

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.

FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH OMFP 1802/2014,

AS AMENDED

AS AT AND FOR THE FINANCIAL YEAR ENDED

DECEMBER 31, 2020

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

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STATEMENT OF FINANCIAL POSITION

on 31 December 2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Item name	Row no.	No. Note	Balance at:	
			December 31, 2019	DECEMBER 31, 2020
A	B		1	2
A. FIXED ASSETS				
I. INTANGIBLE ASSETS				
1. 1. Set up expenses (acc. 201-2801)	01		-	-
2. Development expenses (acc. 203 - 2803 - 2903)	02		-	-
3. Concessions, patents, licenses, trademarks, rights and similar assets and other intangible assets (acc. 205 + 208 - 2805 - 2808 - 2905 - 2908)	03		145,466	102,741
4. Goodwill (acc. 2071 - 2807)	04		-	-
5. Intangible Assets for Exploration and Evaluation of Mineral Resources (206-2806-2906)	05		-	-
6. Advances (acc. 4094)	06		-	-
TOTAL (row 01 to 06)	07	3	145,466	102,741
II. TANGIBLE ASSETS				
1. Land and Buildings (acc. 211 + 212 - 2811 - 2812 - 2911 - 2912)	08		202,819,247	296,349,181
2. Technical installations and machines (acc. 213 + 223 - 2813 - 2913)	09		19,525,262	25,741,059
3. Other installations, equipment and furniture (acc. 214 + 224 - 2814 - 2914)	10		356,378	245,905
4. Real estate investments (acc. 215 - 2815 - 2915)	11		-	-
5. tangible assets in progress (acc. 231 - 2931)	12		483,708	2,038,065
6. Real estate investments in progress (acc. 235 - 2935)	13		-	-
7. Tangible assets of exploration and evaluation of mineral resources (acc. 216 - 2816 - 2916)	14		-	-
8. Productive biological assets (acc. 217 + 227 - 2817 - 2917)	15		-	-
9. Advances (acc. 4093)	16		-	-
TOTAL (row 08 to 16)	17	3	223,184,595	324,374,210
III. FINANCIAL ASSETS				
1. Shares owned in branch (acc. 261 - 2961)	18		1,223	1,223
2. Loans granted to group entities (acc. 2671 + 2672 - 2964)	19		-	-
3. Shares held in affiliated entities and jointly controlled entities (acc. 262 + 263 - 2962)	20		-	-
4. Loans granted to associated entities and jointly controlled entities (acc. 2673 + 2674 - 2965)	21		-	-
5. Other fixed assets (acc. 265 + 266 - 2963)	22		-	-
6. Other loans (acc. 2675* + 2676* + 2677 + 2678* + 2679* - 2966* - 2968* - 2969*)	23		437,791	362,657
TOTAL (row 18 la 23)	24	3	439,014	363,880
FIXED ASSETS - TOTAL (row 07 + 17 + 24)	25	3	223,769,075	324,840.831

STATEMENT OF FINANCIAL POSITION

on 31 December 2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Item name	Row no.	No. Note	Balance at:	
			December 31, 2019	DECEMBER 31, 2020
A	B		1	2
B. CURRENT ASSETS				
I. STOCKS				
1. Raw materials and consumables (acc. 301 + 302 + 303 +/- 308 + 321 + 322 + 323 + 328 + 351 + 358 + 381 +/- 388 - 391 - 392 - 3951 - 3958 - 398)	26		4,592,538	4,300,187
2. Production under execution (acc. 331 + 332 + 341 +/- 348* - 393 - 3941 - 3952)	27		-	5,538,302
3. Finished products and goods (acc. 327 + 345 + 346 + 347 +/- 348* + 354 + 356 + 357 + 361 + 326 +/- 368 + 371 +/- 378 - 3945 - 3946 - 3947- 3953 - 3954 - 3955 - 3956 - 3957 - 396 - 397 - din ct. 4428)	28		16,857	10,140,953
4. Payments in advance (acc. 4091)	29		2,599,611	30,585
TOTAL (row 26 la 29)	30	4	7,209,006	20,010,027
II. RECEIVABLES (amounts to be collected after one year should be presented separately for each item.)				
1. Trade receivables (acc. 2675* + 2676* + 2678* + 2679* - 2966* - 2968* + 4092 + 411 + 413 + 418 - 491)	31		6,001,723	12,216,412
2. Receivables from affiliated entities (acc. 451** - 495*)	32		77,691,810	69,576,911
3. Amounts to be collected from associated entities and jointly controlled entities (acc. 453 - 495*)	33		-	-
4. Other Receivables (acc. 425 + 4282 + 431** + 437** + 4382 + 441** + 4424 + from acc. 4428** + 444** + 445 + 446** + 447** + 4482 + 4582 + 4662 + 461 + 473** - 496 + 5187)	34		2,095,426	3,073,882
5. Subscribed and unpaid capital acc. 456 - 495*)	35		-	-
TOTAL (row 31 to 35)	36	5	85,788,959	84,867,205
III. SHORT-TERM INVESTMENTS				
1. Shares owned in affiliated entities (acc. 501 - 591)	37		-	-
2. Other short-term investments (acc. 505 + 506 + 507 + from acc. 508 - 595 - 596 - 598 + 5113 + 5114)	38		-	-
TOTAL (row 37 + 38)	39		-	-
IV. CASH AND BANK ACCOUNTS				
(from acc. 508 + acc. 5112 + 512 + 531 + 532 + 541 + 542)	40	6	55,444,463	18,311,015
CURRENT ASSETS - TOTAL (rows 30 + 36 + 39 + 40)	41		148,442,428	123,188,247
C. Expenses in advance (acc. 471) (row 43+44)				
Amounts to be reversed within one year (acc. 471*)	43		11,696	226,529
Amounts to be reversed after one year (from acc. 471*)	44		-	-
TOTAL ASSETS			372,223,199	448,255,607
D. DEBTS: AMOUNTS TO BE PAID IN A PERIOD OF A YEAR				
1. Bonds from the bond issue, shown separately the borrowings from the issue of convertible bonds 161 + 1681 - 169)	45		-	-
2. Amounts owed to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	46		-	-
3. Advance payments in the orders account (acc. 419)	47		62,559	5,798
4. Trade payables -suppliers (acc. 401 + 404 + 408)	48		37,242,873	27,435,220
5. Commercial bills to be paid (acc. 403 + 405)	49		-	-

STATEMENT OF FINANCIAL POSITION

on 31 December 2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Item name	Row no.	No. Note	Balance at:	
			December 31, 2019	DECEMBER 31, 2020
A	B		1	2
6. Amounts owed to entities in the group (acc. 1661 + 1685 + 2691 + 451***)	50		409,326	1,224,259
7. Amounts owed to associated and jointly controlled entities (acc. 1663 + 1686 + 2692 + 2693 + 453***)	51		-	-
8. Other liabilities, including tax and social security debts (acc. 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 437*** + 4381 + 441*** + 4423 + 4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456*** + 457 + 4581 + 462 + 4661 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	52		9,180,953	6,702,620
TOTAL (row 45 - 52)	53	7	46,895,711	35,367,897
E. NET CURRENT ASSETS/NET CURRENT LIABILITIES (row 41 + 43 - 53 - 70 - 73- 76)	54		100,645,408	70,748,917
F. TOTAL ASSETS MINUS CURRENT LIABILITIES (row 25+41+42-54-79)	55		324,414,483	395,589,748
G. DEBTS: AMOUNTS TO BE PAID IN A YEAR LONGER THAN ONE YEAR				
1. Bonds from the bond issue, shown separately the borrowings from the issue of convertible bonds 161 + 1681 - 169)	56		-	-
2. Amounts owed to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	57		-	-
3. Advance payments in the orders account (acc. 419)	58		-	-
4. Trade payables -suppliers (acc. 401 + 404 + 408)	59		-	-
5. Commercial bills to be paid (acc. 403 + 405)	60		-	-
6. Amounts owed to entities in the group (acc. 1661 + 1685 + 2691+ 451***)	61		-	-
7. Amounts owed to associated and jointly controlled entities (acc. 1663 + 1686 + 2692 + 2693 + 453***)	62		-	-
8. Other liabilities, including tax and social security debts (acc. 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 437*** + 4381 + 441*** + 4423 + 4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456*** + 4581 + 462 + 4661 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	63		-	-
TOTAL (row 56 to 63)	64		-	-
H. PROVISIONS				
1. Provision for employee benefits (acc. 1515 + 1517)	65		4,253,580	5,795,213
2. Provisions for taxes (acc. 1516)	66		-	-
3. Other provisions (acc. 1511 + 1512 + 1513 + 1514 + 1518)	67		6,378,658	5,288,166
TOTAL (row 65 + 66 + 67)	68	8	10,632,238	11,083,379
I. ADVANCE INCOME				
1. Investment subsidies (acc. 475)(row 70 + 71):	69		746,018	18,730,937
Amounts to be reversed within one year (from acc. 475*)	70		746,018	17,201,858
Amounts to be reversed after more than one year (from acc. 475*)	71		-	1,529,079
2. Income recorded in advance (acc. 472) - total (row. 73 + 74),	72		166,987	96,104

STATEMENT OF FINANCIAL POSITION

on 31 December 2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Item name	Row no.	No. Note	Balance at:	
			December 31, 2019	DECEMBER 31, 2020
	A	B	1	2
of which:				
Amounts to be reversed within one year (from acc. 472*)		73	166,987	96,104
Amounts to be reversed after one year (from acc. 472*)		74	-	-
3. Advance income on assets received by transfer from clients (rows 478) (row 76 + 77):		75	-	-
Amounts to be reversed within one year (from acc. 478*)		76	-	-
Amounts to be reversed after more than one year (from acc. 478*)		77	-	-
Negative goodwill (acc. 2075)		78	-	-
TOTAL (row 69 + 72 + 75+78)		79	913,005	18,827,041
J. CAPITAL AND RESERVES				
I. CAPITAL				
1. Subscribed paid capital (acc. 1012)		80	37,253,650	52,495,780
2. Subscribed unpaid capital (acc. 1011)		81	-	-
3. Autonomous companies' capital (acc. 1015)		82	-	-
4. The patrimony of national research and development institutes (acc. 1018)		83	-	-
5. Other equity items (acc. 1031) BALANCE C		-	-	-
TOTAL (row 80 + 81 + 82 + 83 + 84)		85	37,253,650	52,495,780
II. Share premiums (acc. 104)		86	-	19,956,378
III. Reserves from reevaluation (acc. 105)		87	209,091,153	256,776,389
IV. RESERVES				
1. Legal reserves (acc. 1061)		88	4,990,881	4,997,937
2. Statutory or contractual reserves (acc. 1063)		89	-	-
3. Other reserves (acc. 1068)		90	3,310,342	2,879,162
TOTAL (row 88 la 90)		91	8,301,223	7,877,099
Own shares (acc. 109)		92	-	-
Earnings related to equity instruments (acc. 141)		93	-	-
Losses related to equity instruments (acc. 149)		94	-	-
V. REPORTED PROFIT OR LOSS (A) (acc. 117)		95	33,472,831	55,831,469
BALANCE D		96	-	-
BALANCE C		97	27,234,219	-
VI. Profit or loss of financial year (acc. 121)		98	-	9.959.825
Profit distribution (acc. 129)		99	1,570,831	-
EQUITY - TOTAL				
(rows 85 + 86 + 87 + 91 - 92 + 93 - 94 +95 - 96 + 97 - 98 - 99)		100	313,782,245	382,977,290
Public property (acc. 1016)		101	-	-
Private patrimony (acc. 1017)		102	-	-

The attached notes are an integral part of the individual financial statements

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.

