(1,891)	**-**
Transfer to intangible assets related to concession agreements	(1,442)	-	(213,590)	-	(2,567)	**(217,599)**
Disposals	(920)	(1,471)	(11,419)	(1,048)	(45)	**(14,903)**
Revaluation recognized in other comprehensive income	15,834	27,989	-	-	-	**43,823**
Revaluation recognized in profit or loss	(126)	(2,294)	-	-	-	**(2,420)**
Gross book value netted off against the accumulated depreciation at revaluation	-	(26,563)	-	-	-	**(26,563)**
Acquisition of subsidiary (Note 32)	258	5,333	34,734	1,079	-	**41,404**
Balance at 31 December 2020	**246,075**	**197,148**	**98,896**	**95,336**	**26,225**	**663,680**
Accumulated depreciation and impairment losses						
Balance at 1 January 2019	**-**	**18,528**	**137,442**	**79,771**	**17,206**	**252,947**
Depreciation	-	7,131	26,452	4,160	-	**37,743**
Accumulated depreciation of disposals	-	(1,636)	(1,783)	(1,485)	-	**(4,904)**
Impairment loss	-	-	1,772	-	2,134	**3,906**
Reversal of impairment loss	-	-	-	-	(465)	**(465)**
Reclassification to Assets held for sale (Note 22)	-	129	-	-	-	**129**
Balance at 31 December 2019	**-**	**24,152**	**163,883**	**82,446**	**18,875**	**289,356**
Depreciation	-	5,922	17,058	4,870	-	**27,850**
Accumulated depreciation of disposals	-	(403)	(11,321)	(766)	-	**(12,490)**
Impairment loss	-	1,905	-	-	-	**1,905**
Reversal of impairment loss	-	-	(1,196)	-	(104)	**(1,300)**
Accumulated depreciation netted off against gross book value at revaluation	-	(26,563)	-	-	-	**(26,563)**
Transfer to intangible assets related to concession agreements	-	-	(123,208)	-	-	**(123,208)**
Balance at 31 December 2020	**-**	**5,013**	**45,216**	**86,550**	**18,771**	**155,550**
Net carrying amounts						
At 1 January 2019	**258,327**	**172,127**	**131,292**	**10,672**	**28,760**	**601,178**
At 31 December 2019	**232,386**	**168,576**	**123,291**	**10,978**	**8,867**	**544,098**
At 31 December 2020	**246,075**	**192,135**	**53,680**	**8,786**	**7,454**	**508,130**

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

Tangible assets include mainly land, buildings and equipment.

Transfers to intangible assets related to concession agreements in the net amount of RON 94,391 thousand refer to:
- the AMR system (Automatic Meter Reading) equipment consisting of electricity measuring equipment in amount of RON 92,949 thousand;
- 2 plots of land in the total surface of 28,696.79 sqm in amount of RON 1,442 thousand

that were contributed in kind by Electrica SA 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 (see Note 25).

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

Following the revaluation the gain charged to other comprehensive income was in amount of RON 43,823 thousand and the loss recognized in profit or loss was in amount of RON 2,420 thousand.

Measurement of fair value

The Group's land, land improvements 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 Group's land, land improvements and buildings as at 31 December 2020 were performed by Darian DRS S.A., an independent valuer not related to the Group. 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.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land and land improvements	*Market approach* 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.	• Adjustment for liquidity, location, size.	The estimated fair value would increase/(decrease) if: • Adjustment for liquidity, location or size would be lower/(higher)
Buildings	*Market approach and discounted cash-flows (DCF) method* Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information:		

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
	Market approach 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 for liquidity, location, size etc.	• Adjustment for liquidity, location, size.	• Adjustment for liquidity, location or size would be lower/(higher)
	The DCF method 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.	*Office space rent* • Occupancy rates (between 80% and 90%) • Yield rates (between 7% and 10%) • Annual rent per sqm (between 9 and 19 EUR/sqm), depending on location; *Commercial space rent* • Occupancy rates (between 85% and 90%) • Yield rates (between 7.25% and 11.5%) • Annual rent per sqm (between 10 and 60 EUR/sqm), depending on location;	• Occupancy rates were higher/(lower) • Yield rates were lower/(higher) • Annual rent per sqm was higher/(lower)

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

25 Intangible assets

Intangible assets include mainly intangible assets related to distribution service concession agreements recorded in accordance with IFRIC 12 "Service Concession Arrangements", as well as licenses and costs of SAP ERP implementation, customer management and billing system and other software, as follows:

