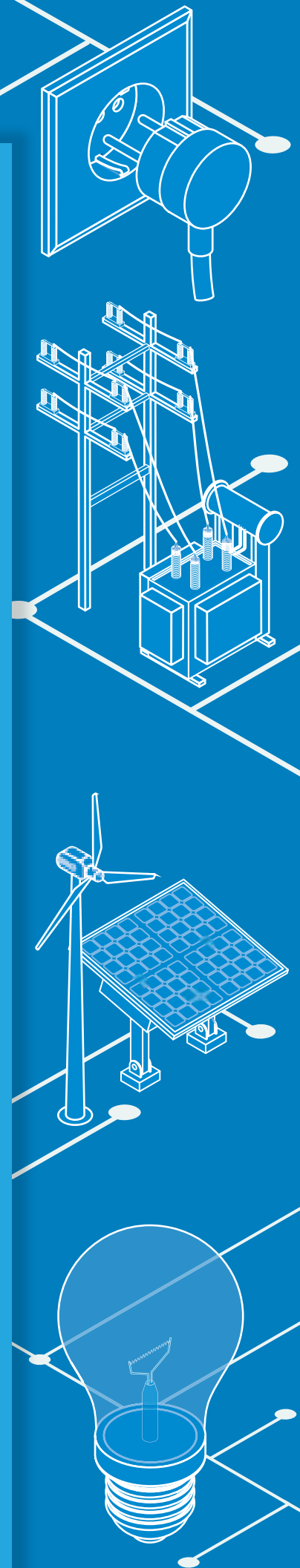


2020 ANNUAL REPORT





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DECLARATION
OF THE MANAGEMENT



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Year 2020 has proved that unforeseen circumstances may represent an opportunity to become more united and focused on achieving common goals, demonstrating adaptability and consistency. Ensuring continuity in power supply represents an essential activity and Electrica Group respected, in an extraordinary context, both its commitment towards its investors, partners and also towards its consumers. We managed to do this with a united team of over 8,000 dedicated personnel with extensive experience in the energy sector. At the same time, the good cooperation between the Board of Directors and the management team of the Group was essential in achieving business objectives in a period such as 2020.

Based on a well-defined strategy, the company engaged in an extensive transformation and optimization process, process that was implemented as planned and which led to a greater degree of flexibility. The Board of Directors appreciates the progress recorded on all business lines, especially that of finalizing the two merger processes conducted, namely the merger of the distribution companies and the merger of the service companies within the Group. We are confident that the new form of organization will help increase quality standards throughout the entire organization, along with effective use of existing resources.

The Group continued its investments plan in all areas of activity, and the acquisition of renewable electricity generation capacity is an important first step in the context that we need to invest in sustainable solutions that would contribute to carbon footprint reduction and fight against climate change.

Moreover, for the first time, the Group took the first step in its internationalization strategy, developing business outside Romania's borders by deciding to open a branch in the Republic of Moldova. It was an important moment in the history of the company, which confirms the commitment to analyze and capitalize opportunities that can generate sustainable growth and positive effects for clients, partners, employees and investors.

Efficient management is also confirmed by the financial results, which strengthen the solid profile of the company, but also its role in the economy. Furthermore, Electrica's admission to trading represents the largest initial public offering in the history of the Romanian stock exchange, being a model for local companies.

I believe that we need to consider this atypical period in terms of the opportunities it can offer and focus, as before, on measures that can bring long-term added value. Electrica has the necessary resources to overcome any challenge and I am confident that, regardless the context, the Group will not deviate from the development strategy, respecting its commitments and objectives set by all stakeholders.

Mr. Iulian Cristian Bosoancă
– Chairman of the Board of Directors Electrica SA



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The year 2020 was a totally atypical year, during which Electrica once again proved to be one of the pillars of the Romanian economy, a strategic group made up of solid companies, which even under more difficult conditions, has fulfilled its mission to stakeholders and achieved the objectives outlined in the development strategy.

The pandemic context, the major changes in the energy market and the start of the alignment with the European Green Deal objectives have created challenges on all business lines, which we have successfully faced, thanks to the effort and diligence of the entire Electrica team, which is worth, perhaps, more than in any other year, recognition of performance and of demonstrated spirit of unity.

Despite the unprecedented global health crisis, we have been able to adapt, in a very short time, by putting in place, from the very first signs of the pandemic, a resilience plan that guaranteed business continuity in a national strategic sector, that is safe for our customers, colleagues, and partners. We have worked to speed up the strategic steps of digitalization in order to provide our customers various means of remote contact and payment, initiative that has increased their confidence and satisfaction, according to the results of the "2020 Excellence in Customer Experience" report, carried out by KPMG Romania, on the utilities segment. Beyond ensuring the current activity, we felt it was our responsibility to help society revert to normality and to support with all possible means the medical units and non-governmental associations that were at the forefront of the fight against the new coronavirus.

The liberalization of the natural gas market, which took place starting 1 July 2020, followed by a period of intense changes in the functionality of the power market prior to its liberalization, have led us to implement a series of measures aimed primarily at optimizing the costs for the final customer, while facilitating customer transition to the competitive market by simplifying contracting flows. We have also diversified our product portfolio to meet consumers with stable offers that reflect different consumer habits, predictable prices and transparent contract terms. These sustained efforts, reflecting the customer satisfaction Group's strategy, have contributed to maintain the position of market leader in the supply segment in 2020.

We took important steps to align to the objectives of the European Green Deal, that implies adopting solutions for resource efficiency and pollution reduction, by entering the market of renewable electricity producers following the acquisition of the Stanesti photovoltaic park in Giurgiu County.

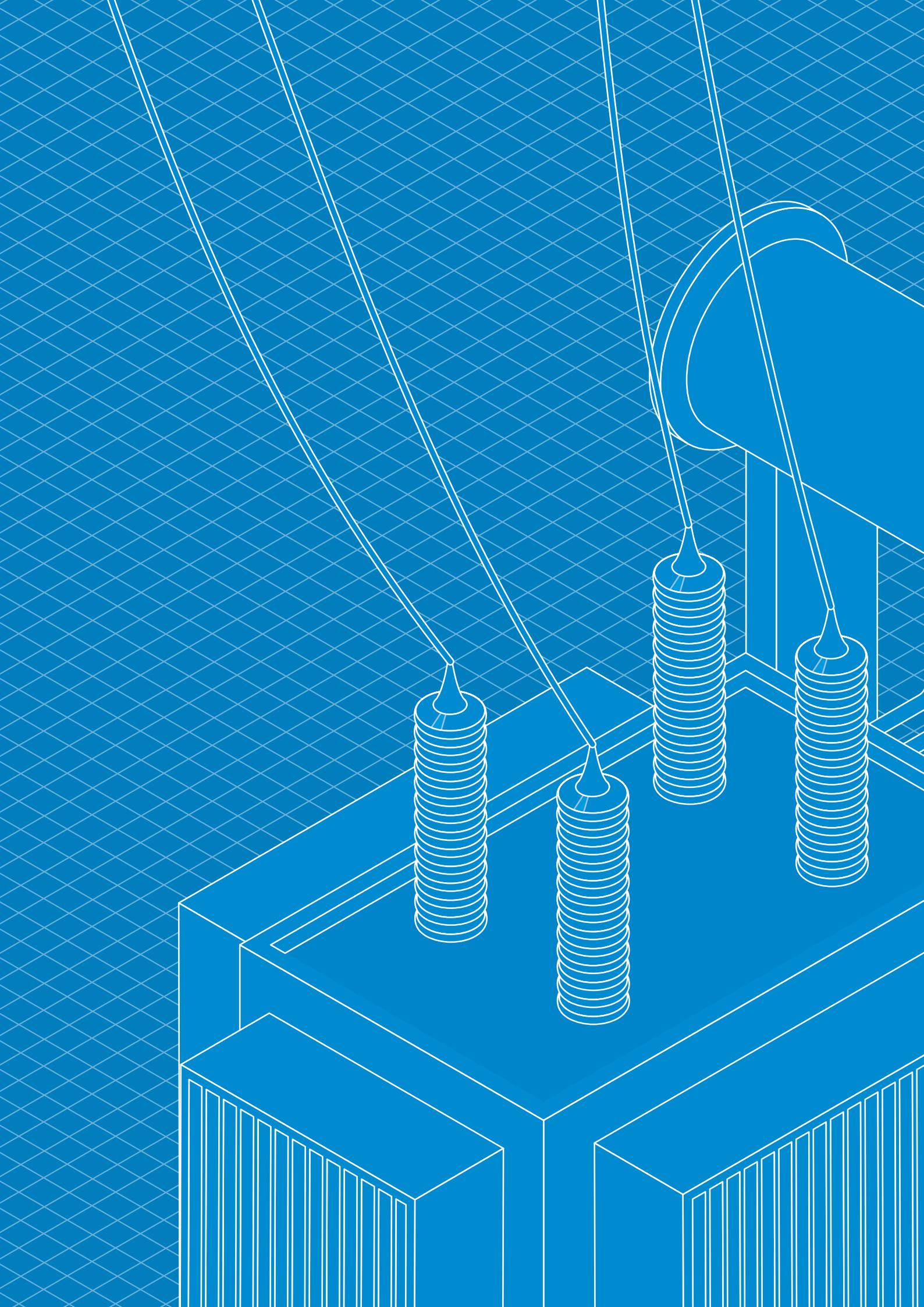
We have also made significant progress in modernizing distribution facilities and promoting smart grids, with total investments in the distribution segment of lei 596 million, ranking Electrica Group number 1 in the investment hierarchy of distribution operators in 2020.

In the same year, Electrica also implemented a major process of optimizing its activity by merging the three distribution companies within the group, as well as the two energy services companies, which creates the conditions for improving operational performance and increasing the quality of service provided to approximately 3,8 million users whose confidence we enjoy.

All the initiatives implemented during 2020 are also confirmed by the financial results, which show a consolidated net profit at group level of lei 388 million and an increase of 87,5% compared to 2019.

We remain consistent with our mission to deliver energy anywhere, anytime and to anyone at the highest standards outlined in more than 120 years of energy tradition, and we continue to develop our work to strengthen our leadership in a constantly changing market.

Mrs. Corina Popescu
CEO Electrica SA





Directors' report for the year 2020



DIRECTORS' REPORT FOR THE YEAR 2020

(based on the individual financial statements prepared in accordance with the Order of the Ministry of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards, respectively on the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union)

REGARDING THE ECONOMIC AND FINANCIAL ACTIVITY OF
SOCIETATEA ENERGETICA ELECTRICA S.A. and ELECTRICA GROUP

in compliance with art. 63 of the Law no. 24/2017 on issuers of financial instruments and market operations and with annex no. 15 to ASF Regulation no. 5/2018 and the Bucharest Stock Exchange Code for the 12-month period ended 31 December 2020

Free translation from Romanian, which is the official and binding version, and will prevail, in the event of any discrepancies with the English version

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Appendix 1 – Litigations

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**Appendix 2 – Details of the main investments of
Electrica Group during 2020**

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GLOSAR

ANRE	Romanian Energy Regulatory Authority	ERM	Enterprise Risk Management
ASF	Romanian Financial Supervisory Authority	EU	European Union
BPS	Basis points	EUR	The monetary unit of several member states of the European Union
BoD	Board of Directors	FCA	Financial Conduct Authority – United Kingdom
BRP	Balance Responsible Party	FPM-LT	Medium and Long-Term Flexible Products Market
BSE	Bucharest Stock Exchange	GC	Green Certificates
BTB	Business Transfer Agreement	GDP	Gross Domestic Product
CAPEX	Capital Expenditure	GDR	Global Depositary Receipts
CGC	Corporate Governance Code	GEO	Government Emergency Ordinance
CMC	Competitive Market Component	GMS	General Meeting of Shareholders
CMBC (EA/CN)	Centralized Market for Bilateral Contracts (Extended Auction/ Continuous Negotiation)	HV	High Voltage
CMNG-AN	Centralized Market for Bilateral Natural Gas Contracts – Auction and Negotiation	IAS	International Accounting Standard
CMNG-PA	Centralized Market for Bilateral Natural Gas Contracts – Public Auction	IFRIC	International Financial Reporting Interpretations Committee
CMNG-OTC	Centralized Market for Bilateral Natural Gas Contracts – OTC	IFRS	International Financial Reporting Standard
CMUS	Centralized Market for Universal Service	IM-NG	Intraday Market for Natural Gas
CNTEE	The National Transmission System Operator	IMS	Integrated Management System
CSR	Corporate Social Responsibility	IPO	Initial Public Offering
DAM	Day Ahead Market	IR	Investor Relations
DAM-NG	Day Ahead Market – Natural Gas	ISIN	International Securities Identification Number
DEER	Distributie Energie Electrica Romania	KPI	Key Performance Indicators
DSO	Distribution System Operator	kV	KiloVolt
DMS	Distribution Management System	LOC	Land Ownership Certificate
EEA	European Economic Area	LR	Last Resort
EBIT	Earnings before interest and tax	LSH	Labor safety and health
EBITDA	Earnings before interest, tax, depreciation and amortization	LV	Low Voltage
EDN	Electrical Distribution Network	MV	Medium Voltage
EGMS	Extraordinary General Meeting of Shareholders	MWA	Mega Volt Ampere
EFSA	Electrica Furnizare SA	MVh	MegaWatt hour
ELSA	Electrica SA	MKP	Management Key Position
		NAFA	National Agency for Fiscal Administration

NES	National Electricity System	US	Universal Service
NL	Network Losses	USD	United States Dollar
NRC	Nomination and Remuneration Committee	VAT	Value Added Tax
OMPF	Order of Ministry of Public Finances		
OGMS	Ordinary General Meeting of Shareholders		
OHS	Occupational Health and Safety		
OHSAS	Occupational Health and Safety Assessment Series		
OPCOM	Romanian Gas and Electricity market operator		
PCB	Polychlorinated Biphenyls		
RAB	Regulated Asset Base		
RM	Retail Market		
RON	Romanian monetary unit		
RRR	Regulated Rate of Return		
SAD	Distribution Automation System		
SAPE	Societatea de Administrare a Participatiilor in Energie		
SCADA	Supervisory Control And Data Acquisition		
SDEE	Societatea de Distributie a Energiei Electrice SA		
SDMN	Societatea de Distributie a Energiei Electrice Muntenia Nord SA		
SDTN	Societatea de Distributie a Energiei Electrice Transilvania Nord SA		
SDTS	Societatea de Distributie a Energiei Electrice Transilvania Sud SA		
SED	Servicii Energetice Dobrogea SA		
SEM	Servicii Energetice Muntenia SA		
SEO	Servicii Energetice Oltenia SA		
SoLR	Supplier of last resort		
SPO	Secondary Public Offering		
TWh	TeraWatt hour		
TSO	Transmission and system operator		
UM	Unit of Measurement		

Note: The figures presented in this document are rounded based on the round to nearest method; as a result, rounding differences may appear.