STATEMENT OF FINANCIAL POSITION

on 31 December 2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Item name	Row no.	No. Note	Balance at:	
			December 31, 2019	DECEMBER 31, 2020
	<i>B</i>		<i>1</i>	<i>2</i>
CAPITAL - TOTAL (row 100 + 101 + 102)	103		313,782,245	382,977,290
TOTAL LIABILITIES			372,223,199	448,255,607

The financial statements were approved by the Board of Directors on February 23, 2021 and submitted for approval to the General Meeting of Shareholders.

p. General Manager
Vasile Ionel Bujorel OPREAN

Signature

p. Financial Manager
Alexandrina Corina RUSU

Signature

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.
STATEMENT OF PROFIT OR LOSS
for the financial year ended on 31.12.2020
(all amounts are expressed in lei ("RON"), unless otherwise specified)

Name of indicators	Ro w no.	No. Note	Financial year	
			2019	2020
A	B		1	2
1. Net turnover (row 02 + 03 - 04 + 05 + 06)	01	10	197,348,410	147,718,648
Production sold				
(acc. 701 + 702 + 703 + 704 + 705 + 706 + 708)	02		166,406,443	115,007,495
Income from the sale of goods (acc. 707)	03		31,025,800	32,711,153
Trade discounts granted (acc. 709)	04		83,833	-
interest revenue from leasing activity related to companies removed from the General Register (acc. 766*)	05		-	-
Revenue from operating grants related to net turnover (acc. 7411)	06		-	-
2. Revenue related to the cost of production in progress (acc. 711 + 712)				
Balance C	07		-	1,041,719
Balance D	08		-	-
3. Income from the production of intangible and tangible assets (acc. 721 + 722)	09		-	-
4. Revenue from tangible assets revaluation (acc. 755)	10		-	2,205,106
5. Revenue from the production of real estate investments (acc. 725)	11		-	-
6. Income from operating grants (acc. 7412 + 7413 + 7414 + 7415 + 7416 + 7417 + 7419)	12		-	-
7. Other operating income (acc. 751+ 758 + 7815)	13		7,229,716	3,394,515
out of which, revenue from negative goodwill (acc. 7815)	14		-	-
- of which, income from Investment subsidies (acc. 7584)	15		-	-
OPERATING REVENUE - TOTAL (row 01 + 07 - 08 + 09 + 10 + 11 + 12 + 13)	16		204.578.126	154,359,988
8. a) Expenses with raw materials and consumables (acc. 601 + 602)	17		24,719,062	15,941,063
Other materials expenses (acc. 603 + 604 + 606 + 608)	18		356,830	585,024
B) other external expenses (energy and water) 605)	19		2,291,584	2,458,346
c) Expenditure on the goods (acc. 607)	20		30,294,365	32,116,462
Received Trade discounts (acc. 609)	21		84	245
9. Personnel expenses (row 23 + 24), of which:	22	12	33,979,312	39,277,049
a) Salaries and allowances (acc. 641 + 642 + 643 + 644)	23		32,564,364	37,610,366
b) Expenses with insurance and social protection (acc. 645)	24		1,414,948	1,666,683
10 a) Value adjustments on tangible and intangible assets (rows 26 - 27)	25		8,659,922	9,026,928
a.1) Expenses (acc. 6811 + 6813 + 6817)	26		9,124,881	9,130,496
a.2) Income (acc. 7813)	27		464,959	103,568
b) Value adjustments for current assets (row 29-30)	28		(9,220,699)	(1,878,665)
b.1) Expenses (acc. 654 + 6814)	29		4,444,423	7,591,778
b. 2) Income (acc. 754 + 7814)	30		13,665,122	9,470,443
11 Other operating expenses (row 32 to 38)	31	11	100,678,726	68,653,662
11.1. Expenses with external services (acc. 611 + 612 + 613 + 614 + 615 + 621 + 622 + 623 + 624 + 625 + 626 + 627 + 628)	32		80,831,489	57,218,802
11.2. Expenses with other taxes, fees and assimilated payments; expenses representing transfers and	33		5,495,059	4,385,459

The attached notes are an integral part of the individual financial statements

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.
STATEMENT OF PROFIT OR LOSS
for the financial year ended on 31.12.2020
(all amounts are expressed in lei ("RON"), unless otherwise specified)

Name of indicators	Row no.	No. Note	Financial year	
			2019	2020
A	B		1	2
contributions due based on special normative acts (acc. 635 + 6586*)				
11.3. Expenses related to environmental protection (652)	34		11,378	12,328
11.4 Expenses from revaluation of assets, plant and equipment (acc. 655)	35		-	2,680,624
11.5. Expenses with disasters and other similar events (acc. 6587)	36		-	-
11.6. Other (Acc. 651 + 6581+ 6582 + 6583 + 6588)	37		14,340,800	4,356,449
Expenses with refinancing interests registered by the entities deregistered from the General Register and which still have leasing contracts in progress (acc. 666*)	38		-	-
Adjustments for provisions (rows 40 - 41)	39		(16,206,848)	(557,289)
- Expenses (acc. 6812)	40		5,766,250	2,181,898
- Income (acc. 7812)	41		21,973,098	2,739,187
OPERATING EXPENSES - TOTAL (row 17 to 20 -21 + 22 + 22 + 25 + 28 + 31)	42		175.552.170	165,622,335
OPERATING PROFIT OR LOSS				
- Profit (row 16 - 42)	43		29,025,956	-
- Loss (row 42 - 16)	44		-	11,262,347
12 Income from participating interests (acc. 7611 + 7612 + 7613)	45		215	189
- of which, income earned from affiliated entities	46		-	-
13 Income from interests (acc. 766*)	47		1,936,398	1,300,495
- of which, income earned from affiliated entities	48		-	-
14 Income from operating grants for due interest (acc. 7418)	49		-	-
15 Other financial income (acc. 7615 + 762 + 764 + 765 + 767 + 768)	50		463,314	271,593
- of which, income from other intangible assets financial (acc. 7615)	-		-	-
FINANCIAL INCOME - TOTAL (row 45 + 47 + 49 + 50)	52		2.399.927	1,572,277
16 Value adjustments of financial assets and investments held as current assets (row 54 - 55)	53		-	-
- Expenses (acc. 686)	54		-	-
- Income (acc. 786)	55		-	-
17 Interest expenses (acc. 666*)	56		36	2,420
- of which, expenses in relation to affiliated entities	57		-	-
Other financial expenses (acc. 663 + 664 + 665 + 667 + 668)	58		9,225	4,642
FINANCIAL EXPENSES -TOTAL (rows 53 + 56 + 58)	59		9.261	7,062
PROFIT OR FINANCIAL LOSS (A):				
- Profit (row 52 - 59)	60		2,390,666	1,565,215
- Loss (row 59 - 52)	61		-	-
TOTAL REVENUES (row 16 + 52)	62		206.978.053	155,932,265
TOTAL EXPENSES (row 42 + 59)	63		175.561.431	165,629,397

The attached notes are an integral part of the individual financial statements

STATEMENT OF PROFIT OR LOSS

for the financial year ended on 31.12.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Name of indicators	Row no.	No. Note	Financial year	
			2019	2020
A	B		1	2
18				
GROSS PROFIT OR LOSS):				
-Profit (row 62-63)	64		31,416,622	-
- Loss (row 63 - 62)	65		-	9,697,132
19				
- Tax on profit (acc. 691)	66		4,182,403	262,693
20				
- Other taxes not mentioned in items above (acc. 698)	67		-	-
21 NET PROFIT OR LOSS (A) FOR THE FINANCIAL YEAR:				
- Profit (row 64 - 66 - 67)	68		27,234,219	-
- Loss (row 65 + 66 + 67); (row 66 + 67- 64)	69		-	9,959,825

The financial statements were approved by the Board of Directors on February 23, 2021 and submitted for approval to the General Meeting of Shareholders

p. General Manager
Vasile Ionel Bujorel OPREAN

Signature

p. Financial Manager
Alexandrina Corina RUSU

Signature

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended on 31.12.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Item name	Balance at December 31 2019	Increase		Reductions			Balance at December 31 2020	
		Total of which:	By Transfer	By Merger	Total of which:	By transfer		By Merger
Subscribed capital not paid	-	4,644,800	-	-	4,644,800	4,644,800	-	
Subscribed paid capital	37,253,650	15,242,130	4,644,800	10,597,330	-	-	52,495,780	
Revaluation reserves	209,091,153	63,757,094	-	23,699,338	16071858	3,853,538	256,776,389	
Legal reserves	4,990,881	7,056	-	7,056	-	-	4,997,937	
Other reserves	3,310,342	-	-	-	431,180	-	2,879,162	
Merger premiums	-	19,956,378	-	19,956,378	-	-	19,956,378	
Reported result	33,472,831	63,178,454	31,087,757	27,333,403	40,819,817	-	7,244,262	
Profit of the financial period	27,234,219	(9,959,825)	-	-	27,234,219	27,234,219	-	
Distribution of profit	(1,570,831)	1,570,831	-	-	-	-	-	
Total equity	313,782,245	158,369,919	35,732,557	81,593,505	89,201,874	35,732,557	7,244,262	382,977,290

On May 6, 2020, the increase of the share capital was registered by contribution in kind in the amount of RON 4,644,800, according to EGMS no. 4/06 May 2020.

On November 30, 2020, in accordance with the provisions of EGMS number 5 of 25.08.2020, the merger of Electrica Serv SA (as absorbent) with Servicii Energetice Muntenia (as absorbed company) was registered, as a result of the company's share capital was increased by 10,597,330 lei, resulting in a merger premium of 19,956,378 lei.

The financial statements were approved by the Board of Directors on February 23, 2021 and submitted for approval to the General Meeting of Shareholders

p. General Manager
Vasile Ionel Bujorel OPREAN

Signature

p.Financial Manager
Alexandrina Corina RUSU

Signature

The attached notes are an integral part of the individual financial statements

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended on 31.12.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Item name	Balance at	Increase		Reductions		Balance at
	December 31 2018	Total of which:	By Transfer	Total of which:	By transfer	December 31 2019
Subscribed capital not paid	-	141,160	-	141,160	141,160	-
Subscribed paid capital	409,105,140	141,160	141,160	371,992,650	371,992,650	37,253,650
Revaluation reserves	217,586,550	140,752	-	8,636,149	8,405,794	209,091,153
Legal reserves	3,420,050	1,570,831	1,570,831	-	-	4,990,881
Other reserves	3,491,420	8	8	181,087	-	3,310,342
Reported result	(343,725,773)	384,440,112	384,440,112	7,241,508	6,413,665	33,472,831
Profit of the financial period	12,280,529	27,234,219	2,371,989	12,280,529	-	27,234,219
Distribution of profit	(732,626)	732,626	-	1,570,831	1,570,831	(1,570,831)
Total equity	301,425,290	414,400,869	388,524,100	402,043,913	388,524,100	313,782,245

On September 4, 2019, the mention regarding the reduction of the company's share capital was registered at the Trade Register, according to EGMS no. 5/23 May 2019. The share capital in the amount of 409,105,140 lei was reduced to the value of 37,112,490 lei, to fully cover the accounting loss reported in previous years. By EGMS Decision no. 10/10 October 2019, the share capital of FISE Electrica Serv SA was increased by the contribution of some lands in the amount of 141,160 lei, up to the current value of 37,253,650 lei. According to OGMS no. 11/21 October 2019, the proposal for the distribution of the net profit related to 2018 was approved, in the amount of 11,547,903 lei, in the form of dividends, the effective date of payment being December 18, 2019.

Also, during 2019, the Company recognized as an accounting loss carried forward by correcting the accounting errors receivable in the amount of 3.199.831 lei, representing the value of sick leave to be recovered from the National Unique Fund of Health Insurance in the previous years, these being prescribed prior to the current financial year.

The financial statements were approved by the Board of Directors on February 23, 2021 and submitted for approval to the General Meeting of Shareholders

p. General Manager
Vasile Ionel Bujorel OPREAN

Signature

p.Financial Manager
Alexandrina Corina RUSU

Signature

The attached notes are an integral part of the individual financial statements

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.

**The merger between S FISE Electrica Serv SA and Servicii Energetice Muntenia SA
the effective date of 30.11.2020**

(all amounts are expressed in lei ("RON"), unless otherwise specified)

The merger between S FISE Electrica Serv SA and Servicii Energetice Muntenia SA

On March 27, 2020, the Board of Directors of Electrica SA approved in principle the merger by absorption between Electrica Serv S.A. and Energy Services Muntenia S.A. and the participation of the companies in the merger, Electrica Serv S.A. having the quality of absorbing society.

Subsequently, on July 3, 2020, the Board of Directors of Electrica SA approved the merger by absorption between Electrica Serv S.A. and Energy Services Muntenia S.A. based on the merger project no. 934 of June 12, 2020, which was registered at the Trade Register Office attached to the Bucharest Tribunal and was published in the Official Gazette of Romania, part IV, no. 2303 of July 8, 2020.