	Intangible assets related to concession agreements	Software and licenses	Intangible assets in progress	Total
Gross book value				
Balance at 1 January 2019	**8,159,747**	**184,094**	**2,150**	**8,345,991**
Additions	749,003	2,786	-	751,789
Transfers from property, plant and equipment	25,386	-	-	25,386
Transfers from intangible assets in progress	-	481	(481)	-
Transfers from property, plant and equipment in progress	-	4,503	-	4,503
Disposals	-	(440)	-	(440)
Balance at 31 December 2019	**8,934,136**	**191,424**	**1,669**	**9,127,229**
Additions	598,930	2,226	-	601,156
Transfers from property, plant and equipment	91,824	-	-	91,824
Transfers from intangible assets in progress	-	302	(302)	-
Transfers from property, plant and equipment in progress	2,567	-	-	2,567
Reclassification to intangible assets related to concession agreements	4,503	(4,503)	-	-
Disposals	-	(770)	-	(770)
Balance at 31 December 2020	**9,631,960**	**188,679**	**1,367**	**9,822,006**
Accumulated amortization and impairment losses				
Balance at 1 January 2019	**3,349,407**	**172,345**	**-**	**3,521,752**
Amortization	396,574	7,778	-	404,352
Accumulated amortization of disposals	-	(440)	-	(440)
Balance at 31 December 2019	**3,745,981**	**179,683**	**-**	**3,925,664**
Amortization	429,216	5,498	-	434,714
Reclassification to intangible assets related to concession agreements	1,578	(1,578)	-	-
Accumulated amortization of disposals	-	(770)	-	(770)
Balance at 31 December 2020	**4,176,775**	**182,833**	**-**	**4,359,608**
Net carrying amounts				
At 1 January 2019	**4,810,340**	**11,749**	**2,150**	**4,824,239**
At 31 December 2019	**5,188,155**	**11,741**	**1,669**	**5,201,565**
At 31 December 2020	**5,455,185**	**5,846**	**1,367**	**5,462,398**

The distribution subsidiaries (as operators) that merged into one single distribution operator as of 31 December 2020 concluded concession contracts with the Ministry of Economy concerning the operation of electricity distribution service in the established territory (Transilvania Nord, Transilvania Sud, Muntenia Nord), on the risk and responsibility of the operator and taking into account the technical regulations applicable to the operation, modernization, rehabilitation and development of energy distribution networks specified in the Electricity Law, the terms and conditions of the licenses for electricity distribution and the regulations issued by ANRE.

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

The distribution operator resulting from the merger of the three distribution operators within the Group, Distributie Energie Electrica Romania concluded addendums to the concession agreements signed with the Ministry of Economy for the operation of electricity distribution service in all three areas starting with 1 January 2021, taking over all the rights and obligations from the three former electricity distribution companies.

The Group applies IFRIC 12 for the accounting of the transactions under these concession contracts. (See further details in Notes 4, 6(b) and 6(k)).

For the year ended 31 December 2020, the Group has recognized construction revenue related to the concession agreements of RON 696,246 thousand (2019: RON 774,389 thousand) and construction costs of RON 675,967 thousand (2019: RON 759,205 thousand).

The main information related to the current concession contracts agreements and the intangible assets amounts recognized for each network distribution area is summarized below:

Network distribution areas	Contract date	Concession period (years)	Contract expiry date	Concession period remaining (years)	Renewal option	Net carrying amount at 31 December 2020	Net carrying amount at 31 December 2019
Muntenia Nord area	2005	49	2054	34	Yes	1,893,208	1,804,375
Transilvania Nord area	2005	49	2054	34	Yes	1,810,611	1,703,247
Transilvania Sud area	2005	49	2054	34	Yes	1,751,366	1,680,533
Total						**5,455,185**	**5,188,155**

The concession contracts can be prolonged for a period up to half of the initial established period of 49 years.

The expenditure in relation to the development and modernization of the infrastructure incurred in 2020 refers mainly to:

- Modernization of the current transformer points and stations, current underground and overhead power lines in amount of RON 165,480 thousand (2019: RON 177,590 thousand);
- Modernization and inclusion in SCADA (which is an automatic control system which monitors the equipment) of transformers points and stations, in amount of RON 78,980 thousand (2019: RON 68,490 thousand);
- Acquisition of own car fleet, including utilities vehicles and specialized vehicles in amount of RON 56,220 thousand; (2019: RON 30,810 thousand);
- Significant construction works of new transformer stations, new underground and overhead power lines in amount of 2020: RON 36,470 thousand (2019: RON 37,130 thousand);
- Investments related to improvements for electricity distribution network in amount of RON 51,190 thousand (2019: RON 16,420 thousand).

