

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders,  
SOCIETATEA ENERGETICA ELECTRICA S.A.

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

1. We have audited the consolidated financial statements of SOCIETATEA ENERGETICA ELECTRICA S.A. and its subsidiaries (the Group), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.
2. The financial statements as at December 31, 2020 are identified as follows:
  - Net assets / Equity RON 5,760,274 thousand
  - Net profit for the financial year RON 387,543 thousand
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

#### Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of Retail accrued revenue, related to electricity supplied to households</i></p> <p>The Group recognizes at the end of each reporting period accrued revenue from the energy supply activity, related to the household population. If the actual meter readings are not available at the end of the reporting period, energy supplied to households is estimated based on internal information related to historical patterns of consumption. The degree of estimation uncertainty reduces from one period to another, however judgement is inherent in the valuation of the accrued revenue related to the household population.</p> <p>The Group operates in 3 different geographical areas in Romania and the tariffs provided by the Romanian Energy Regulatory Authority (“ANRE”) for the regulated supply market are different from one region to the other.</p> <p>Because of the significance of the estimations around the accrued revenue related to the households and the inability of relying on the effectiveness of the controls, we consider the valuation of retail accrued revenue, related to households a key audit matter.</p>	<p>The group has a number of IT systems across the businesses and we were not able to rely on the effectiveness of IT controls within the revenue cycle. The audit procedures adopted were substantive in nature and included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the accounting policies used in the preparation of the consolidated financial statements, with respect to revenue recognition;</li> <li>• Testing the reconciliation made by the Group between the quantity of electricity purchased for supply purposes and the quantity of electricity delivered from the supply activity;</li> <li>• Testing the acquired electricity for supply purposes through a combination of direct confirmations received from the electricity producers and other supporting documents;</li> <li>• Testing the revenues related to electricity supplied to industrial customers on the free market through a combination of direct confirmations and other supporting documents;</li> <li>• Testing the revenues related to electricity supplied to all customers on the regulated market by means of independent re-computation of the revenues, using the regulated tariffs as published by the market regulator.</li> <li>• Performing analytical procedures on all electricity sales.</li> </ul>
<p><i>Contingent liabilities and provisions</i></p> <p>As presented in Note 34 to the consolidated financial statements, the Group is involved in a series of litigations and claims (i.e. with the Romanian Privatization Agency, Energy Regulator, Fiscal Authorities, Romanian Court of Accounts, claims for damages, claims over land titles, labor related litigations and others).</p> <p>The estimation of whether a provision should be recorded or whether a contingent liability should be disclosed is based on significant management judgement. Considering the large number of litigations ongoing that the Group is facing, the uncertainty regarding the final possible outcome of each case and the high level of professional judgement involved we consider the Contingent liabilities and provisions resulting from these litigations to be a key audit matter.</p>	<p>In assessing whether the contingent liabilities and provisions arising from litigations have been properly recognized, our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Inspection of the minutes of the meetings of the shareholders and administration council;</li> <li>• Obtaining legal letters from the internal and from the external lawyers of the Group and assessing the interpretation of the lawyers for the cases presented;</li> <li>• Discussing with the internal and external lawyers and assessing the reasonability of the professional judgements used as a basis for the recognition of provisions or contingent liabilities;</li> <li>• Assessing the judgement performed by the Group management in conjunction with the assessment of the internal or external lawyers;</li> <li>• Assessing the adequacy of the contingent liabilities disclosures in the consolidated financial statements.</li> </ul>

## **Other information – Administrator’s Report**

6. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator’s report but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the year ended December 31, 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator’s report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

- a) the information included in the administrators’ report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;
- b) the administrators’ report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit of the consolidated financial statements prepared as at December 31, 2020, we are required to report if we have identified a material misstatement of this Administrator’s report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

7. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Group’s financial reporting process.

## **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

15. We have been appointed by the General Assembly of Shareholders September 18, 2018 to audit the consolidated financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 3 years, covering the financial years ended December 31, 2018 to December 31, 2020.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537/2014 were provided.

The engagement statutory auditor on the audit resulting in this independent auditor's report is Răzvan Ungureanu.

## **Report on compliance with the Commission Delegated Regulation (EU) 2018/815 ("European Single Electronic Format Regulatory Technical Standard" or "ESEF")**

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 on the European single electronic format ("ESEF Regulation") for the financial statements included in the annual financial report in ESEF format ( the "digital files") prepared by SOCIETATEA ENERGETICA ELECTRICA S.A..

### **Management Responsibility for the Digital files prepared in compliance with the ESEF**

SOCIETATEA ENERGETICA ELECTRICA S.A. management is responsible for preparing digital files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;
- the selection and application of appropriate iXBRL mark ups using professional judgement where necessary;
- ensuring consistency between the digital files and the consolidated financial statements to be submitted in accordance with Order 2844/2016 with subsequent amendments;

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on whether the consolidated financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of Societatea Energetica Electrica S.A. process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files including the marked up data with the audited consolidated financial statements of Societatea Energetica Electrica S.A. to be submitted in accordance with Order 2844/2016 with subsequent amendments;
- evaluate if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;
- Evaluating if all mark-ups, including the voluntary mark-ups of disclosures meet the following requirements:
  - the XBRL mark-up language is used;
  - the elements of the core taxonomy specified in Annex VI of the ESEF Regulation with the closest accounting meaning shall be used, unless an extension taxonomy element is created in compliance with Annex IV of the ESEF Regulation;
  - the mark-ups shall comply with the common rules on mark-ups as per ESEF Regulation;

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Conclusion

In our opinion, the consolidated financial statements for the year ended 31 December 2020 included in the annual financial report in the digital files, comply in all materials respects with the requirements of ESEF Regulation.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of Societatea Energetica Electrica S.A. for the year ended 31 December 2020 is set out in the section Report on the audit of the consolidated financial statements above.

Răzvan Ungureanu, Statutory Auditor

*For signature, please refer to the original signed Romanian version.*

*Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 4866*

On behalf of:

**DELOITTE AUDIT SRL**

*Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25*

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March 4, 2021