In the meeting of August 21, 2020, the Extraordinary General Meeting of Shareholders of Electrica SA approved, as a shareholder of Servicii Energetice Muntenia S.A., the participation in the Extraordinary General Meeting of Servicii Energetice Muntenia S.A. and the expression of a favorable vote regarding the approval of the dissolution without liquidation and deletion from the Trade Register and from the records of the financial administration of the absorbed company Servicii Energetice Muntenia S.A. starting with the effective date of the merger, respectively November 30, 2020. Subsequently, on August 25, 2020, the Extraordinary General Meetings of the Shareholders of Electrica Serv S.A., respectively Societatea Servicii Energetice Muntenia S.A. on the approval of the merger by the companies participating in the merger process.

On September 17, 2020, the Bucharest Tribunal, Civil Section VI, admitted the request made by Electrica SERV SA, as the absorbing company, respectively by Servicii Energetice Muntenia SA, as the absorbed company, and found the legality of the operation of the merger and ordered the registration in the Trade Register of the mentions regarding the merger process.

Therefore, the merger took effect from the effective date, respectively November 30, 2020, when Servicii Energetice Muntenia S.A., as an absorbed company, ceased to exist, being dissolved without going into liquidation. Therefore, all the assets and liabilities held by it were transferred by the effect of the merger by absorption and by right to Electrica Serv S.A., as the absorbing company, with the increase of the share capital of Electrica Serv S.A. as a result of the merger in exchange for the issuance in favor of the shareholder of the absorbed company, respectively Electrica SA, of new shares in the share capital of the absorbing company.

Thus, starting with December 1, 2020, the merger of the two companies above has been completed and the energy services of the Electrica Group are carried out only under the umbrella of Electrica Serv. The registration at the National Office of the Trade Register took place on December 2, 2020, the effective date being November 30, 2020.

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.
The merger between S FISE Electrica Serv SA and Servicii Energetice Muntenia SA
the effective date of 30.11.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Balances transferred from the absorbed company on 30.11.2020

Item name	Row no.	Note No.	Balance at November 30, 2020
A	B		1
A. FIXED ASSETS			
I. INTANGIBLE ASSETS			
1. 1. Set up expenses (acc. 201-2801)	01		-
2. Development expenses (acc. 203 - 2803 - 2903)	02		-
3. Concessions, patents, licenses, trademarks, rights and similar assets and other intangible assets (acc. 205 + 208 - 2805 - 2808 - 2905 - 2908)	03		-
4. Goodwill (acc. 2071 - 2807)	04		-
5. Intangible Assets for Exploration and Evaluation of Mineral Resources (206-2806-2906)	05		-
6. Advances (acc. 4094)	06		-
TOTAL (row 01 to 06)	07	3	-
II. TANGIBLE ASSETS			
1. Land and Buildings (acc. 211 + 212 - 2811 - 2812 - 2911 - 2912)	08		75,586,671
2. Technical installations and machines (acc. 213 + 223 - 2813 - 2913)	09		2,159,811
3. Other installations, equipment and furniture (acc. 214 + 224 - 2814 - 2914)	10		24,302
4. Real estate investments (acc. 215 - 2815 - 2915)	11		-
5. tangible assets in progress (acc. 231 - 2931)	12		-
6. Real estate investments in progress (acc. 235 - 2935)	13		-
7. Tangible assets of exploration and evaluation of mineral resources (acc. 216 - 2816 - 2916)	14		-
8. Productive biological assets (acc. 217 + 227 - 2817 - 2917)	15		-
9. Advances (acc. 4093)	16		-
TOTAL (row 08 to 16)	17	3	77,770,784
III. FINANCIAL ASSETS			
1. Shares owned in branch (acc. 261 - 2961)	18		-
2. Loans granted to group entities (acc. 2671 + 2672 - 2964)	19		-
3. Shares held in affiliated entities and jointly controlled entities (acc. 262 + 263 - 2962)	20		-
4. Loans granted to associated entities and jointly controlled entities (acc. 2673 + 2674 - 2965)	21		-
5. Other fixed assets (acc. 265 + 266 - 2963)	22		-
6. Other loans (acc. 2675* + 2676* + 2677 + 2678* + 2679* - 2966* - 2968* - 2969*)	23		-
TOTAL (row 18 to 23)	24	3	-
INVESTMENT ACTIVITIES - TOTAL (row 07 + 17 + 24)	25	3	77,770,784
B. CURRENT ASSETS			
I. STOCKS			
1. Raw materials and consumables (acc. 301 + 302 + 303 +/- 308 + 321 + 322 + 323 + 328 + 351 + 358 + 381 +/- 388 - 391 - 392 - 3951 - 3958 - 398)	26		1,588,566

The attached notes are an integral part of the individual financial statements

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.
The merger between S FISE Electrica Serv SA and Servicii Energetice Muntenia SA
the effective date of 30.11.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Balances transferred from the absorbed company on 30.11.2020

Item name	Row no.	Note No.	Balance at November 30, 2020
A	B		1
2. Production under execution (acc. 331 + 332 + 341 +/- 348* - 393 - 3941 - 3952)	27		4,496,583
3. Finished products and goods (acc. 327 + 345 + 346 + 347 +/- 348* + 354 + 356 + 357 + 361 + 326 +/- 368 + 371 +/- 378 - 3945 - 3946 - 3947- 3953 - 3954 - 3955 - 3956 - 3957 - 396 - 397 - din ct. 4428)	28		-
4. Payments in advance (acc. 4091)	29		5,751
TOTAL (row 26 la 29)	30	4	6,090,900
II. RECEIVABLES			
(Amounts to be collected after a period of more than one year must be presented separately for each item)			
1. Trade receivables (acc. 2675* + 2676* + 2678* + 2679* - 2966* - 2968* + 4092 + 411 + 413 + 418 - 491)	31		7,368,963
2. Receivables from affiliated entities (acc. 451** - 495*)	32		17,731
3. Amounts to be collected from associated and jointly controlled entities (acc. 453 - 495*)	33		-
4. Other Receivables (acc. 425 + 4282 + 431** + 437** + 4382 + 441** + 4424 + from acc. 4428** + 444** + 445 + 446** + 447** + 4482 + 4582 + 4662 + 461 + 473** - 496 + 5187)	34		208,166
5. Subscribed and unpaid capital acc. 456 - 495*)	35		-
TOTAL (row 31 to 35)	36	5	7,594,860
III. SHORT-TERM INVESTMENTS			
1. Shares owned in affiliated entities (acc. 501 - 591)	37		-
2. Other short-term investments (acc. 505 + 506 + 507 + from acc. 508 - 595 - 596 - 598 + 5113 + 5114)	38		-
TOTAL (row 37 + 38)	39		-
IV. CASH AND BANK ACCOUNTS			
(from acc. 508 + acc. 5112 + 512 + 531 + 532 + 541 + 542)	40	6	3,949,737
CURRENT ASSETS - TOTAL (row 30 + 36 + 39 + 40)	41		17,635,497
C. Expenses in advance (acc. 471) (row 43+44)	42		62,028
Amounts to be reversed within one year (from acc. 471*)	43		62,028
Amounts to be reversed after one year (from acc. 471*)	44		-
TOTAL ASSETS			95,468,309
D. DEBTS: AMOUNTS TO BE PAID IN A PERIOD OF A YEAR			
1. Bonds from the bond issue, shown separately the borrowings from the issue of convertible bonds 161 + 1681 - 169)	45		-
2. Amounts owed to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	46		-
3. Advance payments in the orders account (acc. 419)	47		-
4. Trade payables -suppliers (acc. 401 + 404 + 408)	48		1,439,194
5. Commercial bills to be paid (acc. 403 + 405)	49		-
6. Amounts owed to entities in the group (acc. 1661 + 1685 + 2691 + 451***)	50		-
7. Amounts owed to associated and jointly controlled entities (acc. 1663 + 1686 + 2692 + 2693 + 453***)	51		-

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.
The merger between S FISE Electrica Serv SA and Servicii Energetice Muntenia SA
the effective date of 30.11.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Balances transferred from the absorbed company on 30.11.2020

Item name	Row no.	Note No.	Balance at November 30, 2020
A	B		1
8. Other liabilities, including tax and social security debts (acc. 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 437*** + 4381 + 441*** + 4423 + 4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456*** + 457 + 4581 + 462 + 4661 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	52		2,536,468
TOTAL (row 45 - 52)	53	7	3,975,662
E. NET CURRENT ASSETS/NET CURRENT LIABILITIES (row 41 + 43 - 53 - 70 - 73- 76)	54		(2,413,112)
F. TOTAL ASSETS MINUS CURRENT LIABILITIES (row 25+41+42-54-79)	55		75,357,672
G. DEBTS: AMOUNTS TO BE PAID IN A YEAR LONGER THAN ONE YEAR			
1. Bonds from the bond issue, showing separately the borrowings from the issue of convertible bonds (acc. 161 + 1681 - 169)	56		-
2. Amounts owed to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	57		-
3. Advance payments in the orders account (acc. 419)	58		-
4. Trade payables -suppliers (acc. 401 + 404 + 408)	59		-
5. Commercial bills to be paid (acc. 403 + 405)	60		-
6. Amounts owed to entities in the group (acc. 1661 + 1685 + 2691+ 451***)	61		-
7. Amounts owed to associated and jointly controlled entities (acc. 1663 + 1686 + 2692 + 2693 + 453***)	62		-
8. Other liabilities, including tax and social security debts (acc. 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 437*** + 4381 + 441*** + 4423 + 4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456*** + 4581 + 462 + 4661 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	63		-
TOTAL (row 56 to 63)	64		-
H. PROVISIONS			
1. Provision for employee benefits (acc. 1515 + 1517)	65		917,652
2. Provisions for taxes (acc. 1516)	66		-
3. Other provisions (acc. 1511 + 1512 + 1513 + 1514 + 1518)	67		90,778
TOTAL (row 65 + 66 + 67)	68	8	1,008,430
I. ADVANCE INCOME			
1. Investment subsidies (acc. 475)(row 70 + 71):	69		16,134,975
Amounts to be reversed within one year (from acc. 475*)	70		16,134,975
Amounts to be reversed after more than one year (from acc. 475*)	71		-
2. Income recorded in advance (acc. 472) - total (row. 73 + 74), of which:	72		-
Amounts to be reversed within one year (from acc. 472*)	73		-
Amounts to be reversed after one year (from acc. 472*)	74		-

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.
The merger between S FISE Electrica Serv SA and Servicii Energetice Muntenia SA
the effective date of 30.11.2020
(all amounts are expressed in lei ("RON"), unless otherwise specified)

Balances transferred from the absorbed company on 30.11.2020

Item name	Row no.	Note No.	Balance at November 30, 2020
A	B		1
3. Advance income on assets received by transfer from clients (rows 478) (row 76 + 77):	75		-
Amounts to be reversed within one year (from acc. 478*)	76		-
Amounts to be reversed after more than one year (from acc. 478*)	77		-
Negative goodwill (acc. 2075)	78		-
TOTAL (row 69 + 72 + 75+78)	79		16,134,975
J. CAPITAL AND RESERVES			
I. CAPITAL			
1. Subscribed paid capital (acc. 1012)	80		10,597,330
2. Subscribed unpaid capital (acc. 1011)	81		-
3. Autonomous companies' capital (acc. 1015)	82		-
4. The patrimony of national research and development institutes (acc. 1018)	83		-
5. Other equity items (acc. 1031)	-	-	-
BALANCE C			-
TOTAL (row 80 + 81 + 82 + 83 + 84)	85	9	10,597,330
II. Share premiums (acc. 104)	86		19,956,378
III. Reserves from reevaluation (acc. 105)	87		23,699,338
IV. RESERVES			
1. Legal reserves (acc. 1061)	88		7,056
2. Statutory or contractual reserves (acc. 1063)	89		-
3. Other reserves (acc. 1068)	90		-
TOTAL (row 88 la 90)	91		7,056
Own shares (acc. 109)	92		-
Earnings related to equity instruments (acc. 141)	93		-
Losses related to equity instruments (acc. 149)	94		-
BALANCE C	95	-	20,089,140
BALANCE D	96		-
V.REPORTED PROFIT OR LOSS (A) (acc. 117)	97		-
BALANCE C	97		-
BALANCE D	98	-	-
VI. Profit or loss of financial year (acc. 121)	98		-
Profit distribution (acc. 129)	99		-
OWN CAPITAL - TOTAL (rows 85 + 86 + 87 + 91 - 92 + 93 - 94 +95 - 96 + 97 - 98 - 99)	100		74,349,242
Public property (acc. 1016)	101		-
Private patrimony (acc. 1017)	102		-

The attached notes are an integral part of the individual financial statements

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.
The merger between S FISE Electrica Serv SA and Servicii Energetice Muntenia SA
the effective date of 30.11.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

Balances transferred from the absorbed company on 30.11.2020

Item name	Row no.	Note No.	Balance at November 30, 2020
A	B		1
CAPITAL - TOTAL (row 100 + 101 + 102)	103		<u>74,349,242</u>
TOTAL LIABILITIES			<u>95,468,309</u>

Following the merger with Servicii Energetice Muntenia on the effective date of 30.11.2020, the Company registered and took over through the opening balance sheet, according to the merger project, a share capital of 10,597,300 lei, a merger premium of 19,956,378 lei, revaluation reserves of 23,699,328 lei related to constructions, technical installations and machines and other installations, equipment and furniture and a reported result of 20,089,140 lei.