The Group collects cash from customers as connection fees which is only used for the construction of connection stations. The Group recognizes the assets at nil value, net of the amount of the deferred income representing the contributions from customers. As at 31 December 2020, the Group held assets financed from the connection fees charged from customers in the amount of RON 2,084,610 thousand (31 December 2019: RON 1,933,059 thousand). Additions of assets built from the connection fees amount to a gross book value of RON 255,752 thousand (2019: RON 239,957 thousand) (see further details in Notes 6(l)).

Transfers from property, plant and equipment in the amount of RON 94,391 thousand refer to:
- the AMR system (Automatic Meter Reading) equipment consisting of electricity measuring equipment in amount of RON 92,949 thousand;
- 2 plots of land in the total surface of 28,696.79 sqm in amount of RON 1,442 RON

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

that were contributed in kind by Electrica SA 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 (see Note 24).

26 Capital and reserves

(a) Share capital and share premium

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 Depositary 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 depositary receipts (GDRs). A global depositary receipt represents four shares. The Bank of New York Mellon is the depositary 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 treasury shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equally and confer equal rights to the net assets of the Company's, 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.

The share premium resulted at IPO was RON 171,128 thousand. The transaction costs of RON 68,079 thousand 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 in cash contribution, with the amount of RON 5,037 thousand, from the amount of RON 3,459,399 thousand to the amount of RON 3,464,436 thousand, 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 were in amount of RON 964 thousand. Also, the Company recorded gains referring to share issue of RON 2,186 thousand, 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 Depositary Receipts, equivalent to 1,684,000 shares (totalling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depositary Receipts was RON 75,372 thousand.

(c) Revaluation reserve

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

	2020	2019
Balance at 1 January	**87,665**	**108,704**
Revaluation surplus of land, land improvements and buildings	43,823	-
Deferred tax liability arising on revaluation of land, land improvements and buildings	(7,931)	-
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(7,185)	(21,039)
Balance as at 31 December	**116,372**	**87,665**

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

As at 31 December 2020, the Group performed the revaluation of land, land improvements and buildings at fair value. The previous revaluation was performed as at 31 December 2017 (please see Note 24).

(d) Legal reserves

Legal reserves are set up as 5% of the gross profit for the year in the statutory individual financial statements of the companies within the Group, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

	Legal reserves
Balance at 1 January 2019	**352,038**
Set-up of legal reserves	19,795
Balance at 31 December 2019	**371,833**
Set-up of legal reserves	20,443
Balance at 31 December 2020	**392,276**

(e) Dividends

Romanian companies may distribute dividends from statutory profits, according to the separate financial statements prepared in accordance with Romanian accounting regulations.

The dividends declared by the Company in 2020 and 2019 (from the statutory profits of previous years) are as follows:

	Distribution of dividends	
	2020	**2019**
To the owners of the Company	246,108	247,506
Total	**246,108**	**247,506**

On 29 April 2020 the General Shareholders Meeting of the Company approved dividend distribution of RON 246,108 thousand (2019: RON 247,506 thousand). The dividend per share distributed is 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 thousand (2019: RON 247,506 thousand), the dividends paid were of RON 245,780 thousand (2019: RON 247,198 thousand) the remaining difference represents dividends uncollected by the shareholders.

27 Trade payables

	31 December 2020	31 December 2019
Electricity suppliers	373,563	446,161
Capital expenditure suppliers	138,391	183,372
Other suppliers	95,241	100,922
Total	**607,195**	**730,455**

Electricity suppliers are mainly state-owned electricity producers, as detailed in Note 33, but also other participants to the electricity market.

Other suppliers include suppliers of services, materials, consumables, etc.

28 Other payables

	31 December 2020		31 December 2019	
	Current	**Non-current**	**Current**	**Non-current**
VAT payable	128,450	-	107,546	-
Liabilities towards the State	6,820	-	10,478	-
Other liabilities	105,676	33,873	100,261	36,775
Total	**240,946**	**33,873**	**218,285**	**36,775**

Other liabilities include mainly guarantees, sundry creditors, connection fees, habitat tax and cogeneration contribution. Other non-current liabilities refer to guarantees from customers related to electricity supply.

29 Provisions

	Tax related	Other	Total
Balance at 1 January 2020	**1,592**	**17,966**	**19,558**
Provisions recognized	-	4,710	4,710
Provisions utilised	-	(200)	(200)
Provisions reversed	(392)	(4,438)	(4,830)
Balance at 31 December 2020	**1,200**	**18,038**	**19,238**

As at 31 December 2020, provisions refer mainly to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause amounting to RON 6,139 thousand (31 December 2019: RON 5,792 thousand) and for various claims and litigations involving the Group companies in amount of RON 13,099 thousand (31 December 2019: RON 13,766 thousand).