Identification details of Electrica

Report date: 4 March 2021

Name of the Issuer: Societatea Energetica Electrica S.A.

Headquarter: no. 9 Grigore Alexandrescu Street, 1st District, Bucharest, Romania

Telephone/fax number: +4021.208.5999; +4021.208.5998

Fiscal code: 13267221

Trade Registry No: J40/7425/2000

LEI Code (Legal Entity Identifier): 213800P4SUNUM5AUDX61

Subscribed and paid share capital: RON 3,464,435,970

Main characteristics of issued shares: 346,443,597 ordinary shares of 10 RON nominal value, out of which 6,890,593 treasury shares and 339,553,004 shares issued in dematerialized form and freely transferable, nominative, tradable and fully paid

Regulated market where the issued securities are traded: the company's shares are listed on the Bucharest Stock Exchange (ticker: EL) and the Global Depositary Receipts (ticker: ELSA) are listed on the London Stock Exchange

Applicable accounting standards: Order of the Ministry of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards and the International Financial Reporting Standards as approved by the European Union

Reporting period: 2020 Year (period 1 January - 31 December 2020)

Audit: The individual and consolidated financial statements as of and for the period ended 31 December 2020 are audited by an independent financial auditor

	Ordinary Shares	GDR
ISIN	ROELECACNOR5	US83367Y2072
Bloomberg Symbol	OQVZ	ELSA:LI
Currency	RON	USD
Nominal Value	RON 10	RON 40
Stock Market	Bucharest Stock Exchange REGS	London Stock Exchange MAIN MARKET
Ticker	EL	ELSA

Source: Electrica





1. Electrica 2020 Overview

1.1 2020 Key financial data

In 2020, the net result of Electrica Group was RON 387.5 mn, a result mainly driven by the performance of the electricity supply segment.

Electrica Group revenues in 2020 and 2019 were of RON 6,501 mn and RON 6,280 mn respectively

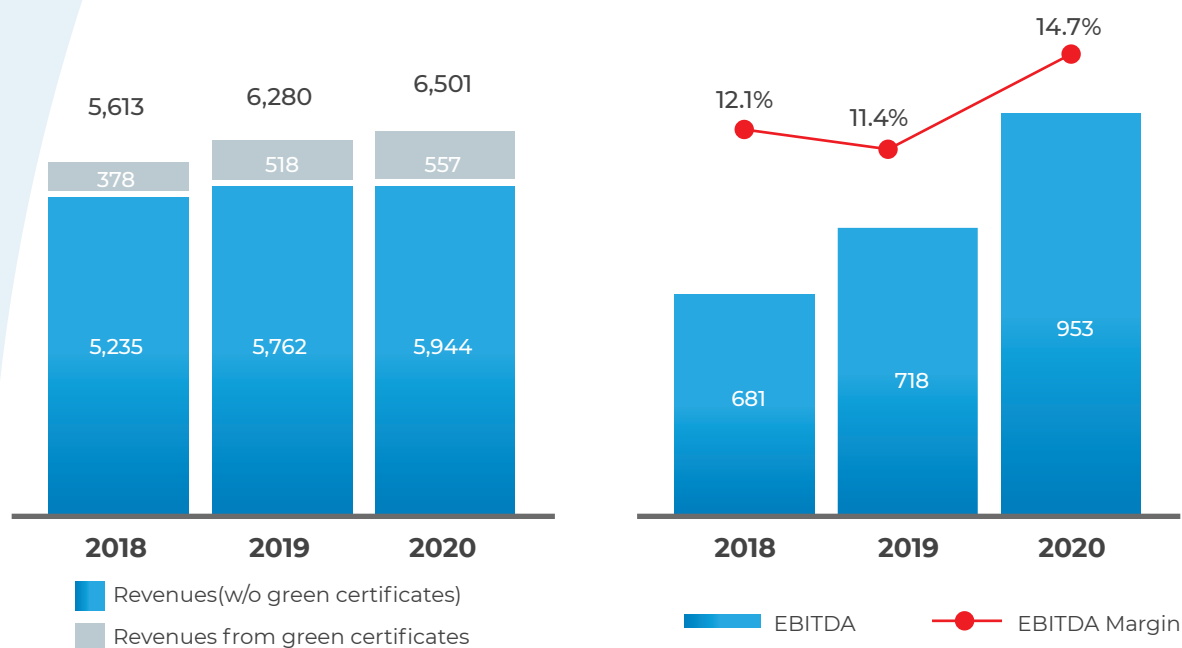
(RON mn)	2020	2019	2018
Revenue	6,501	6,280	5,613
Other operating income	165	160	165
Operational costs	(6,215)	(6,206)	(5,517)
EBITDA ¹	953	718	681
EBIT	459	234	261
Gross profit	442	226	263
Net Profit	388	207	230

Source: Electrica

As presented in the charts below, the EBITDA margin went up by 330 bps in 2020 compared to 2019, while the net profit margin increased by 270 bps.

As of 31 December 2020, the Group has a net debt position² of RON 81 mn.

Figure 1: Consolidated revenue of Electrica Group (RON mn) Figure 2: EBITDA (RON mn) and EBITDA margin (%)



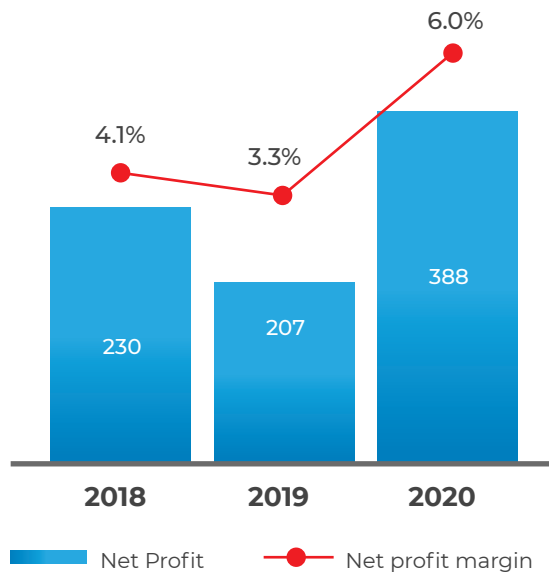
Source: Electrica

Source: Electrica

¹ Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) is defined and calculated as profit/(loss) before tax adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets, ii) impairment of assets held for sale and iii) net finance income. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

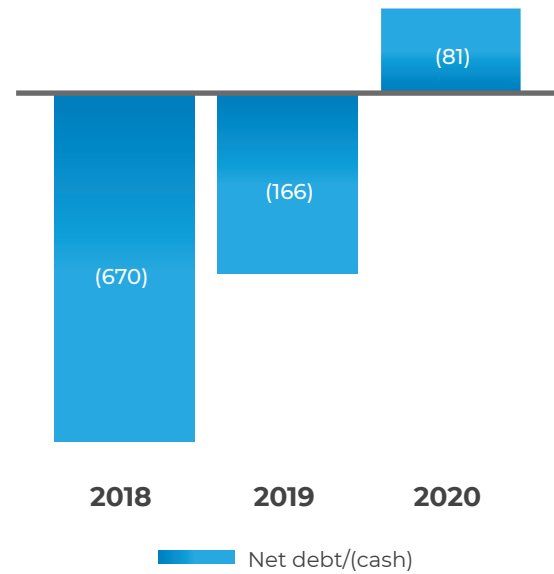
² Net debt/(Cash) is defined as bank borrowings + bank overdrafts + financial leases + funding for concession agreements - cash and cash equivalents - restricted cash - bank deposits, treasury bills and government bonds.

Figure 3: Consolidated net profit (RON mn)



Source: Electrica

Figure 4: Net debt/(cash) (RON mn)



Source: Electrica

DISTRIBUTION SEGMENT

Essential market information:

- Electricity distribution in Romania is fulfilled mainly by eight electricity distribution system operators, regulated by ANRE;
- Each company is responsible for the exclusive distribution of electricity in the region for which it is authorized, under a concession agreement concluded with the Romanian State;
- Electrica and Enel own three distribution companies each, while CEZ through Distributie Oltenia and E.ON through Delgaz Grid own the remaining two;
- Electrica Group is a key player in the electricity distribution sector, both in terms of areas covered and of number of users served;
- The estimated Regulated Assets Base (RAB) value at the end of 2020 was RON 5.8 bn;
- 200,146 km of electric lines - 7,601 km for High Voltage ("HV"), 46,273 km for Medium Voltage ("MV") and 146,272 km for Low Voltage ("LV");
- Total area covered: 97,196 km², 40.7% of Romania's territory;
- 3.80 mn users (2020) for the distribution activity;
- 17.49 TWh of electricity distributed in 2020, a decrease of 1.4% as compared to 2019;
- 39.5% market share for the distribution of electricity to final users in 2019 (based on distributed quantities, according to ANRE report for 2019).

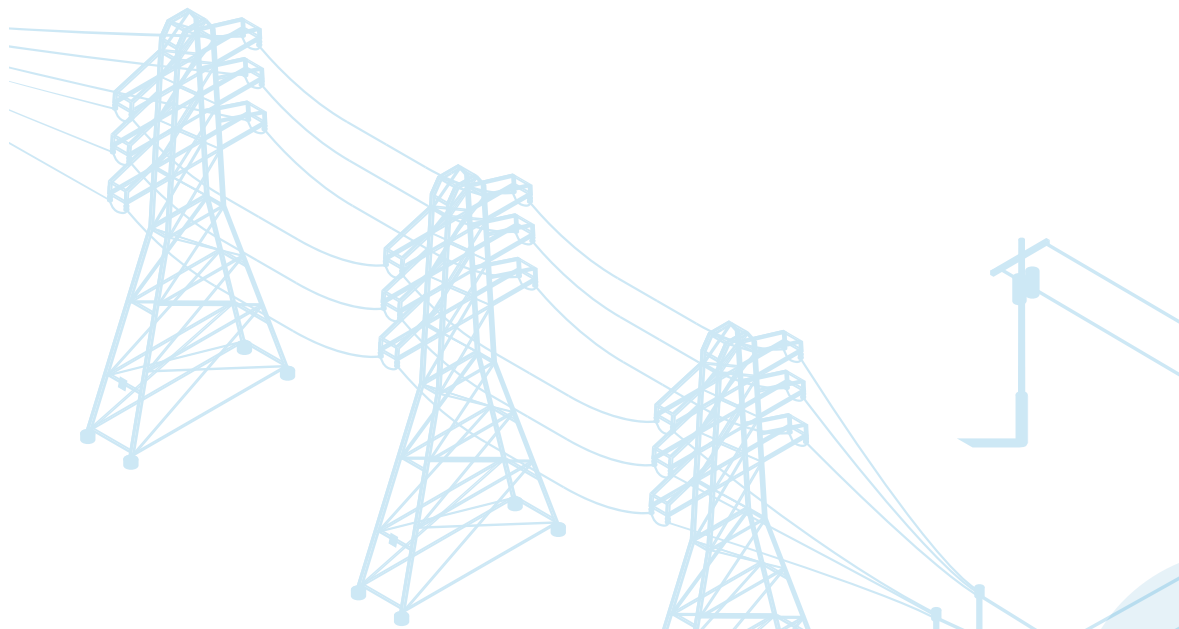
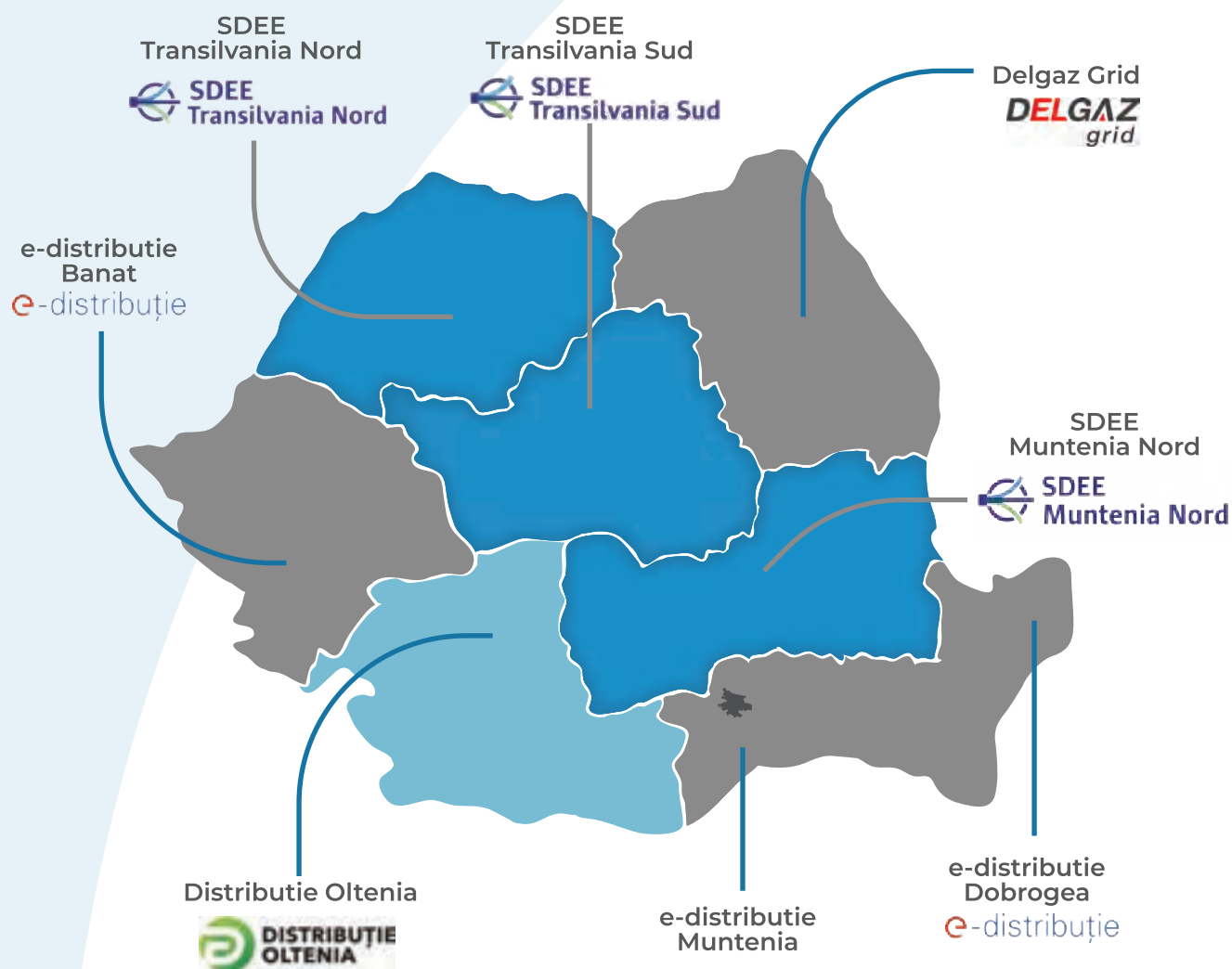
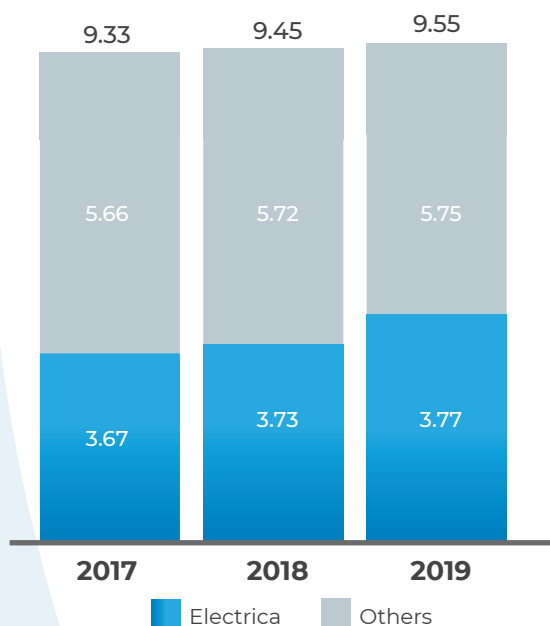