The financial statements were approved by the Board of Directors on February 23, 2021 and submitted for approval to the General Meeting of Shareholders

p. General Manager
Vasile Ionel Bujorel OPREAN

Signature

p. Financial Manager
Alexandrina Corina RUSU

Signature

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A.
CASH FLOW STATEMENT
for the financial year ended on 31.12.2020
(all amounts are expressed in lei ("RON"), unless otherwise specified)

Item name	Financial year	
	2019	2020
Cash flows from operating activities:		
Profit before income tax	31,416,622	(9,697,132)
Adjustments for:		
Depreciation and amortization adjustments for property, plant and equipment and intangible assets and expenses from revaluation of property, plant and equipment	8,659,922	9,502,445
Net gain from disposals of property, plant and equipment	(1,426,271)	(551,755)
Impairment adjustments on current assets, net	(9,220,699)	(1,878,664)
Changes in provisions, net	(16,206,848)	(557,289)
Financial result, net	(2,390,666)	(1,565,215)
Operating profit before changes in working capital	10,832,060	(4,747,610)
Increase / Increase inventory	5,186,321	(5,284,208)
Decrease / (Increase) of trade and other receivables	(38,518,777)	10,373,271
(Descending) / Growth of commercial and other debts	24,792,168	(15,742,915)
Changes in working capital	(8,540,288)	(10,653,952)
Interest paid	(36)	(2,420)
Paid tax on profit	(5,162,527)	(1,535,666)
Cash flows (used in)/from operating activities:	(2,870,791)	(16,939,648)
Cash flows from investment activities:		
Payments for acquisitions of tangible assets and intangible assets	(3,552,840)	(886,820)
Revenue from the sale of tangible assets	6,516,518	2,631,582
Interest earned	1,818,744	1,359,130
Cash flows used in investment activities	4,782,422	3,103,892
Cash flows from funding activities:		
Receipts from loans	-	-
Loan repayments	-	-
Debt payments related to financial leasing	-	-
Payment of dividends	(11,547,903)	(27,247,429)
Subsidies received	(251,000)	-
Cash flows from /(used in) funding activities	(11,798,903)	(27,247,429)
Treasury accounts taken over by merger	-	3,949,737
Net increase in cash and cash equivalents	(9,887,271)	(37,133,448)
Cash and cash equivalents at the beginning of the financial year	65,331,734	55,444,463
Cash and cash equivalents at the end of the financial year^(*)	55,444,463	18,311,015

The financial statements were approved by the Board of Directors on February 23, 2021 and submitted for approval to the General Meeting of Shareholders

p. General Manager
Vasile Ionel Bujorel OPREAN

Signature

p.Financial Manager
Alexandrina Corina RUSU

Signature

NOTE 1: INFORMATION ABOUT THE COMPANY

Filiala de Intretinere si Servicii Energetice Electrica Serv S.A. ("Company" or "FISE Electrica Serv SA") is a joint stock company established in 2005, with the registered office at no. 1A Sos. Stefan cel Mare Road, district 1, Bucharest, Romania. The company is registered at the Trade Register under number J40 / 4454 / 08.03.2005, having the unique registration code 17329505. The sole shareholder of the Company is Societatea Energetica Electrica SA, a company listed on the stock exchange.

The company is part of the Electrica group. These annual financial statements are public and can be obtained from the parent company's website.

The main object of activity of the company is the maintenance and repair works for the electricity distribution and transmission installations, other service activities (e.g. car services), as well as the execution of investment works in the energy sector. The company provides maintenance and repair services for electrical networks and design, construction-assembly of electrical networks, to the operators of the distribution networks within the Electrica Group and to third parties.

The company does not have the shares listed on the stock exchange.

As of December 31, 2020, the Company's regional maintenance and energy services branches are as follows:

- a) Intretinere si Servicii Energetice Muntenia Nord Branch;
- b) Intretinere si Servicii Energetice Transilvania Nord Branch;
- c) Intretinere si Servicii Energetice Transilvania Sud.

Also, during 2019, the Directia de Servicii Energetice Oltenia was established, by taking over the productive employees from Servicii Energetice Oltenia (Loki project), the structure that was maintained throughout 2020.

By EGMS no. 5 of August 25, 2020, the merger by absorption was approved, through which FISE Electrica Serv SA, as absorbing company, will absorb Servicii Energetice Muntenia SA, as absorbed company, as of November 30, 2020. Following the completion of the merger process, Directia de Servicii Energetice Muntenia was established.

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS

2.1. Base of preparing financial statements

These are the financial statements of FISE Electrica Serv S.A., for the financial year ended on December 31, 2020, prepared in accordance with:

- Accounting Law 82/1991 (republished 2008) with subsequent modifications;
- Order No. 1802/2014 regarding to approval of Accounting Regulations on the annual financial statements and consolidated annual financial statements („OMFP 1802/2014”).

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

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.1. Base of preparing financial statements

These financial statements include:

- BALANCE SHEET
- Profit and loss account:
- Statement of modifications in equity
- SITUATION OF TREASURY FLOWS
- Notes to the financial statements;

The financial statements refer only to the Maintenance and Energy Services Branch Electrica Serv S.A., the company not having subsidiaries that would make the consolidation necessary.

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

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

2.2. Significant accounting principles

The financial statements have been prepared in accordance with the following accounting principles:

The principle of continuity of activity

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

The principle of permanence of methods

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

The principle of prudence

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

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

The principle of accrual accounting

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

All income and expenses for the year were taken into account, regardless of the date of collection or payment.

The incomes and expenses that resulted directly and simultaneously from the same transaction were recognized simultaneously in the accounting, by the direct association between the expenses and the afferent incomes, with the distinct highlighting of these incomes and expenses.

The principle of intangibility

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

The principle of separate valuation of assets and liabilities

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

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.2. Significant accounting principles (continued)

The principle of non-compensation

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

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

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

The principle of cost evaluation

The items presented in the financial statements were valued based on the principle of acquisition cost or production cost, less property, plant and equipment, which are valued based on the revaluation method.

10) Principle of significance threshold .

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

2.3. Reporting currency

The accounting is kept in Romanian and in the national currency ("lei" or "RON"). The accounting of the operations performed in foreign currency is kept both in the national currency and in foreign currency. The items included in these financial statements are presented in Romanian Lei.

2.4. The use of accounting estimates

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

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.5. Continuity of activity

These financial statements have been prepared based on the principle of business continuity, which assumes that the Company will continue its business in the foreseeable future. To assess the applicability of this presumption, management analyzes forecasts of future cash inflows. Also, the management has as main development directions for the future capitalization of the real estate portfolio by using with maximum efficiency the available spaces and selling / renting unused spaces, as well as developing new products in the "green - renewable energy solutions" energy services market. At the same time, by taking over the employees from Servicii Energetice Oltenia, it is desired to enter the market of energy services and works outside the Electrica group.

Based on these analyzes and plans, the management considers that the Company will be able to continue its activity in the foreseeable future and therefore the application of the principle of continuity of activity in the preparation of the financial statements is justified.

2.6. Currency conversions

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

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

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

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

Monetary assets and liabilities denominated in foreign currencies are revalued in lei at the exchange rate at the end of each month, and exchange rate differences are recorded in the income statement.

The exchange rate on December 31, 2020 was RON 4.8694 / EUR, and on December 31, 2019 it was RON 4.7793 for EUR 1.

2.7. Significant accounting policies

(a) Intangible assets

Intangible assets are valued at cost less accumulated depreciation and accumulated impairment losses. Intangible assets acquired by the Company are presented at cost less accumulated depreciation and impairment losses (see accounting policy (c)). Depreciation is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset. Most of the intangible assets registered by the Company are represented by computer programs and licenses. The depreciation is on a straight-line basis over a period of 3-5 years.

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.7. Significant accounting policies

(b) Tangible assets

Cost / Evaluation

Tangible assets are initially measured at acquisition cost. The cost of property, plant and equipment includes the purchase price and other direct expenses related to the acquisition and commissioning of property, plant and equipment.

Important spare parts and safety equipment are considered property, plant and equipment when they are expected to be used for more than one year.

After initial recognition, property, plant and equipment are valued at cost, less accumulated depreciation and impairment (see accounting policy c)), and are periodically measured at fair value.

Land and buildings are revalued with sufficient regularity so that the carrying amount does not differ materially from that which would have been determined using fair value at the balance sheet date.

When revaluing a property, plant and equipment, the accumulated depreciation at the revaluation date is eliminated from the gross carrying amount of the asset, and the net amount determined after the adjustment for value adjustments is recalculated to the revalued value of the asset.

Subsequent expenses

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

In case of replacement of a component of a long-term asset, the Company recognizes the cost of the partial replacement, the book value of the replaced part being removed from the record together with the related depreciation, if this information is available.

Fixed assets held under a leasing contract

The financial leasing contracts, which transfer to the Company most of the risks and rewards of ownership of the assets, are capitalized at the start of the lease at the acquisition value of the tangible fixed assets financed by leasing. Assets capitalized under a finance leasing contract are depreciated on a consistent basis with the normal depreciation policy for similar assets.

Depreciation

Depreciation of the value of fixed assets with limited periods of economic use is the systematic allocation of the depreciable value of an asset over the entire period of economic use. The depreciable amount is the cost or other value that replaces the cost (for example, the revalued amount).

Depreciation of tangible assets is calculated from the month following commissioning to full recovery of their value. In determining the depreciation of tangible assets, the economic use period and conditions of use are taken into account.

Depreciation is calculated using the straight-line depreciation method over the life of the assets. The Company calculates the accounting depreciation based on the remaining useful lives established by the appraiser in the appraisal report or by the Company's technical specialists. The fiscal depreciation is calculated based on the fiscal durations from the Catalog regarding the classification of fixed assets according to GD 2139/2004.

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.7. Significant accounting policies

b) Tangible assets (continued)

Depreciation

Life spans for the main categories of property, plant and equipment are presented in the table below.

Type	Life time
Administrative and industrial buildings	60-80
Vehicles	4-10
Measuring and control devices	4-10
Stationery	5-10
Others	5

Land and fixed assets are not amortized. Ongoing investments are amortized starting with the moment of commissioning.

The revision of the depreciation period may be justified by a significant change in the conditions of use, as well as in the case of making investments or capital repairs, other than those determined by current maintenance, or the obsolescence of a tangible asset. Also, if the tangible assets are preserved, their use being interrupted for a long period, the revision of the depreciation period may be justified. When the elements that formed the basis for the initial determination of the economic use period have changed, the Company establishes a new depreciation period. The change in the economic use period represents a change in the accounting estimate.

Cession and scrapping

An item of property, plant and equipment is derecognised on disposal or scrapping, when no future economic benefit is expected from its subsequent use.

In the case of removal from the register of a tangible asset, the sales incomes, expenses representing the non-amortised value of the asset and other expenses related to its disposal are shown separately.