30 Long-term bank borrowings

Drawings, respectively takeovers and repayments of borrowings during the year ended 31 December 2020 were as follows:

	Currency	Interest rate	Maturity year	Amount (RON thousand)
Balance at 1 January 2020				**440,298**
Drawings/takeovers of borrowings during the period, out of which:				
BRD	RON	3.99%	2026	115,903
UniCredit Bank	RON	3.85%	2026	50,573
Banca Transilvania	RON	4.59%	2027	28,264
BCR	RON	ROBOR 3M+1%	2028	49,855
BRD	RON	3.85%	2028	69,528
BRD	RON	3.85%	2028	40,260
BCR (Note 32)	EUR	EURIBOR 6M+5.75%	2026	12,509
Total drawings/takeovers				**366,892**
Accumulated interest				795
Payment of interest				(38)
Exchange rate differences				92
Reimbursements, out of which:				
Banca Transilvania	RON	4.59%	2027	(8,929)
UniCredit Bank	RON	3.85%	2026	(2,400)
BRD	RON	3.99%	2026	(5,200)
BCR	EUR	EURIBOR 6M+5.75%	2026	(12,601)
Balance at 31 December 2020				**778,909**

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

As at 31 December 2020, respectively 31 December 2019, the long term portion of bank borrowings is as follows:

Lender	**Borrower**	**Balance at 31 December 2020**	**Balance at 31 December 2019**
BRD	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	80,000	80,000
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	114,000	114,000
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	126,000	126,000
Banca Transilvania	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	116,086	96,751
UniCredit Bank	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	58,201	9,432
BRD	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	124,800	14,115
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	69,584	-
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	40,289	-
BCR	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	49,949	-
Total		**778,909**	**440,298**
Less: current portion of the long-term bank borrowings		(377,818)	(7,474)
Less: accumulated interest		(795)	(38)
Total long-term borrowings, net of current portion		**400,296**	**432,786**

a) Investment loans granted by BRD – Groupe Societe Generale

On 17 October 2016, the Company's distribution subsidiaries (Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A.) concluded long term loan contracts with BRD – Groupe Societe Generale, in which Electrica SA has the quality of guarantor. These are fully reimbursable at maturity (16 October 2021). The loans are subject to a fixed interest rate of 0.02% per annum. As at 31 December 2020, the outstanding balance is of RON 320,000 thousand (31 December 2019: 320,000 thousand) (see also see Note 21).

b) Investment loan granted by Banca Transilvania

On 18 July 2019, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with Banca Transilvania an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 125,000 thousand; Interest rate: fixed, 4.59% per annum; Reimbursements: quarterly instalments until 30.06.2027; Grace period: 12 months. As at 31 December 2020, the outstanding balance is of RON 116,086 thousand, of which RON 116,071 thousand principal and RON 15 thousand accrued interest (31 December 2019: RON 96,751 thousand).

c) Investment loan granted by Unicredit Bank

On 13 November 2019, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with Unicredit Bank an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 60,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 13.11.2026; Grace period: 12 months. As at 31 December 2020, the outstanding balance is of RON 58,201 thousand, of which RON 57,600 thousand principal and RON 601 thousand accrued interest (31 December 2019: RON 9,432 thousand).

d) Investment loan granted by BRD – Groupe Societe Generale

On 29 October 2019, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 130,000 thousand; Interest rate: fixed, 3.99% per annum; Reimbursements: quarterly instalments until 28.10.2026; Grace period: 12 months. As at 31 December 2020, the outstanding balance is of RON 124,800 thousand (31 December 2019: RON 14,115 thousand).

e) Investment loan granted by BRD – Groupe Societe Generale

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 100,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2020, the outstanding balance is RON 69,584 thousand, of which RON 69,528 thousand principal and RON 56 thousand accrued interest.

f) Investment loan granted by BRD – Groupe Societe Generale

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A. as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 80,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2020, the outstanding balance is RON 40,289 thousand, of which RON 40,260 thousand principal and RON 29 thousand accrued interest.

g) Investment loan granted by Banca Comerciala Romana

On 17 September 2020, Societatea de Distributie a Energiei Electrica Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower and Electrica SA as a guarantor, concluded with Banca Comerciala Romana S.A. an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: Ron 155,000 thousand; Interest rate: ROBOR 3M+1% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2020, the outstanding balance is RON 49,949 thousand, of which RON 49,855 thousand principal and RON 94 thousand accrued interest.

h) Investment loan granted by Banca Comerciala Romana

As of 31 August 2020, as a consequence of the purchase of the photovoltaic park owned by Electrica Energie Verde 1 (former Long Bridge Milenium SRL), the Group took over a loan agreement concluded by Long Bridge Milenium in 2013 with BCR. Main provisions are: Maximum loan amount: EUR 7,750 thousand; Interest rate: EURIBOR 6M+5.75% per annum; Reimbursements: quarterly instalments until 2026. As at 31 December 2020, the outstanding balance of the loan is nil, as the Electrica Energie Verde 1 has fully reimbursed in advance the loan.