Figure 5: Romanian electricity distribution map



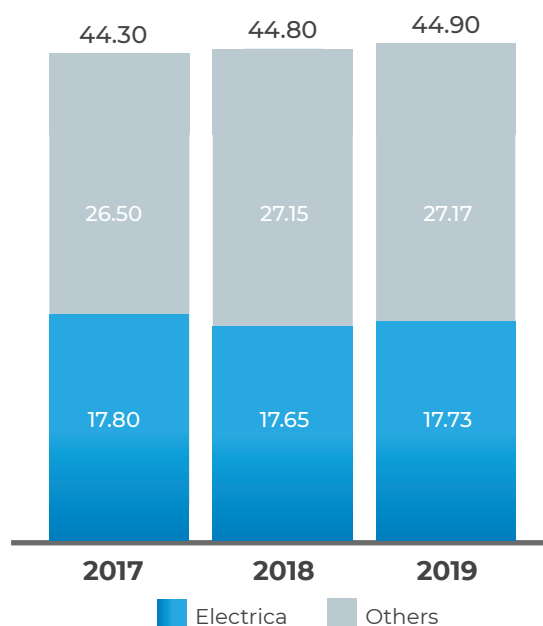
Source: Electrica

Figure 6: Evolution of the number of users (mn)



Source: ANRE Report for performance indicators' monitoring 2019

Figure 7: Quantity distributed (TWh)



Source: ANRE Report for performance indicators' monitoring 2019, Electrica

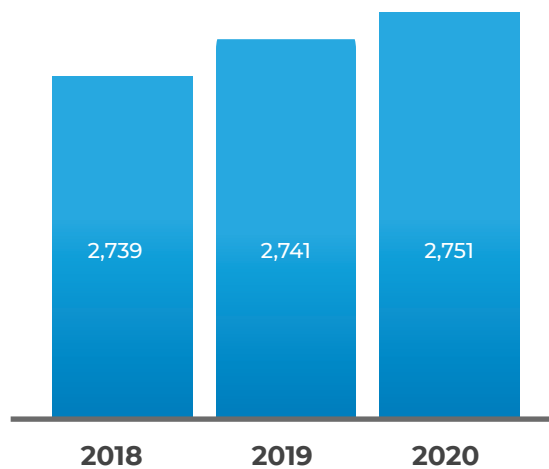
Key financial indicators

In 2020, the revenues from the electricity distribution segment increased by approx. RON 9.7 mn, or 0.4%, to RON 2,750.8 mn, from RON 2,741.2 mn in 2019. The positive effect, generated by the increase in distribution tariffs, was significantly reduced by the fall in the distributed electricity volumes by 1.4% and by the RON 78.1 mn decrease of the revenues recognized in accordance with IFRIC 12 (these have no significant impact in the result).

The significant decrease of the operating expenses, which cancelled the increase of the costs with the electricity purchased to cover network losses and of the employee benefits costs, contributed to an EBITDA increase on the distribution segment of RON 16.6 mn or 2.7%.

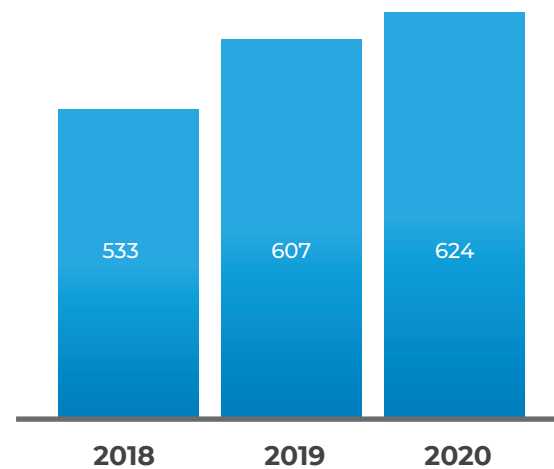
The segment net profit, additionally negatively influenced mainly by the increase in depreciation and amortization charge and rise in the net finance cost, recorded a decrease of approx. RON 29.3 mn, or 27.5%.

Figure 8: Revenues - distribution segment (RON mn)



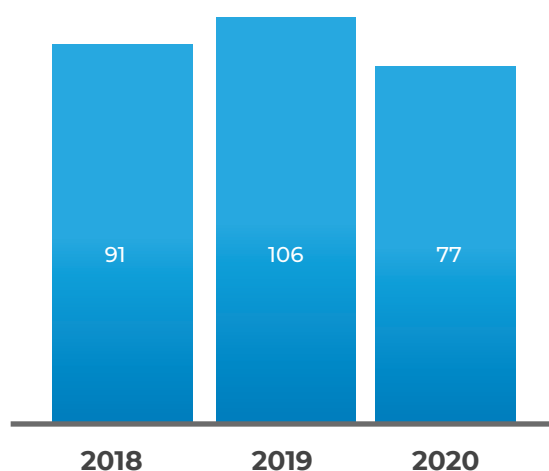
Source: Electrica

Figure 9: EBITDA – distribution segment (RON mn)



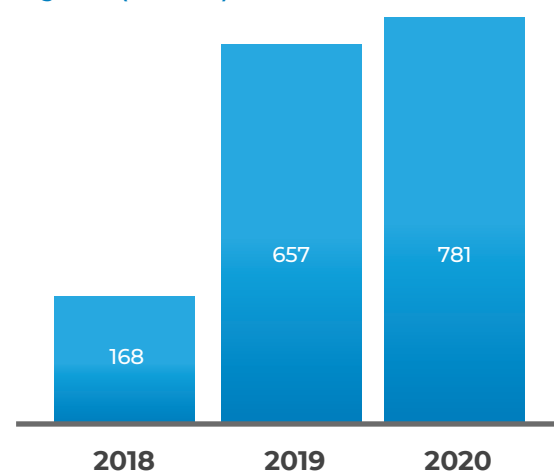
Source: Electrica

Figure 10: Net Profit – distribution segment (RON mn)



Source: Electrica

Figure 11: Net debt/(Cash) – distribution segment (RON mn)



Source: Electrica

SUPPLY SEGMENT

Essential market data (according to ANRE Report for November 2020)

- The supply market is composed of both competitive and regulated segment;
- The regulated segment comprises five suppliers of last resort designated at national level;
- The competitive segment comprises 89 suppliers (including suppliers of last resort with activity in the competitive segment of retail market), out of which 81 are relatively small (<4% market share).

EFSA is the market leader with a share of 19.24%; it is also the leader on the regulated market with a market share of 54.56%, on the competitive market having a share of 10.89%. In comparison, in 2019, EFSA had a regulated market share of 51.48% and a competitive market share of 10.93% (ANRE report for December 2019).

Key financial indicators

The revenue from the electricity and natural gas supply activity increased in 2020 by approx. RON 246.5 mn, or 5.2%, to RON 5,015.1 mn, from RON 4,768.7 mn in 2019.

This evolution is mainly the effect of the increase of the retail electricity sale prices by 2.8%, but also of a slight increase of the volume of electricity supplied by 0.4%.

In terms of EBITDA, the supply segment recorded a significant increase of RON 126.4 mn in 2020, and a rise in the EBITDA margin from 2.9% in 2019 to 5.3% in 2020.

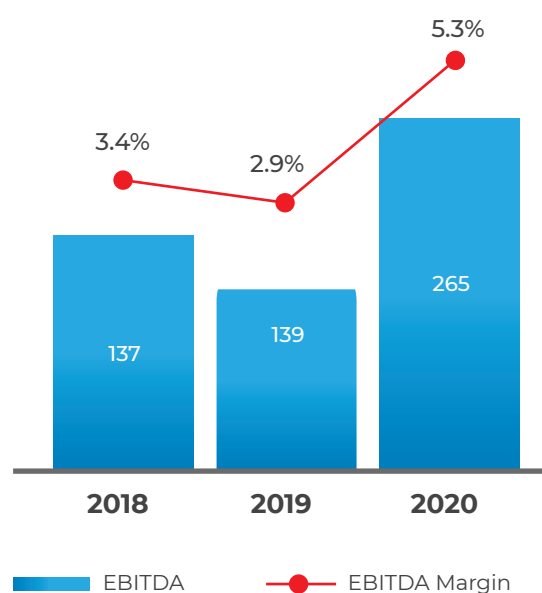
The supply segment has a net cash position which decreased compared to 2019 by approx. RON 74.6 mn, following the decrease of the cash level, influenced by the acquisition of EEVI, the increase of the trade receivables, and the cash pooling scheme.

Figure 12: Revenues - supply segment (RON mn)



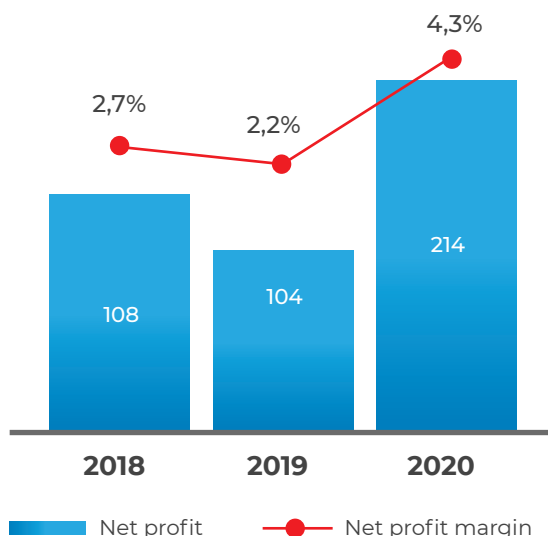
Source: Electrica

Figure 13: EBITDA - supply segment (RON mn)



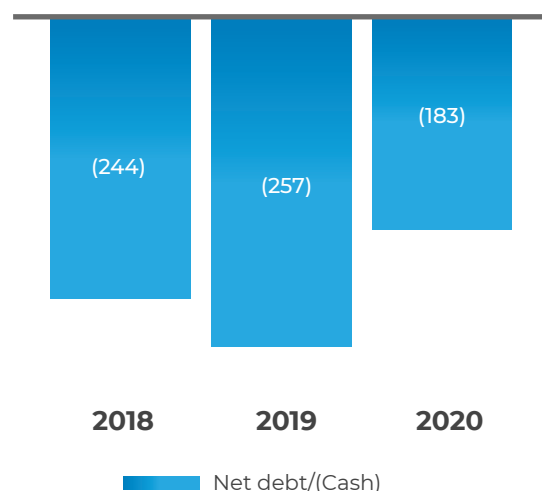
Source: Electrica

Figure 14: Net profit - supply segment (RON mn)



Source: Electrica

Figure 15: Net debt/(Cash) - supply segment (RON mn)



Source: Electrica

1.2 Key events in 2020

During 2020 the following main events took place:

■ ELSA's General Meetings of Shareholders (GMS) and main projects developed and completed during the year as a result of the approval received from ELSA's GMS

In 2020, one Ordinary General Meetings of Shareholders (OGMS) took place on 29 April, and one Extraordinary Meeting of Shareholders (EGMS) was held on 21 August.

During **ELSA's OGMS, which took place on 29 April 2020**, at the company's headquarters, the shareholders approved, mainly, the following:

- ELSA's 2019 audited financial statements and the 2020 revenue and expenses budget, at individual as well as at consolidated level;
- the 2019 net profit distribution: total gross dividend value – RON 246.1 mn, gross dividend per share – RON 0.7248, ex date – 5 June 2020, registration date – 9 June 2020, payment date – 26 June 2020;
- the discharge of liability of the members of ELSA's Board of Directors for the financial year 2019;
- the election of Mr. Iulian Cristian Bosoancă as non-independent member of ELSA's Board of Directors for filling in the vacant position, following the renunciation to the mandate by the non-independent director Mr. Niculae Havrilet. The term of the mandate of the elected director is for a duration equal to the remaining period until the expiry of the mandate for the vacant position, i.e. until 27 April 2022.

The EGMS that took place on 21 August 2020, at ELSA's headquarters, has been convened as a result of the need to complete the legal steps regarding the merger by absorption of the three distribution operators, respectively the merger by absorption of the two energy services companies within the Group. Therefore, during the meeting, the shareholders approved the empowerment of ELSA's representative to participate in the EGMS of the absorbed companies – Societatea de Distribuție a Energiei Electrice Muntenia Nord (SDMN) and Societatea de Distribuție a Energiei Electrice Transilvania Sud (SDTS), in case of the Distribution Operators' Merger (DSO Merger), respectively Servicii Energetice Muntenia (SEM), in case of the Energy Services Companies' Merger (ES Merger), and to express a favourable vote ("for") regarding the approval of the dissolution without liquidation and of the deregistration from the Trade Register of the absorbed companies, the dissolution being a direct effect of the DSO Merger, respectively of the ES Merger.

Regarding the DSO Merger, the steps carried out from the beginning of 2020 are presented below.

On 27 May 2020, ELSA's BoD mandated ELSA's representative in the GMS of the three distribution companies within Electrica Group **to vote for the approval in principle of the initiation and participation at the merger by absorption between SDTN, SDTS and SDMN**, the absorbing company being SDTN.

In the meeting held on 3 July 2020, ELSA's BoD approved the participation of ELSA, in its capacity as majority shareholder of SDTN, SDTS, SDMN, in the EGMS of the companies and the expression of a favorable vote

("for") regarding, mainly, the following:

- the approval of the plan for the merger by absorption and of the merger by absorption process between SDTN, as absorbing company, and SDTS and SDMN, as absorbed companies;
- the approval of the effective date of the Merger as established in the Merger Plan.