For the purpose of presentation in the profit and loss account, the gains or losses obtained from the disposal or disposal of a property, plant and equipment are determined as the difference between the income generated by the recognition and its unamortized value, including expenses incurred by it and are presented as net value, as income or expenses, as the case may be, in the profit and loss account, under the item "Other operating income", respectively "Other operating expenses", as the case may be.

(c) Stocks

The main categories of inventories are raw materials, work in progress, semi-finished products, finished products, goods, spare parts, and packaging. These stocks are mainly consumables and other materials specific to the maintenance and repair activity in the automotive field and the repair of energy equipment. These are recorded as stocks at the time of purchase and are expensed at the time of consumption in the works performed or sold.

The cost of stocks includes all costs related to the acquisition and processing, as well as other costs incurred to bring the stocks in the form and place where they are located. The commercial discounts granted by the supplier and registered on the acquisition invoice adjust in the sense of reducing the acquisition cost of the goods.

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.7. Significant accounting policies

(c) Stocks (continued)

The cost of production in progress includes the direct costs of production, namely: direct materials, direct labor, the cost of services provided by third parties or subcontractors and other direct costs, as well as the share of indirect costs.

At the end of the management, the stocks are evaluated based on the weighted average cost method.

At the balance sheet date, inventories are valued at the lower of cost and net achievable value. The net achievable value is the estimated selling price to be obtained during the normal development of the activity, less the estimated costs for the completion of the good, when applicable, and the estimated costs necessary for the sale. If applicable, value adjustments are made for stocks, depending on how old they are.

(d) Receivables

Accounts receivable and similar accounts mainly include invoices for goods delivered, work performed and services rendered.

Accounts receivable and similar accounts are recorded at nominal value, less the estimated recoverable amount by recording an adjustment for impairment. Generally, value adjustments are recorded for old or uncertain receivables.

(e) Cash and cash equivalents

Cash is made up of cash, bank current accounts, bank deposits for a maximum of three months if they are held in order to cover the need for short-term cash, checks and commercial bills deposited with banks. The overdraft is included in the balance sheet within the amounts due to the credit institutions that must be paid within a period of one year.

For the cash flow statement, cash and cash equivalents include cash on hand, current bank accounts, short-term financial investments of less than three months, net of overdraft.

(f) Value Loss

The carrying amount of the Company's assets other than inventories is reviewed at each balance sheet date to determine whether there is any depreciation. If applicable, an adjustment for impairment is recognized in the income statement or in equity when the carrying amount of the asset is greater than its recoverable amount.

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

(g) Loans

Short and long term loans are initially recorded at the amount received. Bank fees and commissions paid in order to obtain long-term loans are recognized on account of expenses incurred in advance. Advance expenses are recognized in current expenses in installments, during the repayment period of the respective loans.

The short-term portion of long-term loans is classified under "Liabilities: Amounts to be paid within a period of up to one year" and included together with interest due at the balance sheet date in "Amounts owed to credit institutions" or "Amounts owed to affiliated entities" within current liabilities, as applicable.

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.7. Significant accounting policies

(h) Debts

Trade obligations are recorded at cost, which represents the value of the obligation that will be paid in the future for the goods and services received, regardless of whether or not they were invoiced to the Company.

(i) Leasing contracts

In principle, leasing contracts in which the Company assumes all the risks and rewards of ownership are classified as finance leases. Other contracts are classified as operating leases. The debt to the leasing company is included in the balance sheet as a debt regarding the leasing contract. Funding costs are recorded in the profit and loss account for the lease period at a constant interest rate.

Payments made under operating leases are recorded in the income statement for the period of the lease. Reductions in leasing premiums received are recognized in the income statement as a reduction in expenses.

(j) Provisions

Provisions are recognized when the Company has a current (legal or constructive) obligation generated by a previous event, it is probable that an outflow of resources will be required to honor the obligation, and the liability can be estimated reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If an outflow of resources is no longer probable for the settlement of an obligation, the provision is canceled by resumption of income.

The value recognized as a provision is the best estimate at the balance sheet date of the costs necessary to settle the current obligation.

The best estimate of the costs necessary to settle the current debt is the amount that the Company would pay, rationally, to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

Provisions for restructuring

The company recognizes a provision for restructuring to the extent that the following conditions are met cumulatively:

- a) The company has a detailed official restructuring plan that stipulates the activity or part of activity to which it refers, the main locations affected by the restructuring plan, the approximate number of employees who will receive compensation for termination, distribution and their positions, expenses involved and date from which the restructuring plan will be implemented;
- b) The company caused those affected to wait for the restructuring by starting to implement that plan or by announcing its main characteristics to those affected by it.

Restructuring provisions include the direct costs generated by the restructuring, i.e. those that are necessarily generated by the restructuring process and are not related to the continuing conduct of the entity's business. Expenses related to the future administration of the activity are not provisioned.

Provisions for employees Benefits

The Company also provides cash benefits depending on seniority and retirement for employees. The company records provisions for employee benefits based on actuarial calculations performed by professional actuaries.

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.7. Significant accounting policies

(j) Provisions (continued)

Other provisions

Provisions are also recognized for litigation, fines and penalties, damages, damages and other uncertain debts, taxes.

(k) Share capital:

The share capital composed of quoted shares is registered at the value established on the basis of the incorporation documents and the additional documents. The company recognizes the changes to the share capital only after their approval at the Trade Register.

(l) Revaluation reserves

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

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

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

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

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

The revaluation surplus included in the revaluation reserve is capitalized by direct transfer to retained earnings (account 1175 "Retained earnings representing the surplus achieved from revaluation reserves"), when this surplus represents a achieved gain. The gain is considered achieved when the asset is removed from the record.

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

(m) Legal reserves

It is constituted in proportion of 5% of the gross profit from the end of the year, until the total legal reserves reach 20% of the paid-in share capital in accordance with the legal provisions.

(n) Dividends

Dividends are recognized as a liability in the period in which their allocation is approved. The distribution of dividends is made after the approval of the financial statements.

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.7. Significant accounting policies

(o) Reported result

The accounting profit remaining after the distribution of the legal reserve quota is taken over in the result carried forward at the beginning of the financial year following the one for which the annual financial statements are prepared, from where it is to be distributed to the other legal destinations.

The accounting highlighting of the accounting profit destinations is performed in the following year after the general meeting of shareholders that approved the profit distribution, by registering the amounts representing dividends due to shareholders, reserves and other destinations, according to the law.

(p) - Income

The Company's revenues come from the provision of maintenance services, repairs, execution of construction-assembly works and car services, as well as from sales of materials, equipment, spare parts for electricity distribution networks and from specialized machinery and equipment. Revenues are recognized at the fair value of the services provided or the goods delivered, net of VAT, excise duties and other taxes related to the sale.

Income from provision of services

The income from the rendering of services are recognized in the period in which they were rendered and in correspondence with the execution stage. Provision of services also includes the execution of works and any other operations that cannot be regarded as supplies of goods.

The stage of execution of the work is determined on the basis of work situations that accompany the invoices, minutes of reception or other documents that attest the stage of accomplishment and reception of the services provided.

In the case of construction-assembly works, the revenue is recognized on the basis of the receipt signed by the beneficiary, which certifies that the executor has fulfilled its obligations in accordance with the provisions of the contract and the execution documentation.

The equivalent value of the works not received by the beneficiary until the end of the period is highlighted at cost, in account 332 "Services in progress", on account 712 "Revenues related to the costs of services in progress".

Revenues from sale of goods

Revenues from sales of goods are recorded when the goods are handed over to buyers, their delivery based on the invoice or under other conditions provided in the contract, which certifies the transfer of ownership of the goods to customers.

Revenues from the sale of goods are recognized when the following conditions are met:

- a) The company transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The company no longer manages the goods sold at the level at which it would have done so, normally, in the case of owning them, nor does it have effective control over them;
- c) the size of the revenues can be reliably assessed;
- d) it is probable that the economic benefits associated with the transaction to be generated by the entity; and
- e) transaction costs can be reliably measured.

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.7. Significant accounting policies

(p) Revenue (continued)

Revenue from royalties, rents

Royalties are recognised on the basis of undertaking contracts, under the contract.

(q) Tax on profit

The current tax is calculated on the basis of the annual tax result, using the tax rates in force at the balance sheet date, according to the provisions of the Fiscal Code.

(r) Financial income and expenses

Financial income includes interest income and income from exchange rate differences. Financial expenses include interest expense on loans and exchange rate differences. Financial income and expenses are recognized on an accrual basis.

(s) Other liabilities related to employees

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

(t) Affiliated parties and related parties

In accordance with the Order of the Ministry of Public Finance no. 1802/2014 with subsequent amendments, a related party is a person or entity that is related to the entity that prepares the financial statements, hereinafter referred to as the reporting entity.

A company is linked to a reporting entity if it meets any of the following conditions:

- i) the entity and the reporting entity are members of the same group (which means that each parent company, subsidiary and subsidiary in the same group is related to the others);
- ii) the entity is an associate or jointly controlled entity of the other entity of a member entity of a group to which the other entity belongs (or associate or jointly controlled entity of a member of the group to which the other entity belongs);
- iii) both entities are jointly controlled entities of the same third party;
- iv) one entity is a jointly controlled entity of a third entity and the other is an associate of the third entity;
- v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity itself is such a plan, the sponsoring employers are also bound by the reporting entity;
- vi) the entity is controlled or jointly controlled by a person identified in par. (b);
- vii) the person identified in para. (b) lit. i) significantly influences the entity is a member of the key personnel of the management of the entity (or of the parent company of the entity);
- viii) the entity or any member of a group to which it belongs shall provide the reporting entity or the parent of the reporting entity with services related to key personnel in the management of that entity.

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.7. Significant accounting policies

(t) Affiliated parties and related parties (continued)

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

- i) has control or joint control over the reporting entity;
- ii) has a significant influence on the reporting entity; or
- iii) is a member of the key management staff of the reporting entity or the parent company of the reporting entity.

A reporting entity is exempted from the application of the presentation provisions of the Order of the Minister of Public Finance no. 1802/2014 with subsequent amendments regarding related party transactions and due balances, including commitments, with:

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

If a reporting entity applies the derogation provided for in the preceding subparagraph, it shall be required to provide the following information regarding the related transactions and outstanding balances:

- a) the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);
- b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:
 - i) the nature and amount of each individually significant transaction; and
 - ii) qualitative or quantitative indicators on the level of transactions, in the case of other transactions that are collectively significant, and not individually.

(u) Contingent debts

A contingent liability is:

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

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

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

NOTE 2: PRINCIPLES, POLICIES AND ACCOUNTING METHODS (CONTINUED)

2.7. Significant accounting policies

(v) Events after the balance sheet date

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

(w) Accounting errors

The errors found in the accounting can refer either to the current financial year or to the previous financial years; errors in previous periods also include incorrect presentation of information in the annual financial statements. The correction of the errors is made at the date of their ascertainment.

Errors in prior periods are omissions and misstatements contained in the entity's financial statements for one or more prior periods resulting from the error of using or not using credible information that:

- a) were available at the time the financial statements for those periods were approved for issue;
- b) could have been reasonably obtained and taken into account in the preparation and presentation of those annual financial statements.

The correction of the errors related to the current financial year is made on account of the profit and loss account. The correction of significant errors related to previous financial years is made on account of the carried forward result.