All financial covenants specified in the long-term borrowing contracts have been fulfilled as at 31 December 2020, respectively as at 31 December 2019.

31 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.

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

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

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

These risks are further explained and detailed.

(i) Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Group had a high credit risk mainly from State-owned companies.

Cash and bank deposits are placed in financial institutions which are considered to have low risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Group's credit risk in respect of receivables was concentrated in the past around state-controlled companies and in the recent years refers to clients that are facing financial difficulties in their industries due to specific changes in circumstances in their industry sector. The Group has implemented a policy on credit risk management and is also considering securing trade receivables. Also, the electricity supply contracts include termination clauses in certain circumstances.

The Group 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 credit loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	2%	812,855	(13,053)	799,802	No
Past due 1-30 days	1%	163,436	(2,285)	161,151	No
Past due 31-60 days	12%	48,993	(5,822)	43,171	No
Past due 61-90 days	33%	17,450	(5,679)	11,771	No
Past due more than 90 days	99%	936,614	(922,734)	13,880	Yes
Total		**1,979,348**	**(949,573)**	**1,029,775**	

The Group performed a sensitivity analysis and a 5% increase in the expected credit loss rates would not lead a material impact on the results of the Group.

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

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2019:

	31 December 2019				
	Expected credit loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	2%	705,896	(10,774)	695,122	No
Past due 1-30 days	2%	154,496	(2,577)	151,919	No
Past due 31-60 days	12%	34,625	(4,155)	30,470	No
Past due 61-90 days	33%	6,336	(2,075)	4,261	No
Past due more than 90 days	99%	1,010,766	(1,002,559)	8,207	Yes
Total		**1,912,119**	**(1,022,140)**	**889,979**	

Details of the main movements in the allowances for doubtful debts are disclosed in Note 18.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts (refer to Note 21).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

		Contractual cash flows				
Financial liabilities	**Carrying amount**	**Total**	**less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
31 December 2020						
Bank overdrafts	164,966	164,966	164,966	-	-	-
Lease liability	27,622	27,622	10,747	6,806	9,961	108
Long term bank borrowings	778,909	778,909	378,613	70,817	212,453	117,026
Trade payables	607,195	607,195	607,195	-	-	-
Total	**1,578,692**	**1,578,692**	**1,161,521**	**77,623**	**222,414**	**117,134**
31 December 2019						
Bank overdrafts	350,624	350,624	350,624	-	-	-
Financing for network construction related to concession agreements	1,008	1,008	1,008	-	-	-
Lease liability	36,507	36,507	26,900	7,204	1,273	1,130
Long-term bank borrowings	440,298	440,298	7,512	337,647	52,938	42,201
Trade payables	730,455	730,455	730,455	-	-	-
Total	**1,558,892**	**1,558,892**	**1,116,499**	**344,851**	**54,211**	**43,331**

(iii) Market risk

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

Currency risk

The Group 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 Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

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

Exposure to currency risk

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

	31 December 2020	**31 December 2019**
in thousands of RON	denominated in EUR	denominated in EUR
Cash and cash equivalents	3,347	310
Financing for network construction related to concession agreements	-	(1,008)
Lease liability	(24,472)	(35,388)
Net statement of financial position exposure	**(21,125)**	**(36,086)**

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

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

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit before tax	
Effect	**Strengthening**	**Weakening**
31 December 2020		
EUR (5% movement)	(1,056)	1,056
31 December 2019		
EUR (5% movement)	(1,804)	1,804

Interest rate risk

For financing purposes, the Group uses both medium and long-term bank loans and short term loans in the form of overdraft facilities (please see Notes 21, 30).

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings (please see Notes 21, 30), as the long term borrowings are contracted mainly at fixed rates, while the overdraft facilities bear variable rates. The Group does not have in place hedging contracts for interest rate.

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

The Groups exposures to interest rates on financial assets and financial liabilities are detailed below. The Group is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market.

Exposure to interest rate risk

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

	31 December 2020	**31 December 2019**
Fixed-rate instruments		
Financial assets		
Call deposits	391,514	485,325
Deposits with maturity date more than three months	-	66,471
Financial liabilities		
Financing for network construction related to concession agreements	-	(1,008)
Long-term bank borrowings	(728,960)	(440,298)
Lease liability	(9,070)	(16,024)
	(346,516)	**94,466**
Variable-rate instruments		
Financial liabilities		
Lease liability	(18,552)	(20,483)
Long-term bank borrowings	(49,949)	-
Bank overdrafts	(164,966)	(350,624)
	(233,467)	**(371,107)**

Fair value sensitivity analysis for fixed-rate instruments

The Group 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.