Furthermore, ELSA's BoD approved the participation of ELSA, in its capacity as majority shareholder of SDTN, in the EGMS of SDTN and the expression of a favorable vote ("for") regarding, mainly, the following:

- the approval of the change of the company's name from Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. to Distributie Energie Electrica Romania S.A.;
- the approval of the increase of the share capital of SDTN in accordance with the provisions of the Merger Plan;
- the approval of the amendment of the articles of association of SDTN to reflect these changes.

As a result of the resolution of ELSA's EGMS dated 21 August 2020, the EGMS of SDTN, SDTS and SDMN for the approval of the Merger by the merging companies took place on 26 August 2020. After its approval by the court, the legal merger was completed, 31 December 2020 (end of the day) being the effective date, moment from which the merger took effect, respectively SDTS and SDMN, as absorbed companies, have ceased to exist, being dissolved without going into liquidation, and all their assets and liabilities were transferred to SDTN, as absorbing company, with the increase of its share capital and the issuance and distribution of new shares in favor of the shareholder of the absorbing company, namely ELSA.

The ES Merger, which involved the absorption of SEM by SERV, took place starting with 27 March 2020, when ELSA's BoD mandated ELSA's representative in the GMS of the two energy services companies within Electrica Group to vote for **the approval in principle of the merger by absorption between SERV and SEM** and the participation of the companies to the merger, with SERV as absorbing company.

In the meeting held on 3 July 2020, ELSA's BoD approved the participation of ELSA, in its capacity as shareholder of SERV and SEM, in the companies' EGMS and the expression of a favorable vote ("for") regarding, mainly, the following: aprobarea proiectului de fuziune prin absorbtie si a procesului de fuziune prin absorbtie intre SERV, in calitate de societate absorbanta, si SEM, in calitate de societate absorbita;

- the approval of the plan of the merger by absorption and of the approval of the merger by absorption process between SERV, as absorbing company, and SEM, as absorbed company;
- the approval of the effective date of the Merger as established in the Merger Plan - 30 November 2020;
- the approval of the implementation of the Merger, namely the transfer of all the assets and liabilities of SEM to SERV, in exchange for the issuance to ELSA of shares in the share capital of SERV.

Furthermore, ELSA's BoD approved the participation of ELSA, in its capacity as shareholder of SERV, in the EGMS of SERV and the expression of a favorable vote ("for") regarding, mainly, the following:

- the approval of the share capital increase of SERV in accordance with the provisions of the Merger Plan;
- the approval of the amendment of SERV articles of association in order to reflect these changes.

As a result of the resolution of ELSA's EGMS dated 21 August 2020, the EGMS of SERV, respectively of SEM, for the approval of the Merger by the merging companies took place on 25 August 2020. After merger process's approval by the court, the two participating companies have completed all the procedural and operational steps necessary to implement the merger starting with the effective date of 30 November 2020, the date from which the merger took effect: starting with 1 December 2020, the Group's energy services carried out their activity only under in SERV entity, while SEM, as absorbed company, ceased to exist, being dissolved without going into liquidation, and its assets and liabilities being universally and by law transferred, as effect of the merger through absorption process, to SERV, as absorbing company, with the increase of SERV's share capital and the issuance and distribution of new shares in the absorbing company in favor of its shareholder, namely ELSA.

■ Changes in the structure of ELSA's Board of Directors (BoD) and its committees

Following the vacancy of a position in ELSA's BoD after the renunciation to the mandate by Mr. Niculae Havrilet, starting with 10 December 2019, ELSA's EGMS elected Mr. Iulian Cristian Bosoancă as a non-independent member of ELSA's BoD for filling in this position. Thus, starting with 29 April 2020, the composition of the Board of Directors was as follows: Mrs. Ramona Ungur, Mr. Dragos Andrei, Mr. Cristian Bosoancă, Mr. Bogdan Iliescu, Mr. Gicu Iorga, Mr. Radu Florescu and Mr. Valentin Radu.

Regarding the position of **Chairman of ELSA's BoD**, it was occupied by Mr. Valentin Radu until 17 July 2020 (inclusively), the date on which ELSA's BoD took note of his resignation as Chairman, starting with 18 July 2020. During the meeting held on the same date, the BoD elected Mr. Iulian Cristian Bosoancă as Chairman of the Board of Directors, starting with 18 July 2020 and until 31 December 2020. Subsequently, during the meeting dated 15 December 2020, Mr. Iulian Cristian Bosoancă was re-elected as Chairman of the Board of Directors starting with 1 January 2021 until 31 December 2021.

Regarding **the composition of ELSA's BoD consultative committees**, it underwent changes during 2020 by the decision of ELSA's BoD dated 28 January 2020, and of the one from 13 May 2020, as a result of the election of Mr. Cristian Bosoancă as a member of ELSA's BoD. Thus, as of 31 December 2020, the composition of the consultative committees of ELSA's BoD was the following:

- The Nomination and Remuneration Committee:
 - Mr. Bogdan Iliescu – Chair
 - Mr. Valentin Radu – Member
 - Mr. Gicu Iorga – Member
- The Audit and Risk Committee:
 - Ms. Ramona Ungur – Chair
 - Mr. Bogdan Iliescu – Member
 - Mr. Cristian Bosoancă – Member
- The Strategy and Corporate Governance Committee:
 - Mr. Dragos Andrei – Chair
 - Mr. Radu Florescu – Member
 - Mr. Valentin Radu – Member

In accordance with the decision of the Board of Directors of 15 December 2020, the composition of the committees will remain the same during 2021.

ELSA's executive management did not change during 2020. During the meeting held on 15 December 2020, ELSA's Board of Directors approved the further collaboration with Ms. Livioara Șujdea and her appointment as Chief Distribution Officer (CDO) starting with 1 February 2021, for a 4 years mandate.

■ Other relevant events

- On 17 April 2020, the rating agency Fitch Ratings confirmed Electrica's issuer corporate rating of BBB (Investment Grade), obtained in September 2019, but revised its outlook from Stable to Negative. The change appeared as a consequence of the revision of Romania's rating Outlook from Stable to Negative, mainly as a result of the implications of COVID-19 pandemic, as in Fitch's view, the Company's rating should be capped at one notch above the one of the Romanian state, the largest shareholder.

The confirmation of the BBB rating continues to reflect Electrica Group's solid financial profile, adequate liquidity, low leverage level, as well as the leading position both on the electricity distribution and regulated supply segments.

- On 5 February 2020, ELSA concluded **conventions for internal treasury** with SDTN, SDTS, SDMN, EFSA, SERV and SEM. These conventions are part of the documentation related to the implementation of banking service structures for liquidity concentration ("cash-pooling"), necessary for improving the efficiency of the treasury operations within the Group. On 20 December 2020, these conventions were automatically renewed, for successive periods of one year each, in case they do not cease at maturity.
- On 23 June 2020, EFSA signed a share purchase agreement with Raylexo Limited and Long Bridge Management si Administrare S.R.L. for **the acquisition of all shares in Long Bridge Milenium S.R.L. (LBM)**, company which owns Stanesti Photovoltaic Farm in Giurgiu County, with an installed capacity of 7.5 MW (operational power limited to 6.8 MW).

On 31 August 2020, the transaction has been closed and the transfer of shares' ownership to EFSA was realized, these being subject to fulfilment of the conditions precedent agreed by the parties as well as to the relevant formalities. The purchase price of the shares was EUR 1,637,515. Amongst various elements of the transaction, EFSA took over the loans granted by the former shareholders of LBM to the acquired company, in total outstanding amount of EUR 3,817,749.

Subsequently, the acquired company was renamed Electrica Energie Verde 1 SRL („EEV1”), and on 30 December 2020 ELSA signed a **convention for internal treasury with EEV1**, concluded until 28 January 2022 with the option of automatic renewal for successive periods of one year each.

- At the end of August 2020, the Competition Council included ELSA on the **List of companies that were involved in investigations regarding some public tenders' rigging** because, by Decision no. 77/20 December 2017, ELSA was sanctioned by the Competition Council, having the quality of "facilitator" (concept not definitively confirmed by the Romanian courts), without being retained in the evidence of the competition authority as a participant to the market agreements.

ELSA has been removed from the list on 20 December 2020, three years after the aforementioned decision issuance. The case by which ELSA challenged the decision is pending before the High Court of Cassation and Justice, with settlement deadline as of 9 February 2022, so that, at this moment, there is no final court decision.

- During the meeting held on 17 December 2020, the EGMS of EFSA approved the **establishment of EFSA's Branch in the Republic of Moldova**, headquartered in Chisinau, 63 Vlaicu Parcalab, MD-2012, Republic of Moldova.

■ Major holdings

On 30 March 2020, ELSA received the Notification of major holdings from Allianz SE. Thus, starting with 26 March 2020, the entities indirectly held by **Allianz SE** exceeded the threshold of 5%, respectively have reached a holding of 5.09% of the voting rights of ELSA calculated based on all the shares to which voting rights are attached.

Afterwards, on 24 August 2020, ELSA received an additional notification of major holdings from Allianz SE because Fondul de pensii administrat privat AZT Viitorul Tau, entity managed by Allianz-Tiriac Pensii Private SAFPP, exceeded the threshold of 5%. Therefore, the entities indirectly held by Allianz SE increased their holdings again, reaching a holding of 5.30% of ELSA's shares with voting rights.

On 22 September 2020, ELSA received the notifications of major holdings from **Paval Holding SRL** and **Dedeman SRL**. According to the notifications, starting with 18 September 2020, Dedeman SRL has transferred part of the shares to an affiliated company, respectively Paval Holding SRL. Following the transfer from that date, Dedeman SRL held 0.79% of ELSA's shares with voting rights, while Paval Holding SRL exceeded the 5% threshold, respectively reached a direct holding of 7.46% of ELSA's shares with voting rights. The voting rights held directly or indirectly by Paval Holding were 8.25% of ELSA's shares with voting rights at the moment of their reporting.

■ Litigations

- On 3 February 2020, the company was notified about an action in court of a former Chief Human Resources Officer against the defendant ELSA for the payment of certain amounts of money allegedly due based on the mandate agreement, subject to case no. 38532/3/2019. The person was Chief Human Resources Officer for a limited period of 1 year.

Taking into account that, according to the provisions of the mandate agreement concluded between ELSA and the former Chief Human Resources Officer, the jurisdiction to settle the dispute belongs to the International Arbitration Centre of the Austrian Federal Economic Chamber in Vienna, on 3 June 2020, the Bucharest Tribunal admitted the exception of the general lack of jurisdiction of the courts invoked by ELSA and rejected, as not being within the competence of the courts, the action filed by the former Chief Human Resources Officer. The solution is final, no appeal being filed.

- On 5 February 2020, the company has received two claims under warranty against ELSA registered by Mr. Mircea Patrascoiu, former Member of the Board of Directors and former CEO of EFSA, and by Ms. Anca Dobrica, former member of Board of Directors of EFSA. On 24 February 2020, the Company has received a claim under warranty registered by the defendant Victoria Lupu, as part of file no. 35647/3/2019 before the Bucharest Tribunal. All of them are defendants in file no. 35647/3/2019, having as object the underscoring of the liability of the members of the BoD and the CEO of EFSA, action submitted by the company in question, following the damages retained by the Court of Accounts of Romania in the Decision no. 11/23 December 2016 and in the Control Report no. 5799/29 November 2016.

On 1 October 2020, Bucharest Tribunal admitted the exceptions of limitation periods regarding the claim filed by EFSA and consequently rejected as devoid of object the above-mentioned warranty claims. The solution is not final and can be appealed.

- On 18 February 2020, the High Court of Cassation and Justice settled the appeal filed by ANRE in the file no. 7341/2/2014, by admitting it and sending the case to the same court for re-examining the main action and the requests for accessory intervention made by the interveners Enel Muntenia SA, Enel Distributie Dobrogea SA and Enel Distributie Banat SA, in the first instance, and by the interveners SDTS, SDTN, SDMN and ELSA, in appeal. The file has been registered at the Bucharest Court of Appeal for retrial, under no. 4804/2/2020, having the term on 20 November 2020.

On 18 December 2020, Bucharest Court of Appeal dismissed the claim and the accessory intervention as unfounded. The Decision is not final, being appealable within 15 days of its communication.

- On 24 February 2020, the Bucharest Court of Appeal rejected the appeal filed by EFSA requesting financial claims from ELSA in amount of RON 17,274,162. This amount has been noted by the Court of Accounts, through Report no. 2835/17 May 2013 and Decision no. 20/17 June 2013, being considered as representing the value of the invoices paid by EFSA in the absence of supporting documents, as well as the payment of the related legal interest. The decision was issued in case no. 2869/3/2019, EFSA re-appealing within 30 days of its communication. On 19 November 2020, the High Court of Cassation and Justice rejected the request for review filed by EFSA against the civil decision no. 96/24 February 2020 issued by Bucharest Court of Appeal in the file no. 2869/3/2019. The High Court's decision is final.
- SDMN filed to the Bucharest Court a lawsuit for damages (file no. 18976/3/2020), communicated to ELSA on 15 September 2020, having as object the obligation of ELSA: (i) to pay the amount of RON 20,350,189, representing the undue payment made by SDMN to ELSA; (ii) to pay the amount representing legal fees made in regard with this lawsuit.

Following the investigation carried out by the Romanian Court of Accounts in 2016, this institution

established a series of measures under SDMN's responsibility by Decision no. 45/2016, based on the Control report no. 618/11 November 2016. Among these measures there is also the recovery of RON 20,350,189, amount paid by SDMN to ELSA based on consultancy, services and mandate contracts, in the period between 1 January 2013 and 30 June 2014. On 20 January 2021, the Court suspended the settlement of the case until the final settlement of case no. 1677/105/2017 of Prahova Tribunal.

- On 17 December 2020, the High Court of Cassation and Justice took note of the waiver of the judgment in file no. 8019/2/2017, formulated by ELSA and the distribution subsidiaries SDTN, SDTS and SDMN, admitting the appeal and canceling the appealed decision.

The case was registered before the Bucharest Court of Appeal in October 2017, being rejected on the merits as inadmissible, on 24 April 2018 (ELSA and the three distribution subsidiaries subsequently filing an appeal). The object of the file is:

- a. the annulment of the administrative acts by which the requests formulated by the distribution companies for the favorable approval of the transfer of the AMR System from ELSA to the distribution subsidiaries were rejected, respectively: (i) the ANRE address no. 63911/22 September 2017 for SDMN (ii) ANRE address no. 63910/22 September 2017 for SDTN, (iii) ANRE Address no. 63912/22 September 2017 for SDTS;
- b. obliging ANRE to issue administrative documents for the favorable approval of the transfer of the AMR System from ELSA to each of the above-mentioned concessionary operators, taking into account the provisions of ANRE Order no. 31/2013 on the Methodology for regulating the conditions for taking over electricity distribution capacities, taking into account the transfer requests, respectively all the elements indicated in them and taking into account the net book value of the AMR System at 30 September 2017; and
- c. obliging ANRE to make the necessary corrections on the regulated revenue taken into account when setting the previously approved distribution tariffs, following the inclusion of the investment with the AMR System in the regulated asset base of the concession operators, taking into account all the elements shown in the summons.