The correction of the errors related to the previous financial years does not determine the modification of the financial statements of those years. In case of errors related to previous financial years, their correction does not imply the adjustment of the comparative information presented in the financial statements. Comparative information regarding the financial position and financial performance, respectively the change of the financial position, are presented in the explanatory notes. The explanatory notes to the financial statements also present information on the nature of the errors found and the periods affected by them.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended on 31.12.2020
(all amounts are expressed in lei ("RON"), unless otherwise specified)

NOTE 3: FIXED ASSETS

Gross value

Asset items	Balance at December 31, 2019	Increase	Transfers (entries)	Increase by merger	Revaluation Impact	Reduction s	Transfers (outputs)	Balance at DECEMBER 31, 2020
0	1	2	3	4	5	6	7	8=1+2+3+ 4+5-6-7
Intangible assets								
Other intangible assets	13,305,598	15,913	-	4,263,570	-	178,765	-	17,406,316
Total intangible assets	13,305,598	15,913	-	4,263,570	-	178,765	-	17,406,316
Tangible assets								
Land	107,693,695	4,644,800	-	61,206,145	8,732,979	2,763,308	-	179,514,311
Buildings	106,882,325	73,414	22,897	161,188,899	(5,010,448)	1,252,207	-	116,834,870
Equipment and machinery	28,741,032	678,959	455,148	3,728,085	(7,114,981)	747,184	-	25,741,059
Other equipment, machinery and furniture	1,734,895	4,736	34,977	112,207	-	123,674	-	1,763,141
Tangible assets in progress	1,053,116	2,067,379	-	-	-	103,568	513,022	2,503,905
Total tangible assets	246,105,063	7,469,288	513,022	81,165,326	(3,392,450)	4,989,941	513,022	326,357,286
Financial assets								
Shares owned in subsidiaries	1,223	-	-	-	-	-	-	1,223
Loans granted to group entities	-	-	-	-	-	-	-	-
Other secured loans	741,748	210,518	-	9,448	-	295,100	-	666,614
Total financial assets	742,971	210,518	-	9,448	-	295,100	-	667,837
Total assets	260,153,632	7,695,719	513,022	85,438,344	(3,392,450)	5,463,806	513,022	344,431,439

NOTE 3: Intangible assets (continued)

Depreciation

Asset items	Balance at December 31, 2019	Depreciation of the financial period	Increase by merger	The impact of revaluation	Depreciation accumulated for output	Balance at DECEMBER 31, 2020
9	10	11	12	13	14	15=10+11+ 12+ 13-14
Intangible assets						
Other intangible assets	13,160,132	58,638	4,263,570	-	178,765	17,303,575
Total intangible assets	13,160,132	58,638	4,263,570	-	178,765	17,303,575
Tangible assets						
Buildings	11,756,773	4,151,836	1,738,363	(17,404,761)	242,211	-
Equipment and machinery	9,215,771	4,753,077	1,568,273	(14,984,754)	552,367	-
Other equipment, machinery and furniture	1,378,516	166,945	87,905	-	116,312	1,517,236
Total tangible assets	22,351,060	9,071,858	3,394,541	(32,389,515)	1,546,429	1,517,236
Total assets	35,511,192	9,130,496	7,658,111	(32,389,515)	1,089,474	18,820,811

Adjustments for depreciation

Asset items	Balance at December 31, 2019	Increase	Cessions	Balance at DECEMBER 31, 2020
Tangible assets in progress	569,408	-	103,568	465,840
Fixed receivables	303,957	-	-	303,957
Total tangible assets	873,365	-	103,568	769,797

NOTE 3: Intangible assets (continued)

Net book value

Asset items	Balance at December 31 2019	Balance at December 31 2020
16	17	18
Intangible assets		
Other intangible assets	145,466	102,741
Total intangible assets	145,466	102,741
Tangible assets		
Land	107,693,695	179,514,311
Buildings	95,125,552	116,834,870
Equipment and machinery	19,525,261	25,741,059
Other equipment, machinery and furniture	356,379	245,905
Advances and tangible assets in progress	483,708	2,038,065
Total tangible assets	223,184,595	324,374,210
Financial assets		
Shares owned in subsidiaries	1,223	1,223
Guarantees granted to affiliated companies	-	-
Guarantees granted to third parties	437,791	362,657
Total financial assets	439,014	363,880
Total assets	223,769,075	324,840,831

The company has approved by the Board of Directors Decision no. 9/11.04.2019, a plan for capitalization of unused assets, through lease or sale, based on which it capitalized through sale of assets during 2020 as well.

In 2020, the Company sold assets from the Capitalization Plan in net book value of 1,734,690 lei, obtaining revenues of 2,213,651 lei - the most significant are a building and land complex located in Buzau (income obtained: 455,035 lei) and a set of land and building, located in Sibiu (income obtained: 358,064 lei). Also, the Company capitalized assets approved for scrapping by sale to third parties, such as vehicles and equipment through auctions, according to the capitalization procedure, in a net book value of 137,889 lei, obtaining revenues from the sale of assets of 198,031 lei.

At the same time, the Company removed from the record by scrapping, according to the approval of the Board of Directors by Board of Directors Decision no. 6/25 March 2020, tangible and intangible assets in a net value of 64,472 lei and tangible assets in progress in the amount of 103,568 lei.

The company applies the revaluation model for the valuation of tangible assets. The last revaluation of tangible assets, less current assets, was performed by an independent appraiser, Darian DRS SA, on December 31, 2020.

NOTE 3: Intangible assets (continued)

The result of the revaluation of tangible fixed assets at the end of the financial year 2020

Asset items	Net book value on 31.12.2020 before revaluation	Increases from revaluation 2020		Decrease from revaluation 2020		Net book value revalued on 31.12.2020
		Increase in revaluation reserve (105)	Revenue reversal previous decreases (755)	Reduction of revaluation reserve (105)	Negative evaluation (655)	
Land and landscaping	170,781,332	13,492,312	905,447	(4,662,327)	(1,002,453)	179,514,311
Buildings	104,440,557	17,076,825	716,543	(4,729,969)	(669,086)	116,834,870
Equipment and machinery	17,871,286	9,488,619	583,117	(1,192,878)	(1,009,085)	25,741,059
Total	293,093,175	40,057,756	2,205,107	(10,585,174)	(2,680,624)	322,090,240

The revaluation of tangible fixed assets determined an increase of the net book value on 31.12.2020 by 28,997,065 lei, an increase of the revaluation reserve by 29,472,582 lei and generated an operating loss of 475,517 lei.

NOTE 4: STOCKS

	December 31, 2019			DECEMBER 31, 2020		
	COST	Adjustments for depreciation	Net value	COST	Adjustments for depreciation	Net value
Materials and consumables	3,173,773	(1,118,774)	2,054,999	3,980,488	(2,139,931)	1,840,557
Spare parts	4,888,355	(2,427,902)	2,460,453	16,228,740	(14,560,923)	1,667,817
Third party materials and consumables	164,813	(107,493)	57,320	835,856	(132,460)	703,396
Packaging	228,874	(209,108)	19,766	180,526	(92,109)	88,417
Raw materials and consumables	8,455,815	(3,863,277)	4,592,538	21,225,610	(16,925,423)	4,300,187
Production under execution	563,095	(563,095)	-	6,101,397	(563,095)	5,538,302
Finished goods and merchandise	16,857	-	16,857	10,140,953	-	10,140,953
Payments in advance	2,599,611	-	2,599,611	30,585	-	30,585
Total	11,635,378	(4,426,372)	7,209,006	37,498,545	(17,489,518)	20,010,027

NOTES TO FINANCIAL STATEMENTS

for the financial year ended on 31.12.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

NOTE 4: STOCKS (CONTINUED)

The materials, consumables and spare parts mainly include materials for maintenance and repairs performed in the electrical networks of the beneficiaries of this type of work, as well as car spare parts for the current activity.

Impairment adjustments are made semi-annually, according to the approved accounting policy, depending on the age of the stock, as follows:

- the last movement is determined (exit or entry) - the transfer between warehouses / managements is not considered a movement; entry means acquisition and exit means consumption / scrapping / sale;
- the seniority at material code level is calculated on the date of each report compared to the date of the last move;
- stocks older than 12 months are provisioned with 30%;
- stocks older than 24 months are provisioned with 60%;
- stocks older than 36 months are provisioned with 90%;

During 2019, through Board of Directors Decision no. September 29/25, 2019, the downgrading, scrapping, capitalization and removal from accounting records for materials amounting to 10,328,575 lei were approved. Until the end of 2019, stocks with a total value of 8,137,845 lei were scrapped and capitalized, the procedure being completed in 2020. During 2020, stocks with a total value of 2,013,851 lei were scrapped and capitalized.

NOTE 5: RECEIVABLES

On January 1 and December 31, 2020, the Company's receivables are as follows:

Receivables	December 31, 2019	DECEMBER 31, 2020	Liquidity Term for the balance at DECEMBER 31, 2020	
			Less than 1 year	Over 1 year
Advances to Suppliers	8,598	116,634	116,634	-
Commercial receivables - third parties	7,590,864	14,249,617	14,249,617	-
Adjustments for receivables from third parties	(1,597,739)	(2,149,839)	(2,149,839)	-
Total trade receivables - third parties, net	6,001,723	12,216,412	12,216,412	-
Trade receivables from related parties (see Note 13.1)	77,691,810	69,576,911	69,576,911	-
Total trade receivables - Affiliated parties, net	77,691,810	69,576,911	69,576,911	-
Sundry debtors	191,822,076	187,065,441	187,065,441	-
Impairment adjustments for various debtors	(191,262,439)	(186,238,395)	(186,238,395)	-
VAT not due	1,269,148	1,206,279	1,206,279	-
Other receivables	266,641	1,040,557	1,040,557	-
Total other receivables - third parties, net	2,095,427	3,073,882	3,073,882	-
Total receivables	85,788,960	84,867,205	84,867,205	-

NOTE 5: Receivables (CONTINUED)

5.1. Commercial receivables - third parties

Trade receivables from third parties represent, mainly, invoices receivable from maintenance and repair services provided to Adrem Invest, Distributie Energie Oltenia, E-Distributie Dobrogea SA, Energobit SA and others.

Adjustments for impairment of receivables are estimated, quarterly, according to the approved accounting policies, as follows:

- for receivables invoiced and not collected in a period between 181 and 269 days, an adjustment of 50% of the value of the receivable will be constituted;
- for receivables invoiced and not collected in a period between 270 days and 365 days, an adjustment of 70% of the value of the receivable will be constituted;
- for receivables invoiced and not collected in a period longer than 365 days, an adjustment of 100% of the value of the receivable will be constituted;
- for invoiced receivables representing late payment penalties / penalties for non-compliance with contractual clauses, an adjustment of 50% of the value of the receivable at the time of issuing the invoice will be constituted, respectively 100% of the value of the invoiced and uncollected receivable in a longer period than 181 days;
- for receivables for clients in a state of insolvency / bankruptcy, adjustments of 100% of the value of the receivable will be made;
- for receivables for clients that have become uncertain (opening of court action / research actions by various authorities), adjustments of 100% of the value of the claim will be made.

5.2. Sundry debtors

As of December 31, 2020, the account of various third party debtors mainly includes:

- Amounts to be recovered from Servicii Energetice Moldova, Servicii Energetice Banat, Servicii Energetice Dobrogea and Servicii Energetice Oltenia former affiliated companies in bankruptcy. The gross value of receivables is 170,351,324 lei, for which the Company has established impairment adjustments in the amount of 170,351,324 lei.
- Receivables in the amount of 15,409,865 lei, provisioned almost in full, in relation to National Leasing, the insolvent company. National Leasing acquired goods financed by bank loans from BCR, which were transferred to the Company based on financial leasing contracts. The National Leasing loans were guaranteed with the goods purchased and thus transferred, through financial leasing. National Leasing accumulated arrears on the repayment of bank loans, and BCR assigned these receivables to Suport Colect, a company from the BCR group specialized in debt recovery. In the recovery process, Suport Colect executed the guarantees and assigned the receivables to the Company, in exchange for the assets that were the object of the financial leasing contracts concluded with National Leasing.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended on 31.12.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

NOTE 6: CASH AND BANK ACCOUNTS

	Balance at December 31 2019	Balance at December 31 2020
Cash in bank	55,416,514	18,286,734
Cash in the house	7,746	8,333
Other Values	20,203	15,947
Total cash and bank accounts	55,444,463	18,311,014

The significant reduction in the value of the treasury accounts is due to the participation in 2020 of the Company with investments in the Group's cashpool structure. As of December 31, 2020, the balance of the receivable from Energetica Electrica SA within the cashpooling structure is 33,970,947 lei.