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	(1,167)	1,167
31 December 2019		
Variable-rate instruments	(1,856)	1,856

32 Acquisition of subsidiaries

On 23 June 2020, Electrica Furnizare S.A. signed a share purchase agreement for the acquisition of 100% of Electrica Energie Verde 1 S.R.L. (former Long Bridge Milenium S.R.L.) a company that owns a photovoltaic park located in Stanesti, Giurgiu County, with an installed capacity of 7.5 MW (operational power limited at 6.8 MW). The photovoltaic park was built between October 2012 and January 2013 and has been delivering electricity into the national grid since February 2013.

Closing of the transaction and the transfer of shares' ownership to Electrica Furnizare S.A. took place on 31 August 2020, the purchase price of the shares being of RON 7,830 thousand (equivalent of EUR 1,617,940), based on the fair value report as of acquisition date. On 30 October 2020, the purchase price was adjusted in accordance with the purchase agreement based on the financial results of the acquired company as at 31 August 2020, the final price being RON 8,006 thousand (equivalent of EUR 1,637,515 and fees of EUR 17,318).

Amongst various elements of the transaction, Electrica Furnizare S.A. also took over the loans granted by the former shareholders of Electrica Energie Verde 1 S.R.L. to the acquired company, in amount of RON 18,473 thousand (equivalent of EUR 3,817,749).

The acquisition of Electrica Energie Verde 1 S.R.L. will allow the Group to enter the renewable energy market having the main purpose of increasing the Group's profitability. From the acquisition date until 31 December 2020, Electrica Energie Verde 1 S.R.L. had a contribution to the Group revenues in amount of RON 3,736 thousand and net profit of RON (617) thousand. If the acquisition date would have been the beginning of the period, the Group revenues would have been higher by RON 4,500 thousand and net profit of the Group would have been higher by RON 135 thousand.

For the acquisition of the share capital of Electrica Energie Verde 1 S.R.L., Electrica Furnizare S.A. paid the total amount of:

	(RON thousand)
Purchase price of shares	8,006
Settlement of former shareholders loan	18,473
Total	**26,479**

For the settlement of former shareholders loans, Electrica Furnizare S.A. paid the loans granted by the former shareholders Electrica Energie Verde 1 S.R.L. in amount of RON 18,473 thousand, the equivalent of the outstanding balance of EUR 3,817,749 at the transaction date.

The assets and liabilities of Electrica Energie Verde 1 S.R.L. taken over in the consolidation perimeter at the date when the control was obtained by the Group (31 August 2020) were as follows:

	Long Brige Milenium as at 31 August 2020
Property, plant and equipment	41,404
Other intangible assets	73
Trade and other receivables	253
Cash and cash equivalents	5,577
Other current assets	951
Total assets	**48,258**
Long-term bank borrowings	(12,509)
Deferred tax liability	(1,673)
Trade and other payables	(120)
Total liabilities	**(14,302)**
Net assets acquired	**33,956**
Consideration paid	**(26,479)**
Gain from bargain purchase of subsidiaries	**7,477**

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

The bargain purchase resulted is due to the fact that the Group would obtain specific synergies by integrating the production subsidiary with the existing supply company, which otherwise wouldn't have been seen in the value of the company acquired on a separate individual basis. This is the main reason for the lower consideration paid as compared to the fair value of the net assets acquired.

The gain from bargain purchase was recognised in the consolidated statement of profit and loss for the year ended as at 31 December 2020.

33 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
Executive Management compensation	29,072	25,790

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

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

	2020	2019
Members of Board of Directors	2,568	2,650

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

No loans were granted to directors or administrators in 2020 and 2019.

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

The Group has transactions with companies in which the State has control or significant influence in the ordinary course of business, related mainly to the acquisition of electricity, transport and system services and sale of electricity. Significant purchases and balances are mainly with energy producers/suppliers, as follows:

	Purchases (without VAT)		Balance (including VAT)	
Supplier	**2020**	**2019**	**31 December 2020**	**31 December 2019**
Transelectrica	680,258	457,070	113,059	92,691
Nuclearelectrica	528,652	383,990	61,848	29,987
Hidroelectrica	476,845	343,266	34,471	26,835
Complexul Energetic Oltenia	304,218	361,135	37,350	36,269
OPCOM	272,246	528,191	4,209	4,164
Electrocentrale Bucuresti	116,530	117,782	-	1,285
ANRE	10,882	55,948	176	3,909
Others	9,347	15,014	1,779	2,536
Total	**2,398,978**	**2,262,396**	**252,892**	**197,676**