Following the elimination from the Collective Labor Agreements of the benefit of the free electricity quota for the former employees of the Group, current retirees, starting with 1 January 2020, Electrica Group is involved in a number of 70 litigations through which the pensioners request the granting of the energy quota. From the total number, 12 disputes were settled on the merits, of which 10 were favorable to the group companies, the plaintiffs' claims being dismissed, and in 2 cases the plaintiffs' claims were admitted. The solutions are not final, they can be appealed.

■ Policies in force

In February 2020, the updated version of ELSA's Corporate Governance Code was published on the Company's website, being available under the section *Investors > Corporate Governance*. On this occasion, ELSA has published two additional policies:

- IR Corporate Disclosure Policy, which presents the main methods used by the company to communicate with investors and analysts. It covers also verbal statements made both in group or individual meetings, as well as in telephone calls with shareholders, analysts, and potential investors;
- Policy on Organizing and Running ELSA's GMSs, which presents detailed aspects of interest for investors regarding the way of organizing and carrying out the GMS.

On 22 July 2020, ELSA published on the website the updated version of the Corporate Governance Code revised with regard to the Chapter 6 on the risk management system. Also, ELSA's BoD approved the revised version of the Policy on Transactions with Related Parties.

■ Measures adopted in COVID-19 context

In the context of the crisis generated by the COVID-19 pandemic, ELSA's representatives frequently communicated with all the stakeholders, announcements being released in order to present the measures taken by the Group companies and COVID-19's impact on them.

In the fight against COVID-19 pandemic, ELSA has adopted all the necessary measures so that the **activity of the companies within the Group to continue to be carried out under normal conditions**. Ever since the beginning of the crisis, the resilience plan in force at Group level has been updated promptly to respond to the exceptional situation generated by the pandemic. Essential activities and critical roles have been identified, staff backup has been insured and three action scenarios on escalation levels depending on the evolution of the situation in the external environment of the company have been defined, in order to ensure the smooth running of the operations and the continuity in the electricity supply, as well as for the protection of its customers, employees and partners.

Activities that involve interaction with clients and/or access to consumers' homes had been limited and the scheduled works had been reprioritized, in order for the scheduled interruptions in the electricity supply to be diminished. **EFSa's customers had been encouraged to use methods of indirect interaction**, through internet or by telephone, to solve the various requests, by using online payment methods (MyElectrica account, internet banking and mobile banking).

In order to limit the spread of COVID-19 and **to protect the employees**, including the frontline ones, various measures have been implemented, such as: providing protective equipment, creation of a rotation system to minimize meetings between teams, work-from-home - where feasible, limiting or temporarily suspending access to certain locations, including customer relations centers, and redirecting communication and correspondence to alternative electronic channels, etc.

Measures of social distancing have been recommended to the shareholders, who have been guided to use electronic means/remote interaction for solving any requests regarding the activity of Electrica Group.

After the state of emergency ended, starting with 15 May 2020, the companies within Electrica Group **have adopted a plan of measures to gradually resume the activity** so that the Group's customers, partners and employees to be protected, and the commitment to distribute and supply electricity at high quality standards to be further fulfilled.

Regarding the **electricity and natural gas supply segment**, the cash collection activities through own cashiers, the activities of the customer relations centers, as well as the field activities for B2B customers (Business-to-Business) have been resumed starting with 18 May 2020, ensuring the provision of all services offered prior to the initiation of the state of emergency, in a safely manner, with a limited number of employees in front-office for a period of three months, and subsequently, with the monthly assessment of the situation depending on the evolution of the national/regional context. The effect of GEO no. 29/2020 for small and medium enterprises, by which the postponement of payments of electricity and natural gas bills is possible based on state of emergency certificates received by companies, was minimal, considering the extensive portfolio of EFSA. At the same time, the evolution of the aging intervals in the collection of receivables during 2020 did not register significant changes compared to the previous year.

The action plans of the distribution operators consider keeping the general preventive measures for their own staff, users and collaborators as well as the organizational measures to ensure safe management and operation of the network infrastructure, at a superior level of quality of the electricity distribution service. The delays in **investments and maintenance works**, including those requiring consumers' interruption, in compliance with the Performance Standard for the distribution service, have been recovered.

The management permanently monitors **the financial performance and liquidity of the Group companies** on several tiers, in order to ensure the availability of the necessary funds for carrying out the activity, by analyzing with priority the cash flow, including the impact that the legislative changes may have on the Group's activities. The aim is to secure the collection of receivables from customers, to use the banking structures for liquidity concentration ("cash-pooling") implemented at the beginning of the year, as well as the financing facilities available for the companies within the Group.

Distribution segment

At the end of 2020, Electrica has successfully completed the merger of the three electricity distribution companies within the Group. Starting with 1 January 2021, the new company Distribuție Energie Electrica România S.A. (DEER) becomes the most important electricity distribution operator at national level, with a coverage of 40.7% of the Romanian territory, which serves over 3.8 million network users.

By implementing the merger of the three distribution companies within the Group, medium and long-term benefits could be obtained for all stakeholders. The current priorities for the distribution segment are:

- cost efficiency;
- accelerating the digitization of the main business processes;
- orientation towards the smart grid concept by promoting on a large scale the smart metering;
- improving operational performance;
- increasing the quality of the distribution service;
- reduction of distribution network losses.

■ Distribution activity

During 2020, ANRE did the most extensive and complex process of reviewing incidental secondary legislation in recent years (47 regulations adopted by 38 orders) in order to complete and align with the amendments to the primary legislation (Law no. 155/24 July 2020).

a) Regulations regarding tariffs:

- **Distribution tariffs approved for 2020:**
 - Tariffs applicable in the period 1 January 2020 – 15 January 2020: in December 2019, the tariffs for 2020 were approved through ANRE **Orders no. 227, 228 and 229/16 December 2019**, which implied average increases in distribution tariffs, compared to 2019 (SDMN +7%; SDTN +3.5%; SDTS +1%); these tariffs took into account the percentage of 2% applied to the turnover set for the contribution due to ANRE and the regulated rate of return (RRR) of 6.9%;
 - Tariffs applicable starting with 16 January 2020: following the application of the GEO no. 1/2020 provisions and the reduction of the contribution due to ANRE from 2% of the turnover to 0.2%, new tariffs were issued, approved through ANRE **Orders no. 7, 8, 9/15 January 2020**, reduced by 1.8 pp.

- **The value of RRR**
 - In May 2020, ANRE approved the **Order no. 75/6 May 2020** by which the RRR value was established at 6.39% starting from 13 May 2020 until the end of RP4, for the distribution and transmission service of the electricity and natural gas; thus, the previously issued order no. 168/2018 which established the RRR value of 5.66% for the existing BAR was repealed. The 1% RRR incentive granted during the period for the network investments put into operation in RP4 is still maintained.
- **Methodology for distribution tariffs' setting**
 - ANRE approved the Order no. 207/28 October 2020 to amend the Methodology for distribution tariffs setting approved by ANRE order No. 169/2018 – 3rd phase of discussion, the changes being:
- ANRE approved the **Order no. 3/20 January 2021** regarding the amendment and completion of the *Methodology for distribution tariffs setting* approved by ANRE Order no. 169/18 September 2018:
 - granting a 2% RRR additional incentive for investments in the electrical distribution network made with own funds within projects in which European non-reimbursable funds were also attracted, if the investments were made and put into operation by operators after 1 February 2021;
 - if for certain categories of tangible/intangible assets, the primary legislation establishes other regulated depreciation periods than those provided by the Methodology or by the Catalogue for the classification and normal useful lives of fixed assets, approved by Government decision, the annual regulated depreciation related to those fixed assets is calculated based on the regulated depreciation periods established by the primary legislation.

Regarding the merger projects, the changes had and will have the following impact for Electrica:

- ✓ The legal representatives of the shareholder and of the DSOs sent to ANRE on 1 December 2020 a document regarding the benefits of the merger for each year of RP4 and the cost reductions compared to the approved costs;
- ✓ DEER will report annually separately the cost reductions from the approved costs, called gross benefits, as well as the expenses generated by the merger, which will not be recognized in the tariffs;
- ✓ The gross benefits will be shared between the operator and the network users (the DSO keeps 40%);
- ✓ DEER's 2024 tariffs can increase in real terms by a maximum of 10% compared to the 2023 zonal tariffs.

Regarding the decisions of state authorities:

- ✓ In the case where ANRE is aware that, by a decision of a state authority, which has not been challenged in court and/or can no longer be challenged, it has been found that the DSO has violated the legislation in force and affected the regulated tariffs, the revenues based on which the regulated tariffs of the DSO are established are diminished accordingly with the value of the previously recognized costs. It applies, as the case may be, also in the situation where commitments or other documents have been signed between the DSO and a state authority, by which the deeds have been acknowledged.

Other changes:

- ✓ ANRE will not correct the inflation rate (IR) for 2017 and 2018;
- ✓ Optic fiber investments are recognized in RAB, and in case of rental, the optic fiber is maintained in RAB, but the income is corrected;
- ✓ Granting the 1% RRR incentive within the annual corrections during RP4;
- ✓ The reference purchase price for the electricity needed to cover network losses will include the costs with the BRP administration;
- ✓ Internalization/outourcing is allowed during the period, but they must not exceed the equivalent of costs to third parties/within the company.

■ **The distribution tariffs approved for the year 2021**

- were approved by ANRE the **Orders no. 220, 221 and 222/9 December 2020**, the average tariffs increasing compared to 2020 tariffs (in line with DSOs requests) as follows: SDMN + 9.2%; SDTN + 2.4%; SDTS + 8.6%. ANRE approved the reductions of the distributed electricity quantities forecasted for 2021 (according to the DSOs requests) and the postponement of the RRR correction for the year 2020 in the distribution tariffs for 2022.

b) **Investments Procedure**

- ANRE approved the amendment of the Investment Procedure by **Order no. 155/2 September 2020** and the following changes were made:
 - the recovery period of unrealized investments related to 2019 and 2020 plans is extended by 4 months and 2 months respectively;
 - in justified cases, it will be allowed to exceed the limit of 10% of the total number of works when sending to ANRE the proposal of works' replacement, on 1 October;
 - investment plans will be allocated to the counties.
- On 6 November 2020, ANRE approved the **Order no. 205/28 October 2020** for the approval of the *Methodology regarding the regulation of the conditions for taking over the ownership of energy distribution capacities*, as a result of the amendments introduced by Law no. 155/24 July 2020, which stipulate the situations in which the concessionaire distribution operators have the obligation to take over, in 120 days, energy distribution capacities held by third parties, at the value established by an independent authorized expert. Capacity takeovers will be made without ANRE's approval, but the recognition in investments will be conditioned by the observance of the prudence criteria. Correlated with capacity takeover, the following will change:

- Investment procedure amended by **Order no. 206/28 October 2020**, in force starting with 5 November 2020:

i) the cumulative annual value of all distribution energy capacities taken over by the sale-purchase contract will not exceed 10% of the value of the investment program for the voltage level related to the capacities taken over;

ii) it is accepted the exceedance of this cap in case of takeovers made according to the Law, because for these cases the Law imposes a deadline for taking over the respective capacities.

- The distribution tariff methodology amended by **Order no. 207/28 October 2020**, in force starting with 1 November 2020: the regulated income does not include the cost of rent related to the energy capacities taken over by the lease contract, which exceeds by more than 5% the accounting depreciation as a result of the amendments introduced by Law no. 155/24 July 2020 - art. 44 para. (8) and art. 46 para. (2nd) of Law no. 123/10 July 2012.

c) Licenses

- ANRE approved the **Order no. 197/28 October 2020** for the amendment and completion of *Regulation for granting licenses*, in force starting with 1 January 2021, by adding two activities carried out based on licenses granted by ANRE: the aggregation activity and the commercial exploitation of energy storage facilities.
- ANRE approved by **Order no. 196/28 October 2020** the *General conditions associated with the license for the aggregation activity*, in force starting with 1 January 2021; DSOs endorse: the DMS SCADA solutions that the licensee implements and the operational settlement procedures inside the aggregating unit.

d) Smart metering regulations (SM)

- *ANRE decision no. 778/8 May 2019* approving the SM Implementation Calendar at national level, for the period 2019 - 2028: the SM implementation plans for the Electrica Group distribution operators were approved at the values and parameters requested at ANRE.

e) Technical regulations

Network connection

- ANRE approved the orders regarding the connection activity:
 - ANRE **Order no. 160/3 September 2020** regarding the amendment of the *Regulation for connecting users*;
 - ANRE **Order no. 164/9 September 2020** regarding the amendment of the *Connection Framework Agreement*;
 - ANRE **Order no. 162/9 September 2020** regarding the amendment and completion of the *Framework Content of the technical connection approvals*;
 - ANRE **Order no. 163/9 September 2020** regarding the amendment and completion of the *Framework Content of the connection certificates*.

- Important changes regarding the connection process starting with **1 January 2021**:

- the connection contract is concluded directly by the user with a chosen constructor, and the payment of the connection tariff is made directly to the constructor;
- the connection installation remains the property of the user, and the distribution operator (DSO) is obliged to operate them, to maintain them and to use them later for the connection of other users, based on an in-service agreement;
- DSO will finance and purchase from their own sources both the meters and the fully equipped measuring and protection block;
- The terms related to the connection process are reduced;
- DSO will finance the connection works for household customers and the recovery of connection costs will be done through distribution tariffs, with accelerated depreciation in a period of 5 years, in accordance with ANRE regulations.

- ANRE approved the **Order no. 159/2 September 2020** for amending and supplementing the *Methodology for evaluating the financing conditions for investments for the electrification of localities or for the extension of electricity distribution networks* approved by Order no. 36/28 February 2019:

- the possibility of requesting directly to the DSO by a single user, or a group of users natural/legal persons, the development of the distribution network, the elimination of the obligation to carry out the zonal urbanistic plan by the local public authority;
- The concessionaire distribution operator co-finances the works to be developed within the effective quota established by the Methodology.