NOTE 7: DEBTS

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

Debts	Balance at December 31 2019	Balance at December 31 2020	Maturity for the balance at DECEMBER 31, 2020		
			Less than 1 year	1- 5 years	Over 5 years
1 Amounts owed to credit institutions	-	-	-	-	-
2 Advance payments in the orders account	62,559	5,798	5,798	-	-
3 Commercial debts - affiliated entity other related parties	409,326	1,224,259	1,224,259	-	-
4 Commercial Debt - Third Party Suppliers	37,242,873	27,435,220	27,435,220	-	-
5=3+4 Total trade payables	37,652,198	28,665,277	28,665,277	-	-
6 Amounts owed to entities in the group	-	-	-	-	-
7 Other debts	9,180,953	6,702,620	6,702,620	-	-
8=6+7 Total other liabilities	9,180,953	6,702,620	6,702,620	-	-
9=1+2+5+8 Total	46,895,711	35,367,897	35,367,897	-	-

7.1. Commercial debts

The commercial debts represent payment amounts to the suppliers for the acquisition of stocks necessary to carry out the maintenance works, repairs and car rental to the Company's clients. Also, in order to provide the contracted services, the Company uses subcontractors of construction works, arrangements, modernizations, repairs and maintenance.

NOTE 7: (CONTINUATION) DEBTS

7.2. Other debts

Debts	Balance at December 31, 2019	Balance at DECEMBER 31, 2020	Maturity for the balance at DECEMBER 31, 2020		
			Less than 1 year	1- 5 years	Over 5 years
Salaries and assimilated debts	1,005,711	2,049,463	2,049,463	-	-
Social Security	1,786,551	1,827,434	1,827,434	-	-
VAT	2,921,461	-	-	-	-
Tax on profit	914,070	(436,531)	(436,531)	-	-
Tax on salaries	258,576	336,106	336,106	-	-
Other tax liabilities	28,789	52,414	52,414	-	-
Warranties	2,203,455	2,685,793	2,685,793	-	-
Other debts	62,340	187,942	187,942	-	-
Total	9,180,953	6,702,621	6,702,621	-	-

NOTE 8: PROVISIONS

	Balance at December 31, 2019	Incorporation	Taken over by merger	Resumption	Balance at December 31 2020
Provisions for Employee Benefits	4,253,580	976,807	917,652	352,826	5,795,213
Provisions for disputes	4,019,054	-	-	-	4,019,054
Other provisions	2,359,604	1,205,091	90,778	2,386,361	1,269,112
Total	10,632,238	2,181,898	1,008,430	2,739,187	11,083,379

8.1. Provisions for Employee Benefits

In accordance with the provisions of the Collective Labor Agreement of S FISE Electrica Serv SA in the calculation of the provision for employee benefits are included retirement bonuses, jubilee bonuses, assistance in case of death of an employee, benefits at the end of the contract before retirement not through employee fault. The provisions are based on reports prepared by companies specialized in actuarial calculation and according to the accounting policy are registered at the semester and at the end of the financial year.

As a result of the merger with Servicii Energetice Muntenia, on 30.11.2020 a provision of 917,652 lei was taken over, calculated in accordance with the provisions of the Collective Labor Agreement of the absorbing company, and subsequently, on 31.12.2020, it was updated for S FISE Electrica Serv SA including also the employees taken over by merger related to the provisions of the Collective Labor Agreement of S FISE Electrica Serv.

NOTE 8: (J) PROVISIONS (CONTINUED)

8.1. Provisions for employees benefits (continued)

	2019	2020
Balance at 1 January	23,148,878	4,253,580
Taken over by merger	-	917,652
The cost of current seniority	167,767	211,968
Cost of interest	306,035	548,903
Paid benefits	(1,246,760)	(489,129)
Actuarial gain / loss for the period	(2,801,125)	(455,672)
Cost of past service	(15,321,214)	807,911
Balance at 31 December	4,253,580	5,795,213

The assumptions underlying the evaluation on December 31, 2020 were:

- inflation rate 2%/year for long term;
- the estimated real long-term yield of government bonds 1.6% /year;
- liquidity premium for Romania 0%.

The assumptions underlying the evaluation on December 31, 2019 were:

- inflation rate 2%/year for long term;
- update rate 4.36%;
- The company provides salary increases of 2.5% /year.

The benefits granted to employees according to the Collective Labor Agreement for which provisions have been calculated are mainly the following:

Jubilee premiums for seniority in work within the Electrica group:

Seniority (Duration of uninterrupted seniority in the Group)	The value of the benefit in relation to the gross monthly salary	
	2019	2020
20 years.	100%	100%
30 years.	200%	200%
35 years.	300%	300%
40 years.	400%	400%
45 years.	500%	500%

Retirement premiums according to seniority within the Electrica group:

Seniority (Years of total seniority in the Group)	The value of the benefit in relation to the gross monthly salary	
	2019	2020
between 8 and 10 years	200%	200%
between 11 and 25 years	300%	300%
over 26 years	400%	400%

The company also offers, in case of the employee's death, an aid of 4,259 lei to his/her family.

NOTE 8: (J) PROVISIONS (CONTINUED)

8.2. Provisions for disputes

As of December 31, 2020, the provisions for litigation are constituted mainly as a result of estimating the costs in relation to the parent company, related to the value of the penalty interest in the estimated amount of 2,196,304 lei and with retired former employees, as a result of cancellation under the Collective Agreement. work of the clause regarding the equivalent value of electricity, in an estimated amount of 995.342 lei.

8.2. Other provisions

As of December 31, 2020, in the category of other provisions, the Company has registered mainly provisions for rest leave not performed by employees of the company based on individual employment contract and executive management based on mandate contracts, amounting to 1.197.394 lei .

NOTE 9: CAPITAL AND RESERVES

9.1. Subscribed share capital:

As of December 31, 2020, the share capital of the Company is 52,495,780 lei, being divided into 5.249.578 shares with a nominal value of 10 lei / share, of which 1.059.733 shares with a nominal value of 10 lei / share were resulted following the merger. As of December 31, 2019, the share capital of the Company is 37.253.650 lei, being divided into 3.725.365 shares with a nominal value of 10 lei / share. The sole shareholder of the Company is Societatea Energetica Electrica SA, a company listed on the stock exchange.

The share capital of the Company is fully subscribed and paid up on December 31, 2020.

9.2. The result of the exercise and the distribution of the profit

For the year ended December 31, 2020, the Company recorded a net loss of 9.959.825 lei.

NOTE 10: TURNOVER

	2019	2020
Executed works and services provided	152,558,395	99,941,858
Rental income	12,310,177	13,506,298
Sales of merchandise	31,025,800	32,711,153
Income from other activities	1,537,871	1,559,339
Discounts granted	(83,833)	-
Turnover	197,348,410	147,718,648

Executed works and services provided include maintenance services, repairs, construction-assembly, automotive services provided mainly to affiliated companies (see Note 13.2).

The sales of goods mainly represent the delivery of cars to the distribution branches, following the winning of the tender for four lots, the procedure that will continue during the years 2021-2023, most of which will be delivered in the years 2019-2020. Also, spare parts and products are sold to group companies and third parties.

NOTE 11: OTHER OPERATIONAL EXPENSES

The table below details other operating expenses by their nature:

Item	Expenses details	2019	2020
1	Expenses with royalties, management locations and rents	26,292,079	19,140,196
2	Expenses with banking and similar services	94,828	96,419
3	Expenses with insurance premiums	903,771	981,638
4	Expenses with maintenance and repair	5,941,253	2,769,845
5	Mail and telecommunication expenses	458,809	493,303
6	Travel expenses	1,679,350	1,222,816
7	Expenses from the revaluation of tangible assets	-	2,680,624
8	Other expenses with services performed by third parties	45,461,399	32,514,585
9 (row 1-8)	Expenses with external services - total	80,831,489	59,899,426
10	fees, taxes and similar expenses	5,495,059	4,385,459
11	Other expenses	14,352,178	4,368,777
12 (row 10-11)	Total	100,678,726	68,653,662

Expenses with royalties, management locations and rents mainly include expenses related to operational leasing contracts concluded for vehicles, in the amount of 19,140,196 lei (2019: 26,292,079 lei), the decrease being caused by the delivery of cars to the distribution branches of the group, delivery which will be continued during the years 2021-2023.

Also, the maintenance and repair costs are mainly related to the vehicles (in a share of 95%), as a result of the wear of the fleet and the repairs performed before the return of cars to the leasing suppliers, following the above mentioned delivery.

Other expenses with services performed by third parties include:

- expenses with subcontractors for carrying out existing contracts in the amount of 15,803,525 lei (2019: 27,149,981 lei);
- support services purchased in connection with the services and works performed by the Company (e.g. equipment rental, permits, authorizations, excavations, etc.) in the amount of 6,689,655 lei (2019: 7,510,521 lei);
- security services in the amount of 3,240,698 lei (2019: 2,645,150 lei);
- cleaning and sanitation services in the amount of 789,240 lei (2019: 893,253 lei);
- IT services in the amount of 1,085,704 lei (2019: 880,382 lei);
- various car-related services in the amount of 1,750,892 lei (2019: 2,721,769 lei).

Other expenses mainly include recognized costs amounting to 2,013,851 lei, representing the disposal of stocks approved following the proposals made at the end of the 2018 inventory procedure and approved by the Board of Directors in 2019 which were completed in the first two months of the year 2020, as well as 2,079,827 lei, expenses related to the assets sold during the year 2020.

NOTE 12: STAFF COSTS AND INFORMATION ON EMPLOYEES, MEMBERS OF THE ADMINISTRATION AND MANAGEMENT BODIES.

The expenses with salaries and related contributions registered during 2019 and 2020 are the following:

	2019	2020
Salaries expenses	31,251,894	36,223,759
Expenses with meal vouchers granted to employees	1,312,470	1,386,607
Social security costs	1,414,948	1,666,683
Total	33,979,312	29,277,049

In 2020, following the voluntary departure of employees, the Company granted compensatory salaries to 41 employees, in the total amount of 3,513,529 lei, of which 3,436,213 lei represent salary rights and 77,316 lei represent salaries-related expenses.

In 2019, no program of voluntary departures was carried out.

12.1. Administrators and Managers

The expenses with the remuneration of the directors with a mandate contract, of the members and secretary of the Board of Directors, of the members and secretary of the General Meeting of Shareholders, including the social contributions, were as follows:

	2019	2020
Remuneration of directors with a mandate contract	2,401,413	1,768,649
Remuneration of the members of the Board of Directors	-	-
Total	2,401,413	1,768,649

No loans were granted to directors or administrators.

12.2. Employees

The average number of employees evolved as follows:

	2019	2020
Management personnel	40	35
Administrative personnel	107	113
Production personnel	306	332
Total average number of employees	453	480

During 2020, the average number of employees increased compared to 2019, mainly due to the takeover of 262 employees from Servicii Energetice Muntenia Sud following the merger of 30.11.2020, which influenced the average number of employees in December 2020.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended on 31.12.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

NOTE 13: INFORMATION REGARDING RELATIONS WITH RELATED PARTIES

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

Related party	Activity	The main relations with the Company
Societatea Energetica Electrica SA („Electrica SA”), the parent company	Electricity distribution and marketing, consulting and management	Majority shareholder of the company Acquisition of car and other services
Electrica Furnizare SA, group company	Electricity trading	Acquisition of maintenance and repair services, transportation and other services
Societatea de Distributie a Energiei Electrice Muntenia Nord („Muntenia Nord”), group company	Distribution of electricity in the geographical area of Muntenia Nord	Acquisition of maintenance and repair services, transportation and other services
Societatea de Distributie a Energiei Electrice Transilvania Nord („Transilvania Nord”), group company	Electricity distribution in the geographical area of Northern Transylvania	Acquisition of maintenance and repair services, transportation and other services
Societatea de Distributie a Energiei Electrice Transilvania Sud („Transilvania Sud”), group company	Electricity distribution in the geographical area of Southern Transylvania	Acquisition of maintenance and repair services, transportation and other services

13.1. Information on balances with related parties

Receivables from affiliated parties as of December 31, 2020

Receivables	Gross value	Value adjustments	Net value
Muntenia Nord	7,887,925	-	7,887,925
Transilvania Nord	15,509,991	(91,342)	15,418,649
Transilvania Sud	10,651,507	(715,576)	9,935,931
Electrica Furnizare	2,363,459	-	2,363,459
ELECTRICA SA	33,970,947	-	33,970,947
Servicii Energetice Muntenia	-	-	-
Total	70,383,829	(806,918)	69,576,911

Receivables from affiliated parties as of December 31, 2019

Receivables	Gross value	Value adjustments	Net value
Muntenia Nord	29,679,009	-	29,679,009
Transilvania Nord	24,941,639	-	24,941,639
Transilvania Sud	21,524,497	-	21,524,497
Electrica Furnizare	1,524,101	-	1,524,101
Servicii Energetice Muntenia	22,564	-	22,564
Total	77,691,810	-	77,691,810

NOTE 13: INFORMATION ON RELATIONS WITH RELATED PARTIES (CONTINUED)

13.1. Information on related party receivables (continued)

Receivables from electricity distribution companies refer to sales of energy maintenance and repair services, sales of cars, sales of energy equipment and spare parts, construction - assembly works.