The Group also makes sales to companies in which the State has control or significant influence representing supply of electricity, of which the most important transactions are the following:

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

	Sales (without VAT)	**Balance, gross (including VAT)**	**Allowance (including VAT)**	**Balance, net**
Client	**2020**	**31 December 2020**		
OPCOM	60,549	3,634	-	3,634
Transelectrica	41,175	7,841	-	7,841
C.N.C.F CFR SA	40,967	5,191	-	5,191
SNGN Romgaz SA	37,501	1,246	-	1,246
CN Romarm	12,457	641	-	641
Hidroelectrica	9,138	598	-	598
Municipiul Galati	8,575	1,731	-	1,731
CFR Electrificare	7,517	420	-	420
Transgaz	3,738	12	-	12
CNAIR	1,569	-	-	-
ANAR - Adm. Nat. Apele Romane	1,436	-	-	-
CN Remin SA	549	71,215	(71,215)	-
CET Braila	7	3,361	(3,361)	-
Termoelectrica	-	1,217	(1,217)	-
Oltchim	-	565,484	(565,484)	-
C.N.C.A.F. MINVEST SA	-	26,802	(26,802)	-
Others	31,008	1,453	(493)	960
Total	**256,186**	**690,846**	**(668,572)**	**22,274**

	Sales (without VAT)	**Balance, gross (including VAT)**	**Allowance (including VAT)**	**Balance, net**
Client	**2019**	**31 December 2019**		
Transelectrica	32,173	3,347	-	3,347
OPCOM	29,617	4,343	-	4,343
Hidroelectrica	14,905	1,840	-	1,840
SNGN Romgaz SA	14,382	1,445	-	1,445
CN Romarm	12,700	1,479	-	1,479
C.N.C.F CFR SA	11,871	2,203	-	2,203
CFR Electrificare	7,859	1,654	-	1,654
Cupru Min SA Abrud	5,525	-	-	-
CNAIR	2,851	-	-	-
CN Posta Romana SA	2,782	266	-	266
Transgaz	1,989	79	-	79
ANAR - Adm. Nat. Apele Romane	1,404	11	-	11
Baita SA	1,068	68	-	68
CN Remin SA	553	71,260	(71,260)	-
Termoelectrica	150	1,217	(1,217)	-
CET Braila	18	4,075	(4,075)	-
Oltchim	-	670,526	(670,526)	-
C.N.C.A.F. MINVEST SA	-	26,802	(26,802)	-
Others	21,940	2,259	(563)	1,696
Total	**161,787**	**792,874**	**(774,443)**	**18,431**

34 Contingencies

Contingent assets

With the acquisition of Electrica Energie Verde 1 (former Long Bridge Milenium S.R.L) (please refer to Note 32), the Group took over the balance of green certificates existing at the acquisition date, respectively 31 August 2020.

The photovoltaic park receives a number of six green certificates for each MWh of electricity produced and delivered, out of which for the period 2013-2020, two green certificates were postponed for trading, following to be recovered in equal tranches from 1 January 2021 to 31 December 2030.

Green certificates are recognized at the time of the sale, while the existing balance of green certificates at period end is a contingent asset, which is not recognized.

At 31 December 2020, Electrica Energie Verde 1 SRL holds a total of 148,581 green certificates, out of which 139,805 are postponed for trading and the remaining 8,776 are tradeable green certificates. The total value of the green certificates held by Electrica Energie Verde 1 S.R.L. is RON 21,130 thousand, valued at the weighted average trading price of RON/GC 142.2107, as published by the operator of the green certificate market (OPCOM).

Contingent liabilities

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 demonstrate inconsistency in interpretation of the law.

Income tax returns may be subject to revision and corrections by tax authorities, generally for a five-year period after they are completed.

The Group may incur expenses related to previous years' tax adjustments as a result of controls and litigations with tax authorities. The management of the Group believes that adequate provisions were recorded in the consolidated financial statements for all significant tax obligations; however a risk persists that the tax authorities might have different positions.

Tax inspection report for SDEE Muntenia Nord S.A.

The subsidiary SDEE Muntenia Nord S.A. was subject to a tax audit performed by the Local Taxes Department of Galati City Hall that referred to the building taxes paid for the period 2012-2016. The tax audit was finalized in December 2019, when the fiscal inspection report was communicated to the subsidiary. The fiscal report established additional payment obligations for the subsidiary representing building tax for the period 01.01.2012-31.12.2015 in the total amount of RON 24,831 thousand, of which principal in amount of RON 12,051 thousand and related late penalties computed as of October 2019, in amount of RON 12,780 thousand. Against Galati City Hall, SDEE Muntenia Nord S.A. filed a legal request registered at Ploiesti Court of Appeal, with the next term on 17 March 2021.