- ANRE approved the **Order no. 183/3 November 2020** regarding *The procedure regarding the connection to the electricity network of public interest of the consumption places belonging to the users which are non-household final customers through connection installations with lengths up to 2,500 meters*:

- the costs with the design and execution of the connection installation of the consumption places owned by them, with a length of up to 2,500 meters, are supported by DSO;
- the completion term for the connection activities of the respective consumption places imposed by the Law is 90 days from the date of obtaining the agreement/authorization for the realization of the connection installation, including its reception and commissioning;
- the users have the obligation that, until the date of conclusion by the DSO of the execution contract of the connection installation, to realize the user installation (the objective from the consumption place) and to submit the file of the user installation drawn up by its executor;
- the DSO costs with the realization of the connection installations will be recognized in the distribution tariffs;
- the non-household user concludes with DSO a connection agreement by which he

undertakes to use the consumption place and to keep its destination for a period of 5 years from the commissioning of the connection installation;

- if the non-household customer does not comply with the provisions assumed by the agreement, he is obliged to return to the DSO the value of the design and execution works of the connection installation, proportionally with the period left unused;

- in the sense of the above, ANRE provided for the setting of a financial guarantee in case of connection of a consumption place with installed capacity higher than 1 MW/ approval of a benefit for consumption that leads to an approved power greater than 1 MW, submitted by the applicant in favor of the distribution operator who will execute the guarantee in case of non-compliance with the obligations assumed by the final non-household customer;

- the procedure applies to users who have submitted connection requests to the DSO after 30 July 2020 and for whom no connection agreements have been concluded.

- ANRE approved the **Order no. 184/21 October 2020** for the amendment of the *Methodology for issuing site notices* and brought important changes regarding alignment with the provisions of Law No. 189/25 October 2019 and Law No. 193/25 October 2019; thus, the costs of the works generated by the construction/ exploitation of public roads, respectively for the diversion/movement of electrical networks are borne as follows:
 - by road managers in the case of highways and national roads;
 - 50% is co-financed by DSO if the administrator is an administrative territorial unit.

- Based on **Law no. 290/2020**, draft orders were issued for the amendment of:
 - Regulation on connecting users to electricity networks of public interest - **ANRE Order no. 59/2013**:
 - ✓ introduction of provisions regarding reinforcement works;
 - ✓ introduction of the DSO obligation to recalculate the value of the connection tariff component;
 - ✓ elimination of the approval by ANRE of the procedures regarding the connection of the users to the network;
 - ✓ clarification of the cessation circumstances of the framework agreement effects for the delivery into operation of user-financed connection facilities, in their ownership.

- The procedure regarding the connection to the electricity networks of public interest of the consumption places belonging to the non-household final customers type users through connection installations with lengths up to 2,500 meters and household customers

- **revision of ANRE Order no. 183/2020**:

- ✓ the inclusion of household customers in the category of those for whom the DSOs have the obligation to finance and carry out the design and execution works of the

connection installation;

- ✓ the possibility for domestic and non-household customers to conclude the agreement for the design and execution of the connection installation directly with a certified economic operator chosen by them;
- ✓ application of the procedure also for places of consumption with storage facilities or places of consumption and production, with or without storage facilities, provided with facilities for the production of electricity from renewable sources (prosumers);
- ✓ it applies to all users that are household customers, who have submitted connection requests after the Law no. 290/2020 entering in force date, respectively after 19 December 2020.

Prosumers

- ANRE has approved regulations regarding prosumers that have power plants for the production of electricity from renewable sources with the installed power of no more than 27 kW/consumption place:
 - change of the electricity trading rules;
 - change of the Technical Norm „*Technical conditions for connection to the electricity networks of public interest for the prosumers with active power injection in the network*“, regarding the adjustments of the protections in the prosumer's installations, the coordination with the electricity distribution network protections, and the protection against their change without the DSO consent;
 - new procedure regarding the prosumers' connection to the electricity networks.
- ANRE approved the **Order no. 165/16 September 2020** amending and supplementing Order no. 226/28 December 2018 - the value of the installed power for a prosumer is changed from 27kW to 100kW;
- ANRE approved the **Order no. 192/28 October 2020** for the amendment of Order no. 69/2020 on the *Procedure regarding the connection to the electricity network of public interest of the consumption and production places belonging to the prosumers who have installations for electricity production from renewable sources with the installed power of not more than 27 kW/consumption place*:
 - replacement: “the installed power of at most 27 kW/consumption place” with the phrase “the installed power provided in art. 14 para. (6) of Law no. 220/2008 for setting the system for promoting the production of energy from renewable energy sources, republished, with the subsequent amendments and completions”;
 - introducing the option of direct contracting by the prosumer of the design and/or execution works of the connection installation with a certain certified designer and/or constructor, chosen by prosumer;
 - DSO supports the costs with the purchase and installation of the electricity metering group or of the fully equipped measuring and protection block according to the connection

solution, including the electricity meter related to it, depending on the connection solution.

Distribution service performance standard - public debate with deadline on 22 February 2021:

On 22 January 2021, ANRE submitted to public debate the proposal to amend the *Performance Standard of the distribution service approved by ANRE Order no. 11/2016*, with subsequent amendments and completions.

The main changes consider:

- continuity indicators (the number of unplanned long outages on LV is reduced to a maximum of 8 and a new indicator on the number of short interruptions on HV of maximum 10 is introduced);
- the compensations for non-compliance with the indicators will be granted automatically to the users, regardless of the voltage level and without the need for a request from them, and the value of the compensation for LV increases to RON 50;
- DSO will perform monitoring with quality analyzers in an increased number of stations and transformation substations, gradually over time, in order to be monitored 100% of the power stations starting with 1 January 2026 and 100% transformation substations starting with 1 January 2028;
- call center reception times are reduced: DSO takes the call within 30 seconds of the user initiating it and must enable the user to select the option to transfer the call to a human operator within 180 seconds of answering the call; DSO ensures that the user will start talking to a human operator within a maximum of 20 minutes from answering the call;
- The license holders concessionaire DSOs shall develop and use a common procedure, which shall be endorsed by ANRE.

All distribution operators, through ACUE, sent observations to ANRE on 22 February 2021 and requested the application of possible amendments to the Standard starting with the fifth regulatory period, and not during RP4, as the investment plan was approved for RP4 in close interdependence with the plan of works for complying with the service quality indicators, drawn up in order to ensure the minimum level of the distribution service quality imposed by the Standard in force.

f) Primary legislation

- On 9 January 2020, **GEO no. 1/9 January 2020** entered into force, which amended:
 - The Energy Law on the repeal, starting with 30 April 2020, of the article approving the RRR value of 6.9%; ANRE will establish the RRR value based on the information obtained from the competent authorities, including at the request of any injured party;
 - ANRE functioning law, imposing towards ANRE the setting the contribution value (thus by ANRE Order no. 1/15 January 2020, the contribution has changed from 2% to 0.2%).
- The **Law no. 26/27 March 2020** came into force, for the amendment of the GEO no. 33/4 May 2007 regarding the organization and

functioning of ANRE:

- ANRE activity will not be restricted by any other authority;
- the express indication of the distribution tariffs date of approval, respectively 15 December, is deleted.

- The **Law no. 7/11 January 2020** was approved, for amending and supplementing Law no. 10/18 January 1995 regarding the quality in constructions and for the amendment and completion of Law no. 50/29 July 1991 regarding the authorization for the execution construction works, regarding the authorization of the connections/connection installations.

- The **Law no. 155/24 July 2020** was approved for amending and supplementing Law no. 123/10 July 2012:

- **Licenses** - the cases in which the distribution service can be provided without a license are defined; the concessionaire DSO has the right to refuse the agreement for granting the license, only conditioned by the connection in technical and economical conditions advantageous for the applicant. The distribution of electricity is made by the DSO, legal person, license holder or exempted from licensing;
- **Networks takeover** - DSO has the obligation to take over in 120 days the capacity of a third party at the value established by an independent expert; the refusal of DSO to take over is sanctioned with a fine that can be included in the value range of 5-10% of turnover;
- **Non-domestic connections with lengths <2,500 m** - DSO has the obligation to ensure the financing and realization in 90 days of the connections of non-domestic customers, having a length lower than 2,500 m;
- **Carrying out public purchases** according to the Methodology approved by ANRE - by derogation from the legal provisions regarding the purchases and the realization of purchases according to the regulations approved by ANRE;
- **Thefts** - in case of theft, the DSO interrupts the supply immediately if there is no supply contract, or after a court decision if there is a supply agreement;
- **Contraventions** - numerous fines calculated as a percentage applied to the value of turnover, for non-compliance with the license and connection provisions.

- On 19 December 2020, the **Law no. 290/15 December 2020** entered into force for the amendment and completion of Law 123/10 July 2012:

- The obligation of the DSO to finance the connection works of the household customers, provided by Art. 51 and the recovery of the connection costs through the distribution tariffs, with accelerated amortization in a period of 5 years, in accordance with ANRE regulations → the impact of connections in proportion of 25% of the investment plans is reflected by an increase in distribution tariffs between 2% (in the first year) and 10% (in the fifth year).

g) European legislation

- The European Parliament approved in June 2019 the European regulations included in the "**Clean Energy for All Europeans**" Program, which includes the following documents:
 - **Regulation no. 941/2019** on risk-preparedness in the electricity sector;
 - **Regulation no. 942/2019**, establishing the European Union Agency for the Cooperation of Regulators;
 - **Regulation no. 943/2019** on the internal market for electricity - applied starting with 1 January 2020, without the need to transpose into national legislation;
 - **Directive no. 944/2019** on common rules for the internal market for electricity; is applied starting with 1 January 2021, after transposition into national legislation, the provisions with impact being:
 - ✓ Network losses - each distribution system operator acts as a neutral market facilitator in procuring the electricity needed to cover NL, in accordance with transparent, non-discriminatory and market-based procedures, where it has such a function;
 - ✓ at least 80% of final customers must have smart meters by 2024;
 - ✓ by 2026, the technical process of switching to a new supplier should be possible to complete within 24 hours;
 - ✓ Citizens' energy communities (CECs) have access to all markets, either directly or by aggregation, in a non-discriminatory way.
- The Ministry of Economy and the Ministry of European Funds establish the architecture of the EU financing programs for 2021-2027, so that the Romanian energy sector enters the path of the "Green Deal".

h) Alignment with the European legislation - EU Regulation no. 943/2019

15 minutes settlement

- **Order no. 63/31 March 2020** regarding the *Program for the implementation of the necessary measures in order to ensure the settlement conditions at an interval of 15 minutes* (in force from 1 January 2021); until then, each DSO must comply with the measures approved by the Program.

Operation of the electricity market

- **Order no. 61/2020** for the approval of *regulations regarding the functioning of the energy market* (into force on 1 September 2020) establishes the minimum and maximum technical price limits between which it must fall, thus eliminating the price gap between DAM and BM:
 - Regulation of the functioning and settlement of the balancing market;
 - Regulation of calculation and settlement of the imbalances of the balance responsible parties;
 - the Regulation for programming

dispatchable production units, dispatchable consumers and dispatchable storage facilities.

- On 9 December 2020 was published the ANRE Order **no. 213/25 November 2020** for approving the *Regulation for the calculation and settlement of price on BRP* - single imbalance price, which introduces the settlement based on the single imbalance price. By **Order no. 231/16 December 2020**, a calculation method was introduced for 2 prices: deficit price and surplus price, for a settlement interval in which the imbalance area is almost balanced and for which it was assessed that the single imbalance price method is not the most economically efficient method of settling imbalances of the balance responsible parties - in force starting 1 January 2021, respectively 1 February 2021.
- **Order no. 64/31 March 2020** for the approval of the *Regulation for the conclusion of the electricity bilateral contracts by extended auction and the use of products that ensure the flexibility of the transaction* (use of a formula for adjusting the price of the contract according to the evolution of a public stock index in the field of electricity; percentage of variation of maximum 25% of the hourly quantity compared to the value provided in the offer);
- ANRE **Order no. 232/16 December 2020** approves the *Procedure for determining and using the residual consumption profile*, in force starting with 1 February 2021; - elimination of the term hourly regarding the settlement interval and replacement with the general term of **settlement interval (SI) of 15 minutes**.
- ANRE **Order no. 233/16 December 2020** approved the *Procedure for determining the measured values per settlement interval of the network losses in electricity distribution networks*, in force starting with 1 February 2021:
 - elimination of the article on the determination of the network losses forecasted on a monthly basis and on settlement interval, used in the physical notifications by the BRP;
 - profiling on the distribution network and not on areas (implicitly allowing aggregate profiling on total DEER).

Investments

- In 2020, the three distribution companies of Electrica Group realized and commissioned investments amounting to RON 609.2 mn, representing 100.5% of the commissioning program value planned for 2020 (i.e. RON 606.2 mn, of which RON 593.5 mn related to the 2020 plan and RON 12.7 mn for values carried forward related to 2019; RON 596.2 mn were realized in the first category and RON 13 mn were related to 2019).
- In 2021, the new operator Distribuție Energie Electrica România (DEER), resulting from the merger of the three distribution operators

starting with 1 January 2021, will continue to invest in distribution infrastructure, the investments to be commissioned for 2021 by DEER estimating an increase of about 10% compared to the level of investments in 2020, cumulating RON 662.5 mn (of which, RON 653.2 mn plan for 2021 and RON 9.3 mn values related to the plan for 2020). In addition to the works in the distribution networks provided in the investment plan 2021, it is estimated the realization of works for connecting users, considering the new legal requirements introduced by Law no. 155/24 July 2020 and Law no. 290/15 December 2020 which amended and supplemented Energy Law no. 123/10 July 2012.

- The investment plans were prepared in accordance with the requirements provided by ANRE in the *"Procedure regarding the elaboration and approval of the investment programs of the concessionary economic operators of the electricity distribution service"* approved by ANRE order no. 204/14 November 2019 with subsequent amendments and completions.

Supply segment

■ Key projects

- Starting from the significant changes in the energy market regarding the regulatory framework, as well as from the increasing competition, EFSA launched an ambitious internal transformation project which aims to successfully meet the current and future challenges and whose mission is the transformation and optimization of sales and customer relations activities, along with the development of the entire staff's skills.
- In the first phase, the project focused on developing the sales strategy. In the second phase, the effort focused on internal processes, systems and technology improvement, and, naturally, on upgrading organizational structures.
- During 2020, EFSA continued to implement processes of redefinition and adaption to current challenges of the energy market, by optimizing and rethinking the activities, in order to be able to offer the company customers services at the highest professional level. Thus, in 2020, EFSA continued its efforts to transform the internal processes in the areas of sales and customer relations, focusing on digitization and automation.

■ Regulatory Framework

In 2020, the evolution of the regulatory framework recorded significant changes, as follows:

a) Primary legislation:

- **GEO no. 1/2020 on some fiscal-budgetary measures and for amending and completing some normative acts:**
 - until 31 December 2020, for household

customers the supply of electricity is carried out under conditions regulated by ANRE;

- the purchase costs differences in 2018 and 2019 of the suppliers of last resort, not recovered through the prices charged, are recovered in stages and in full until 31 December 2020, according to ANRE regulations;
- the RRR change did not lead to a change in the transmission and distribution tariffs starting with 1 May 2020, thus did not lead to the change in regulated tariffs for household final customers; the most recent tariff adjustment was on 1 July 2020;
- starting with January 2020, the level of tariffs and contributions is established annually by ANRE Order → the contribution decreased from 2% to 0.1% of turnover;
- until 31 December 2020, the Romanian Government regulates, at the initiative of relevant ministry, the status and legal regime of vulnerable consumer, as well as the way of its financing.