The receivables from Electrica Furnizare also include the values resulting from the transactions related to the VAT tax group amounting to 612,610 lei and the receivables from Electrica are resulting from the operations carried out in the cashpooling structure at the group level amounting to 33,970,947 lei (including interest) .

Receivables from MServicii Energetice Muntenia, Servicii Energetice Oltenia, Servicii Energetice Moldova, Servicii Energetice Banat and Servicii Energetice Dobrogea resulted mainly from the division of the Company in 2012. Servicii Energetice Moldova, Servicii Energetice Banat, Servicii Energetice Dobrogea si Servicii Energetice Oltenia are bankrupt. As of December 31, 2020, these companies were no longer presented as related parties, the balances being transferred to debts (see Note 5).

Debts To affiliated parties as of December 31, 2020

Debts	Balance at December 31 2019	Balance at December 31 2020
Electrica SA*)	34,347	32,965
Muntenia Nord	31,650	43,217
Transilvania Nord	77,455	170,046
Transilvania Sud	102	565,711
Electrica Furnizare	223,237	412,320
Servicii Energetice Muntenia	42,535	-
Total	409,326	1,224,259

*) In the relationship with Electrica SA there is a dispute regarding penalties related to refurbishment loans, for which the Company has a provision of 2,196,304 lei which will be recognized as a debt at the end of the process and the final settlement of the dispute.

13.2. Information on related party transactions

Sales of goods and services / other transactions	2019	2020
ELECTRICA SA	(268,681)	33,970,947
Muntenia Nord	69,403,081	45,075,844
Transilvania Nord	53,268,744	48,671,185
Transilvania Sud	61,019,808	39,708,081
Electrica Furnizare	9,567,965	10,533,739
Servicii Energetice Muntenia*)	140,260	98,166
Total	193,131,177	184,057,962

*) in 2020 there are transactions carried out before the merger

NOTES TO FINANCIAL STATEMENTS

for the financial year ended on 31.12.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

NOTE 13: INFORMATION ON RELATIONS WITH RELATED PARTIES (CONTINUED)

13.2. Information on related party transactions (continued)

Sales transactions mainly represent electrical equipment repair and maintenance services, car services provided and the sale of vehicles to the group's distribution subsidiaries, as well as sales of spare parts or other equipment. The Company also provides car-related services to Electrica Furnizare.

Other transactions include transactions related to the cashpooling structure in relation to Electrica SA with a net value of 33.970.947 lei as well as transactions related to the VAT tax group with Electrica Furnizare amounting to 612.610 lei.

Purchase of goods and services/other transactions	2019	2020
ELECTRICA SA	101,788	261,349
Muntenia Nord	244,990	304,448
Transilvania Nord	519,395	572,609
Transilvania Sud	4,020	587,470
Electrica Furnizare	3,759,160	5,661,807
Servicii Energetice Muntenia*)	3,149,584	159,389
Total	7,778,938	7,547,072

*) in 2020 there are transactions carried out before the merger

The purchases are mainly made from Electrica Furnizare (electricity supply) and from Servicii Energetice Muntenia, consisting of repair and maintenance services for electrical networks and equipment subcontracted by the Company.

Other transactions include transactions related to the VAT tax group with Electrica Furnizare in the amount of 2,657,798 lei.

13.3. Information on balances and transactions with other companies in which the State is the main shareholder of the parent company, has significant control or influence:

	Receivables balance on 31 December 2019	Receivables balance on 31 December 2020	Debt balance on December 31 2019	Debt balance on December 31 2020
Compania Municipala Strazi, Poduri	257,611	-	-	
Complex Energetic Oltenia	-	35,357	-	-
Others	60,768	31,440	105,282	32,447
Total	318,379	66,797	105,282	32,447

NOTES TO FINANCIAL STATEMENTS

for the financial year ended on 31.12.2020

(all amounts are expressed in lei ("RON"), unless otherwise specified)

NOTE 13: INFORMATION ON RELATIONS WITH RELATED PARTIES (CONTINUED)

13.3. Information on balances and transactions with other companies in which the State is the main shareholder of the parent company, has significant control or influence:

	Sales 2019	Sales 2020	Purchase 2019	Purchase 2020
Compania Municipala Strazi, Poduri	216,480	-	-	-
Hidroelectrica SA	-	1,825,767	-	-
Compania Municipala Parcuri si Gradini	-	1,789,200	-	2,496
Primaria Municipiul Targu Mures	-	282,146	-	-
Compania Municipala Managementul Traficului Bucuresti	231,360	-	-	-
Unitatea Militara 01714	442,000	3,624	-	-
Unitatea Militara 02482	287,520	-	2,978	-
Others	620,259	329,519	1,728,033	424,806
Total	1,797,619	4,230,256	1,731,011	427,302

NOTE 14: CONTINGENTS

14.1. Tax risks

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

Tax audits are common in Romania and they consist of detailed verification of accounting records of taxpayers. Such inspection are sometimes conducted after months or even years from the date the payment obligations were set. Consequently, companies may owe taxes and fines. In addition, tax legislation is subject to frequent changes, and authorities often show inconsistency in interpretation of legislation. However, the Company's management considers that adequate reserves have been established for all significant tax liabilities.

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

The management believes the tax obligations were properly recorded in the financial statements enclosed, but still, there is a risk the fiscal authorities could take differing positions about the interpretation of these issues.

NOTE 14: CONTINGENTS (CONTINUED)

14.2. Transfer Price

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

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

14.3. Disputes

The company is involved in a series of litigations and disputes (eg with ANAF, the Court of Accounts, labor disputes, etc.). As summarized in Note 8.2, the Company has established provisions for litigation and disputes for which management has assessed that an outflow of resources is likely to be required incorporating economic benefits due to the reduced chances of their favorable settlement. The company does not present information in the financial statements and has not constituted provisions for litigations and disputes for which the management has evaluated the possibility of resource outflows as being reduced.

ANAF dispute

In May 2017, the control performed by ANAF for the period January 1, 2009 - December 31, 2014 was completed, following which fiscal obligations amounting to 12.281 thousand lei were established, representing additional VAT for the period January 2010 - December 2014, penalties and interest on arrears related to invoices issued by a supplier who was inactive at that time. Also, ANAF obliged the Company to reduce the fiscal loss at the end of 2014 by 76.360 thousand lei.

In July 2018, ANAF's decision was challenged by the Company. On July 3, 2019, the Bucharest Court of Appeal partially admitted the appeal, in the sense of partial annulment of the taxation decision for the amount of 7.3 million lei VAT and related accessories, illegally retained as non-deductible, respectively regarding the amount of 37.1 million lei, which illegally reduced the fiscal loss. The solution is not final, being susceptible to appeal after the communication of the sentence. On 07.12.2020, after the communication of the sentence, the Company declared and registered the appeal for the other heads of application, rejected by the court of first instance, pending before the ICCJ in the regularization phase. At the same time, ANAF filed an appeal against the partial annulment of the taxation decision. The appeal is awaiting trial.

Litigation Court of Accounts of Romania

The settlement of the appeal filed against the Control Report and the decision no. 13/2016 issued by the Court of Accounts on December 27, 2016 were challenged with an action for annulment in administrative litigation, being registered the file 2098/2/2017 on the role of the Court of Appeal Bucharest, Administrative and fiscal litigation section, having as object the annulment of the administrative act concluding no. 11 / 27.02.2017. The process is in the phase of extensive technical expertise. Term: 05.04.2021.

NOTE 15: COMMITMENTS

15.1. Operational leasing

The main operational leasing contracts refer to vehicles and equipment rented by the Company, as follows:

SUPPLIER	Amount contract
BCR Fleet Management	18,607,105
Center TEA & Co SRL	14,193,596
Cargo Business Logistics	1,844,577
Operational Autoleasing SRL	1,614,206
Energopetroleum Top Service SRL	1,091,396
RCI Finantare Romania SRL	231,043
Kia - Brasov	35,060
Total	37,616,983

The future payments related to the operational leasing contracts mentioned above are as follows:

	December 31 2019	December 31 2020
<1 year	17,621,838	8,979,178
Between 1 and 5 years	878,806	8,783,092
Total	18,500,644	17,762,270

On December 31, 2020, the company also contracted a financial lease from the supplier Meridian Leasing IFN in the amount of 472,133 lei, of which on 31.12.2020 there remained payment commitments of 353,561 lei divided on short term (less than 1 year) medium term (between 1 and 5 years) 263,290 lei. The contract in question was taken over following the merger from November 30, 2020.

NOTE 15: COMMITMENTS (CONTINUED)

15.2. Investment program

The investment program for 2021 includes capital expenditures in the amount of 11,561 thousand lei. The investment projects will be financed from own sources and include the acquisition of machinery necessary for the current activity. Investment projects are reviewed periodically so that the amounts actually spent may differ from those estimated.

The component of the investment program

Code	Investments objective	Total Program 2021 <i>thousand lei</i>		
		of which		other sources
		Total	Own sources	
	TOTAL, of which:	11,561	11,561	-
300	Centers development/ production points, improvement of employees work conditions	2,244	2,244	-
600	Endowments and other investment expenses, of which:	9,317	9,317	-
	Independent machinery < 20 thousand lei	1,592	1,592	-
	Independent machinery ≥ 20 thousand lei	265	265	-
	Vehicles	7,364	7,364	-
	OHS	-	-	-
	Fire fighting	-	-	-
	Studies	96	96	-

15.3. Benefits upon termination of employment contracts

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

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

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

NOTE 15: COMMITMENTS (CONTINUED)

15.3. Benefits upon termination of employment contracts (continued)

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

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

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

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

c) Benefits following voluntary departures

According to the collective labor contract concluded between the Company and the Trade Unions, between the employer and the employees, defined according to the law, agreements for terminating the Individual Employment Contract may occur by agreement of the parties and with compensatory package, in accordance with the provisions of a negotiated agreement (**a new voluntary departure agreement is currently being negotiated**).

15.4. Warranties

As of December 31, 2020, the Company has letters of guarantee constituted in the amount of 23,110,266 lei, representing mainly good performance guarantees for the partners with which there are ongoing execution contracts and services, of which 11,100,411 lei represents the good performance guarantee constituted in favor of the three distribution companies for the sectorial car delivery contracts signed in 2019, in progress for a period of 5 years. Out of the total letters of guarantee, we mention that following the merger, the Company took over from Muntenia Sud Energy Services a portfolio of letters of guarantee of 4,682,706 lei.

As of December 31, 2019, the Company has letters of guarantee constituted in the amount of 18,769,326 lei, representing mainly good performance guarantees for the partners with which there are ongoing execution contracts and services, of which 11,100,411 lei represents the good performance guarantee constituted in favor of the three distribution companies for the sectorial car delivery contracts signed in 2019, in progress for a period of 5 years.

NOTE 15: COMMITMENTS (CONTINUED)

15.5 SUBSEQUENT EVENTS

The change of the Company's Board of Directors structure

By the OGMS Decision no. 2 / 04.03.2020, the appointment of Mr. Stefan-Valeriu Ivan for the position of board member for a term valid until 29.01.2022.

Following the resignation request submitted by Mr. Stefan-Valeriu Ivan from the position of Board member / Chairman of the Board, starting with 18.01.2021, on the vacancy created following the resignation was appointed Mrs. Georgeta-Corina Popescu, board member - according to OGMS Decision no. 2 / 15.02.2021, for the period 15.02.2021-29.01.2022. By the Board of Directors Decision no. 6 / 16.02.2021, starting with 16.02.2021 Mrs. Georgeta-Corina Popescu was appointed Chairman of the Board of Directors.

The financial statements were approved by the Board of Directors on February 23, 2021 and submitted for approval to the General Meeting of Shareholders.

**p. General Manager
Vasile Ionel Bujorel OPREAN**

Signature

**p.Financial Manager
Alexandrina Corina RUSU**

Signature