The Group recognised an expense in amount of RON 12,051 thousand during the year ended 31 December 2019 in accordance with IFRIC 23 *„Uncertainty over Income Tax Treatments"*.

Tax inspection report for Electrica Serv S.A.

In May 2017 a tax inspection at Electrica Serv S.A. was finalized and the tax authorities concluded that additional tax obligations of RON 12,281 thousand should be paid by the subsidiary. This amount represents VAT (including related interest and penalties) that was considered tax deductible in the period 2012-2013 by the subsidiary in relation with certain invoices issued by a lease supplier who was inactive at that time. The company appealed in Court the measures imposed by the tax authorities. On 3 July 2019 the Bucharest Court of Appeal partially admitted the appeal through the partial annulment of the fiscal decision for the amount of RON 7,264 thousand representing the VAT and the related interest and penalties, unlawfully retained as non-deductible. Against this decision, on 27 November 2020 NAFA filed an appeal, which is in the filter procedure at the High Court of Cassation and Justice.

As at 31 December 2020 and 31 December 2019, the Group has a receivable from the fiscal authorities in amount of RON 12,281 thousand, without a related bad debt allowance, taking into account that management's best estimate is that Electrica Serv S.A. shall be able to obtain a favourable final Court decision in this case.

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

In May 2017, after the revision of Electica's tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,249 thousand as a result of certain tax record allocations for prior periods. Electrica 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 thousand.

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 Group. 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 16,916 thousand 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.

Morevover, 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 39,249 thousand 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, the Group did not recognize any provision in this respect, taking into account that management's best estimate is that Electrica SA shall be able to obtain a final favourable Court decision in this case.

During 2020, the Group recognized revenues from indemnities in the amount of RON 12,827 thousand (please refer to Note 11) 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 Group no longer has a contingent liability of RON 39,249 thousand 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 Group 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 29, the Group 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 Group 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.

The Group discloses if the case information on the most significant items of litigations or claims for which the Group 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 Group (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 respect to the litigation in which Electrica SA 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 thousand and the amount of EUR 458,381 thousand 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:

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

- 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.

35 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 electricity	2,067,439	1,870,832
Purchase of green certificates	402,341	172,181
Purchase of property, plant and equipment and intangible assets	141,033	426,643
Total	**2,610,813**	**2,469,656**

(b) Investment program

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

	2021
Distribution activity	638,900
Supply activity	51,186
Maintenance activity	11,561
Other/ shared	10,727
Total	**712,374**

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

(c) Guarantees and pledges

At 31 December 2020 and 31 December 2019, the Group has guarantees on its bank accounts opened at ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania and Intesa Sanpaolo Bank for the overdrafts contracted (please see Note 21), and also on its bank accounts opened at BRD – Group Societe Generale, Unicredit Bank, Banca Transilvania and Banca Comerciala Romana for the long-term borrowings contracted (please see Note 30).

At 31 December 2020, the Group has outstanding bank letters of guarantee of RON 607,735 thousand (31 December 2019: RON 567,967 thousand) issued in favour of its suppliers.

36 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 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.

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

Change in distribution tariffs starting 1 January 2021

According to ANRE orders, the specific tariffs for the electricity distribution service applicable starting with 1 January 2021 are the following:

- ANRE Order no. 220/09.12.2020 regarding the approval of the specific tariffs for electricity distribution service and of the price for reactive electricity for Muntenia Nord area;
- ANRE Order no. 221/09.12.2020 regarding the approval of the specific tariffs for electricity distribution service and of the price for reactive electricity for Transilvania Nord area;
- ANRE Order no. 222/09.12.2020 regarding the approval of the specific tariffs for electricity distribution service and of the price for reactive electricity for Transilvania Sud area.

The orders were published in the Official Gazette of Romania, part I, no. 1216/11.12.2020.

According to the ANRE Orders, the specific tariffs for the electricity distribution service for applicable starting with 1 January 2021, compared to those applicable starting with 16 January 2020 (the last time they were modified), are the following (RON/MWh, presented cumulatively for medium and low voltage levels):

	Order 221,222,220/09.12.2020			**Order 8,9,7/15.01.2020**		
	Starting with 01 January 2021			**16 January-31 December 2020**		
	High voltage	Medium voltage	Low Voltage	High Voltage	Medium voltage	Low voltage
Transilvania Nord area	19.23	66.35	173.93	18.77	64.31	168.91
Transilvania Sud area	22.23	67.47	178.78	20.31	61.34	165.90
Muntenia Nord area	18.72	56.87	184.75	16.68	53.16	177.06

Chief Executive Officer
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Chief Financial Officer
Mihai Darie

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4 March 2021