- **Decree no. 195/2020 regarding setting the state of emergency on Romanian territory and Decree no. 240/2020 regarding state of emergency extension on Romanian territory:**

- duration: 30 days from 16 March 2020 and extended by another 30 days until 15 May 2020;
- measures are taken to ensure continuity in supply, respectively extraction, production, processing, transmission, distribution, supply, maintenance, maintenance and repair of resources and raw and/or semi-processed materials necessary for proper functioning of national energy system, and ensuring continuity of operation and all public utility services;
- during state of emergency, the prices for public utility services (electricity and heat, gas, water supply, sanitation, fuels, etc.) may be capped, within the average price of the last 3 months before the state of emergency declaration.

- **GEO no. 29/2020 on some economic and fiscal-budgetary measures:** during state of emergency, small and medium enterprises, which have ceased their activity totally or partially based on decisions issued by competent public authorities, according to the law, during the state of emergency decreed and holding the emergency certificate issued by the Ministry Economy, Energy and Business Environment, benefit from payment deferral for utility services - electricity, natural gas, water, telephone and internet services, as well as deferral of rent payment for building intended for headquarters and secondary offices;

- **Military Ordinance no. 4/2020 on measures to prevent the spread of COVID-19:** during state of emergency, prices for electricity and heat, natural gas, water supply, sanitation and fuels may not be increased above the level applied at the military ordinance issuance date (29 March 2020); they may only be reduced depending on demand and supply;

- **Decision no. 394/2020** on approval of state of alert implementation at national level and of the measures for prevention and control of infections, in the context of epidemiological situation generated by SARS-CoV-2 virus: state of alert duration - 30 days starting with 18 May 2020, subsequently extended by 30 days (starting with 17 June 2020) by Government Decision no. 476/2020, with another 30 days (starting with 17 July 2020) by Government Decision no. 553/2020, with another 30 days (starting 16 August 2020) by Government Decision no. 668/2020, with another 30 days (starting 15 September 2020) by Government Decision no. 782/2020, with another 30 days (starting 15 October 2020) by Government Decision no. 856/2020, with another 30 days (starting 14 November 2020) by Government Decision no. 967/2020 and with another 30 days (starting 14 December 2020) by Government Decision no. 1,065/2020.
- **GEO no. 70/2020** on regulation of certain measures, starting with 15 May 2020, in the context of epidemiological state determined by SARS-CoV-2 coronavirus spread, for certain terms extension, for amendment and completion of Law no. 227/2015 on Fiscal Code, of National Education Law no. 1/2011, as well as other normative acts: during state of alert, transmission and distribution operators of electricity and natural gas ensure continuity of service provision, and in case there is an incident of disconnection, postpones this operation until the state of alert ends;
- **GEO no. 74/14 May 2020** for amending and supplementing the electricity and natural gas law no. 123/2012:
 - the producers that operate dispatchable production units, only for units not benefiting from support schemes, in the ascending order of prices set by ANRE, are obliged to sell through regulated contracts to the SoLR so as to ensure the full amount of electricity needed by household consumers for which regulated tariffs are applied so that they are not increased above the level applied on 19 May 2020; these could be adjusted according to market developments, without being able to exceed the aforementioned level;
 - producers may conclude bilateral contracts outside the centralized market, at negotiated prices, in compliance with competition rules, for electricity from new energy production capacities, put into operation after 1 June 2020.
- **GEO no. 106/2020** for amending and supplementing the electricity and natural gas law no. 123/2012:
 - the natural gas supplier has the obligation to purchase the natural gas supplied to household customers, in conditions of minimizing the cost of allocated resources, based on its own procedures developed taking into account the new provisions on the supply on centralized markets, to ensure transparency of the natural gas purchasing process and, at the same time, the equal and non-discriminatory treatment of the persons participating as bidders in the natural gas purchasing procedure;
 - natural gas suppliers will set up single points of contact, physical or virtual, to provide final customers with adequate means of information on their rights, on the legislation in force, on the ways of resolving disputes in case of requests, complaints, notifications or appeals, including information on the average purchase prices of natural gas supplied, for all categories of consumers. These single points of contact can be part of the general consumer information points and provide final customers with information free of charge → the obligation for natural gas suppliers to set up single points of contact (consisting of a central point coordinating the regional/local information points) located at a maximum distance of 50 km from the place of consumption in the case of household customers is eliminated;
 - the notion of virtual points of contact is introduced.
- **Law no. 155/2020** for the amendment and completion of the Law on electricity and natural gas no. 123/2012:
 - prosumers who own units of electricity production from renewable sources with an installed capacity of no more than 100 kW/ consumption place (compared to 27 kW, before the change) can sell the electricity produced and injected in the electricity network to the electricity suppliers with whom they have concluded electricity supply agreements;
 - prosumers, natural and legal persons and local government authorities who own power plants producing electricity from renewable sources, as well as natural or legal persons who own units of electricity production from renewable sources are exempted from the quarterly and annual obligation of green certificates purchase, for the electricity produced and used for its own final consumption, other than the network losses of the power plant;
 - electricity producers and public authorities that own power plants from renewable energy sources with installed capacities of up to 3 MW/producer may conclude directly negotiated contracts, only for the electricity from these plants, only with final consumer suppliers for the sale of electricity and/or green certificates;
 - until 30 June 2021, the selling price of natural gas to household customers and producers of thermal energy (only for the volume of natural gas used to produce thermal energy in cogeneration plants and thermal power plants for consumption) is determined taking into account free market conditions, from the unit cost of natural gas, from which the quantities of natural gas from import and storage are excluded. If the suppliers will apply to the unit cost of gas a cost higher than the real purchase cost, the amount resulting from the difference between the real purchase price and the regulated price for producers of RON 68/MWh is divided in the following proportions: 10% remains at the supplier and 90% is collected from the state budget in a special account and is used exclusively

for the protection of vulnerable customers. The calculations are made monthly, for the previous month.

- **Law no. 290/2020** on the approval of GEO no. 106/2020 for amending and supplementing the electricity and natural gas law no. 123/2012:
 - virtual single points of contact are introduced for the electricity final customers that are supplied in the universal service regime;
 - provisions are introduced for contracts for the reservation of electricity production capacities and the possibility of concluding these types of contracts on the competitive, bilateral market, at negotiated tariffs for the reservation of electricity production capacities, in compliance with competition rules.

b) Secondary legislation

- **ANRE Order no. 1/2020** regarding the approval of tariffs and monetary contributions charged by ANRE in 2020 - following the GEO no. 1/2020, the responsibility for establishing the values of the contributions due to ANRE reverted to ANRE;
- **ANRE Order no. 18/2020** regarding setting the mandatory quota for green certificates related to 2019 - was set at GC 0.433548/MWh, without significant changes compared to estimated quota;
- **ANRE Order no. 27/2020** for establishing measures regarding natural gas supply to household customers with a view to eliminate regulated prices: from 1 July 2020, the regulated prices for final gas customers are eliminated;
- **ANRE Order no. 64/2020** approving the Regulation regarding the manner of concluding bilateral electricity contracts by extended auction and the use of products to ensure trading flexibility:
 - delivery time: minimum 1 month;
 - trading can be complete with a single participant or partial and/or with several participants to the quantity offered; for hourly powers greater than 10 MW only the option of partial trading/with several participants is allowed;
 - the offer contains a minimum requested price, in case of a sale offer, respectively the maximum price offered, in case of a purchase offer; the bidder must include in the price the TG component, corresponding to the injection of electricity in the network;
 - the option of varying the hourly power by up to +/- 25% compared to the quantity provided for in the offer, which applies at the reasoned request of a party, if there is an expressed agreement when signing the contract;
 - a formula for adjusting the agreement/agreements' assigning price (closing price of the auction) depending on the evolution of a public stock market index in the electricity field can be used, including the related formula.
- **ANRE Order no. 61/2020** for approval of Regulation on the programming of dispatchable production units, dispatchable consumers and dispatchable storage facilities, Regulation on operation and settlement of BM and Regulation on calculation and settlement of imbalances of the BRP: the technical price limits for offers are represented by a minimum price, which is the equivalent in RON at the NBR exchange rate from the day before the delivery of the value of EUR -99999/MWh and a maximum price, which is the equivalent in RON at the NBR exchange rate in the day before the delivery of the value of EUR +99999/MWh, between which the price of any price - quantity pair must be included in an offer; thus, the price difference between DAM and BM of RON 450/MWh is eliminated starting with 1 September 2020;
- **ANRE Order no. 65/2020**, in place as of 1 September 2020, on amending and supplementing some ANRE Orders:
 - trading regulations on CM-OTC, CMBC-EA, CMBC-CN, DAM, BRP settlement rules, by introducing in the list of participants in the electricity market: aggregators, storage facilities, final customers;
 - the long-term supply agreement represents the agreement with a delivery period of more than 1 year;
 - the aggregation of the market participants is done separately for the production activity, respectively for consumption.
- **ANRE Order no. 73/2020** for the amendment of ANRE Order no. 189/2018 annex: ANRE web application "Electricity supply offers comparator" was updated in order to offer to final customers the possibility to access, directly and centralized, information regarding necessary documents for concluding supply agreements, to download documents necessary for supply agreements' conclusion and to be informed on how to send to suppliers the necessary documents for supply agreements' conclusion;
- **ANRE Order no. 88/2020** for the approval of the Methodology for setting regulated tariffs and prices applied by SoLR to final customers for the period 1 July – 31 December 2020 and for amending and supplementing the Framework Agreement for the electricity sale - purchase concluded between producers of electricity and SoLR, approved by ANRE Order no. 34/2019:
 - electricity producers must sell through regulated agreements concluded with SoLR so as to ensure the full amount of electricity needed for household consumers for whom regulated tariffs apply, so that they are not increased above the level practiced on 19 May 2020;
 - the price for non-household customers benefiting from US and inactive is established by each SoLR, for each network area, on competitive criteria.
- **ANRE decisions no. 1074, 1075, 1076 and 1077/2020** regarding the setting of the regulated price for the supplied electricity

and of quantities of electricity sold based on regulated agreements between 1 July – 31 December 2020 by producers Complexul Energetic Oltenia, Hidroelectrica, OMV Petrom and Nuclearelectrica:

- regulated amounts of electricity are allocated to cover the portfolio household customers' consumption needs in H2 2020, so that regulated tariffs decrease does not cause losses to SoLR;
 - for EFSA, the coverage degree with regulated contracts is 99% for H2 2020.
- **ANRE Order no. 138/2020** approving regulated electricity tariffs applied to household customers by SoLR EFSA:
 - household final customers regulated tariffs applicable by EFSA in H2 2020 are approved;
 - regulated tariffs decrease on average by 1.7% at EFSA; at the national level, the decrease is 1.89%.
 - **ANRE Order no. 141/2020** for the approval of electricity generic tariffs applied starting with 1 July 2020:
 - applied by designated (optional) suppliers of last resort who on 12 June 2020 did not have, in this capacity, household customers in portfolio in that network area, when billing active electricity consumption at household customers' consumption places with which it concludes contracts for electricity supply under a regulated regime, located in that network area;
 - evolution of generic tariffs depending on application area is as follows: Oltenia + 0.35%, Moldova -3.78%, Dobrogea -1.41%, Banat +0.14%, South Muntenia +0.62%, North Muntenia +2.38%, North Transilvania +2.86% and South Transilvania +4.13%.
 - **ANRE Order no. 143/17 July 2020** regarding the obligation to offer natural gas on the centralized markets of natural gas producers whose annual production of the previous year exceeds 3,000,000 MWh:
 - setting the period 1 July 2020 – 31 December 2022 in which the natural gas producers whose annual production achieved in the previous year exceeds 3 TWh have the obligation to offer the sale of quantities of natural gas, with delivery between 1 July 2020 – 31 December 2022;
 - the mandatory annual offer quota of 40% and its breakdown on standardized products, set on time periods.
 - **ANRE Order no. 144/17 July 2020** regarding the obligation of the participants in the natural gas market to offer on the centralized markets:
 - the obligation to offer, as a seller, by applying a percentage of 40% to the volume of natural gas for which the participant in the natural gas market, as a seller, concludes sale - purchase agreements on the wholesale market, starting with 1 July 2020, except for volumes related to the transactions performed on the centralized markets which are delivered in the respective year;
 - the obligation to offer, as a buyer, by applying a percentage of 40% to the quantity
- of natural gas for which the participant in the natural gas market, as a buyer, concludes sale - purchase contracts starting with 1 July 2020 on the wholesale market, except for transactions on centralized markets, with delivery in the respective year.
- **ANRE Order no. 150/2020** for the approval of the Regulation on the organized trading framework on the centralized natural gas markets managed by OPCOM:
 - establishes an organized, alternative, centralized, transparent, objective and non-discriminatory framework for the competitive trading of natural gas within the centralized natural gas markets managed by OPCOM;
 - offers the following types of centralized natural gas markets:
 1. Markets of short-term standardized products: **A.** IM-NG (intraday market for natural gas); **B.** DAM-NG (day ahead market of natural gas);
 2. Medium and long term standardized product markets: **A.** CMNG-AN (centralized market for bilateral natural gas contracts - auction and negotiation); **B.** CMNG-PA (centralized market of bilateral natural gas contracts - public auction); **C.** CMNG - OTC (centralized market for bilateral natural gas contracts - OTC);
 3. Medium and long term flexible products market - FPM-LT.
 - **ANRE Order no. 151/2020** for the approval of the Regulation on the organized trading framework on the centralized natural gas market administered by TRADEX PLATFORM:
 - establishes the rules for trading products on the centralized natural gas market administered by TRADEX PLATFORM;
 - the market has the following segments:
 1. The short-term standardized products market;
 2. The medium and long-term standardized products market;
 3. The medium and long-term flexible products market.
 - **ANRE Order no. 161/2020** for the amendment of the Regulation on the manner of concluding bilateral electricity contracts by extended auction and the use of products to ensure trading flexibility, approved by ANRE Order no. 64/2020 - modifies the CMBC-EA-flex trading method, introducing the possibility to modify the hourly quantity delivered by 100% for renewable energy producers;
 - **ANRE Order no. 171/2020** for the approval of the conditions for the electricity supply by the supplier of last resort (SoLR):
 - starting with 1 January 2021, the prices for household customers supplied at regulated tariffs until 31 December 2020 are established by SoLR, for each network area, on competitive criteria, without ANRE approval;
 - the prices for the **non-household customers** benefiting from universal service (US) are established by SoLR, for each network area, on competitive criteria;
 - for **inactive non-household customers** of SoLR (which do not benefit from US)

the agreements remain in force until 31 December 2021. Until that date, it is necessary to conclude agreements in a competitive regime with this category of clients, at negotiated prices;

- SoLR have the obligation to publish on their website the price applicable to US beneficiaries (household and non-household) and inactive non-household, broken down by components (supply price, regulated network tariffs), as well as their application period.

- **ANRE Order no. 173/2020** approving the *Regulation on the last resort supply of natural gas*:
 - at least three natural gas SoLR are designated at national level, in compliance with some eligibility conditions;
 - the takeover period: three months from the takeover date in the case of final customers with an annual consumption less than or equal to 28,000 MWh and one month from the takeover date in the case of final customers with an annual consumption higher than 28,000 MWh;
 - the supply cost and profit are established by SoLR, and the purchase cost must not exceed by more than 10% the weighted average purchase price from DAM.
- **ANRE Order no. 187/2020** for the amendment and completion of some ANRE Orders and for the abrogation of ANRE Order no. 14/2020 on the approval of the Methodology for establishing the unit income related to the regulated supply activity and the approval of regulated prices in the natural gas sector:
 - concluding the supply contract - the customers who do not hold property deeds on the buildings can also conclude supply contracts, based on a declaration on their own responsibility, for a limited period;
 - the obligation of the suppliers to return to the clients the amount paid in excess, if after the regularization the amount exceeds RON 100.
- **ANRE Order no. 188/2020** for the approval of the Regulation for the electricity SoLR designation:
 - the notion of bound SoLR and optional SoLR disappears. The designation of a supplier as SoLR is made at national level and not on network areas, as provided in the current regulation. SoLR are appointed for an indefinite period, starting with 1 January 2021;
 - for the SoLR designation, the eligibility criterion based on serving a number of at least 2,000 consumption places at national level no longer applies - any supplier can become SoLR;
 - ANRE will designate at least five SoLR at national level, either at the request of the designation sent by the supplier, or by organizing a selection process if there are not at least five requests;
 - SoLR will have the possibility to establish prices for the customers benefiting from US (Universal Service) (household and non-household) and prices for taking over in last resort regime, different for each network area separately. However, it is mandatory for each SoLR to publish offers for all network areas;
 - the criterion of taking over in last resort regime will be the "lowest cost", regardless of whether they are household or non-household clients. The lowest cost is established by ANRE monthly, for each network area, by consulting the offers published by SoLR on their own websites.

Orders issued by ANRE regarding the licenses in the field of electricity and natural gas:

- **ANRE Order no. 196/2020** approving the General Conditions associated with the license for the aggregation activity: the necessary conditions to perform the aggregation activity are defined;
- **ANRE Order no. 197/2020** on amending and supplementing the Regulation for granting licenses and authorizations in the electricity sector, approved by ANRE Order no. 12/2015: enables the storage of electricity and facilitates the aggregation of distributed demand and offer of electricity, in the form of licensing these activities;
- **ANRE Order no. 198/2020** regarding the amendment and completion of ANRE Order no. 80/2013 for the approval of the General Conditions associated with the establishment authorization and the General Conditions associated with the license for the commercial exploitation of the electricity production capacities, and as the case may be, of the thermal energy produced in cogeneration: if the storage facility is installed within an existing production capacity, the license for commercial exploitation of the production capacity is modified in the sense of adding storage equipment; for the commercial exploitation of energy storage facilities, which are not added to some energy production capacity, a separate license is granted;
- **ANRE Order no. 199/2020** for the approval of the Regulation for granting authorizations and licenses in the natural gas sector: provisions are included regarding hydrogen production facilities;
- **ANRE Order no. 200/2020** approving the framework conditions for validity associated with the establishment authorization for new hydrogen production installations;
- **ANRE Order no. 201/2020** approving the framework conditions for validity associated with the commercial exploitation license of the new hydrogen production installations;
- **ANRE Decision no. 1990/29 October 2020** designating EFSA as supplier of last resort for natural gas: EFSA was designated SoLR for natural gas;

- **ANRE Decision no. 2123/18 November 2020** (regarding the results of the process of designating the SoLR for electricity for the suppliers that at the date of entry into force of the Regulation for designating the SoLR, approved by ANRE Order no. 188/2020, have designation decisions as SoLR, and want to be further designated in this capacity) for the designation of EFSA as a SoLR for electricity: EFSA was designated SoLR for electricity;
- **ANRE Order no. 213/2020** approving the Regulation for calculating and settling imbalances of the BRP - single imbalance price and for amending some ANRE orders:
 - new regulation implementing a new method for settling BRP imbalances with a single settlement price with the application date correlated with the implementation date of the 15-minute settlement interval;
 - establishes the rules for registration and aggregation of the BRP and for determining and settling the imbalances between the commercial position and the physical one, ascertained following the measurements;
 - establishes the payment obligations/collection rights of the BRP in an easy to understand, clear and non-discriminatory way, allowing market participants to adopt adequate strategies to minimize the costs of reducing imbalances.
- **ANRE Order no. 214/2020** approving the average tariff for the transmission service, the components of the transmission tariff for the injection of electricity in the network (TG) and for the extraction of electricity from the network (TL), the tariff for the system service and the price for reactive electricity, for Transelectrica S.A., valid from 1 January 2021: average tariff for the transmission service: RON 20.55/MWh; TG – RON 1.30/MWh (increase of 0.0%); TL - RON 19.22/MWh (increase of 15.3%); tariff for the system service: RON 11.96/MWh (decrease 17.2%);
- **ANRE Order no. 223/2020** approving the tariffs and monetary contributions charged by ANRE in 2021: both for the supply license and for the production license, the annual contributions remain at the level of 2020;
- **ANRE Order no. 224/2020** regarding the amendment of the ANRE Order no. 88/2015 for the approval of framework agreement for the supply of electricity to household and non-household customers of SoLR, the general conditions for the supply of electricity to the final customers of SoLR, the model electricity bill and the model electricity consumption agreement, used by SoLR:
 - based on the framework agreement, SoLR conclude supply contracts with **household and non-household customers, including with the customers taken over because they do not have ensured the supply of electricity from any other source;**
 - **the invoicing** of the active electricity consumed at the consumption places is made at: **a) The price from the US offer communicated by SoLR; b) The final price of last resort** (applies in the case of household customers taken over by SoLR because they do not have ensured the supply of electricity from any other source). **The final price of last resort** applies from the date of takeover by SoLR until the end date of the second month following the takeover or until the date of entry into force of a new supply contract, whichever comes first;
 - at least 30 days prior to the expiry date of the price in force for the US, the SoLR is obliged to send to the customer the new offer for the US, which will be applied automatically, without the need to conclude an addendum.
- **ANRE Order no. 230/2020** regarding the extension of some terms provided in ANRE Orders: some terms are postponed by 1 month, from 1 January 2021 to 1 February 2021:
 - until 31 January 2021, the imbalance settlement interval is one hour, and from 1 February 2021, the imbalance settlement interval is 15 minutes;
 - the application is extended until 1 February for some provisions of the program for implementing the necessary measures in order to ensure the settlement conditions at a 15 minutes interval and of the Regulation for calculating and settling imbalances of the BRP – single imbalance price.
- **ANRE Order no. 231/2020** regarding the amendment and completion of ANRE Order no. 213/2020 and for the amendment of the Regulation for the functioning and settlement of the balancing market, approved by ANRE Order no. 61/2020: certain changes are made to the abovementioned Regulations;
- **ANRE Order no. 237/2020** regarding setting the estimated mandatory quota for the purchase of green certificates related to 2021:
 - the estimated mandatory quota for the purchase of green certificates for economic operators that have the obligation to purchase green certificates for 2021 was set at **GC 0.4505/MWh (compared to GC 0.45061/MWh in 2020)** for a forecasted electricity consumption of 44 TWh;
 - the estimated average impact in the final consumer's invoice that supports the green certificates related to the support scheme for 2021 is **RON 0.063/kWh**, comparable to the 2020 value;
- **ANRE Order no. 239/2020** for the amendment of ANRE Order no. 123/2017 regarding the approval of the high efficiency cogeneration contribution and of some provisions regarding its invoicing method:
 - **the value of the cogeneration contribution**, applicable from 1 January 2021, is **RON 17.12/MWh**. It is **24.3% lower** than the value of the cogeneration contribution for November and December 2020 (RON 22.63/MWh);
 - applying the new value of the cogeneration contribution, valid **until 30 June 2021**, will result in an impact on the price to the final consumer of **RON 0.01712/kWh**.

- **ANRE Order no. 241/2020** regarding the amendment of ANRE Order no. 171/2020 for the approval of the conditions for the supply of electricity by SoLR:
 - in the case of household customers from the portfolio of a SoLR that conclude, based on one of the competitive offers, a contract entering into force between 1 - 31 January 2021, the electricity consumption between 1 January 2021 and the date of entry in force of the new contract is invoiced so that the price from the competitive offer is applicable starting with 1 January 2021 (by issuing a regularization invoice within 90 days from the date of concluding the contract);
 - SoLR have the obligation to send to household customers from their portfolio in December and January 2021 an information that will have attached an offer for the universal service and at least a competitive offer.
- **ANRE Order no. 242/2020** on the Regulation for the takeover by SoLR of the consumption places of the final customers that do not have ensured the supply of electricity from any other source:
 - SoLR have the obligation to make available to final customers, on their own website, a model request for concluding an electricity supply agreement;
 - SoLR have the obligation to publish on their own website, in a section dedicated to universal service and supply in last resort regime, with direct access from the main page, the documents and information for the takeover process;
 - each network operator must ensure the continuity in the electricity supply of the consumption places of final customers that are taken over, which are located in its area of activity.
- **ANRE Order no. 5/2021** regarding the amendment of ANRE Order no. 171/2020 for the approval of the conditions for the supply of electricity by SoLR:
 - the commercial discount, equal to the difference between the price from the universal service offer applicable between 1 January and 30 June 2021 and the price from the competitive offer, provided in the previous regulation for the period 1 January 2021 and until at least 30 June 2021, has become optional in the contractual relations between SoLR and household customers;
 - new obligations for SoLR regarding the provision of information for household customers from their own portfolio were introduced:
 - ✓ Until 30 June 2021, with each invoice issued, will be sent a notification on the removal of regulated prices, as well as an offer selection form, in the form established by ANRE, containing the competitive offer with the lowest value, an alternative competitive offer and the universal service price offer, offers applicable in the first semester of 2021, as well as the value of the commercial discount granted and the application period, if applicable;
 - ✓ Between 1 May – 30 June 2021 - monthly, a competitive offer and the universal service offer, valid as of 1 July 2021;
 - ✓ In H2 2021 - with each invoice issued, a notification regarding the removal of regulated prices.

■ Corporate image

In 2020, Electrica remained in the first 10 places in TOP 50 of the most valuable Romanian brands.

In terms of transparency, Electrica remained in the top of the most appreciated companies, launching, for the fourth consecutive year, the Sustainability Report.

Also, in 2020, the 4th edition of the Grant campaign "Electrica puts Romania in a different light" was completed.

During 2020, the companies within Electrica Group donated almost RON 3.5 mn, the largest part of this amount being granted to medical units, the frontline in the health crisis generate by COVID 19.

■ Certifications

During September 2020, SDTS successfully finalized the external recertification audit for its Quality-Environment-SSO Integrated Management System according to ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 requirements. Considering the epidemiological context, the certification body SRAC Cert audit was performed in two phases, a first phase, carried out remotely between 12 – 15 May 2020 and a second phase, in site, between 22 - 23 September 2020. There was no non-compliance identified during the audit, the company obtaining its new certificates valid until 19 September 2023.

■ Ethics and Compliance

The following policies have been updated:

- Policy on avoiding and combating conflicts of interest in February 2020 - adopting it at the Group level, in order to align with legislative changes, trends and good practices, as well as for a better adaptation to the concrete aspects and specifics of the activity of the Electrica Group companies;
- Policy on Related Party Transactions in July 2020 - its adoption at group level.

At the same time, in December 2020, the Code of Ethics and Professional Conduct was updated, being communicated to the entire group for implementation.

1.3 Post balance sheet events date

Below are the relevant events that took place at the Group level in the period between the 2020 financial year closing and the date of the present report.

■ Litigations

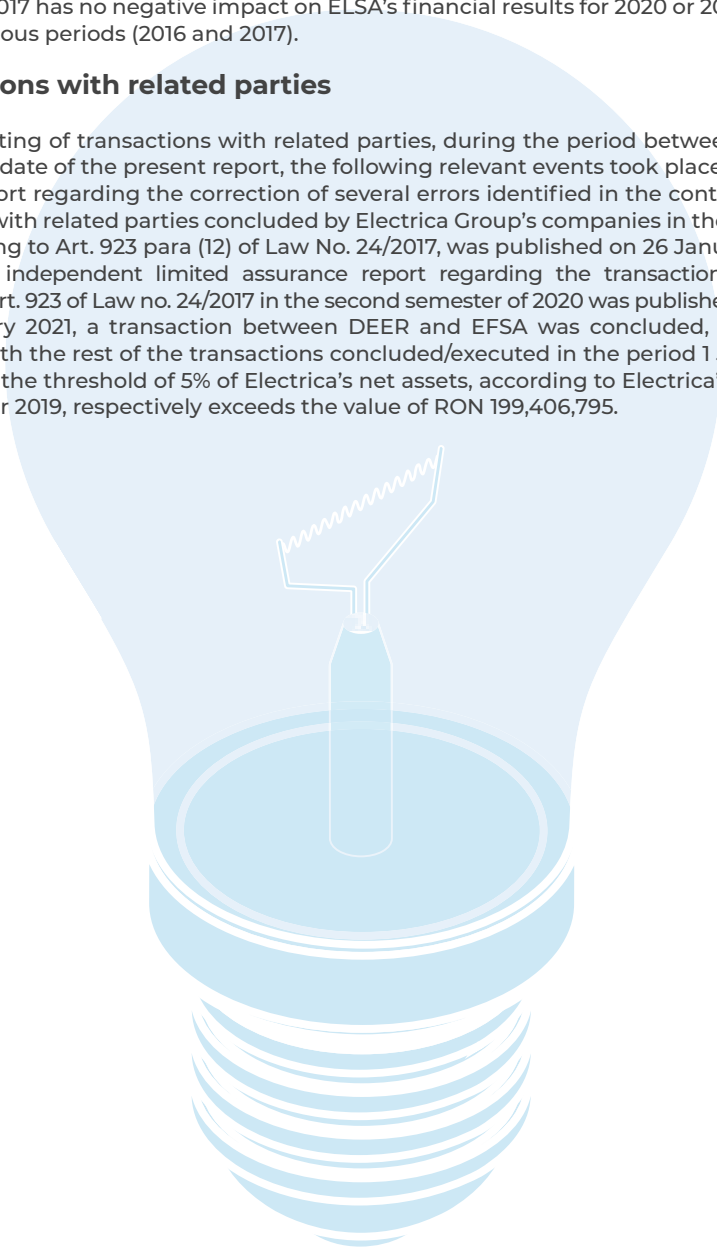
On the term from 3 February 2021 of the case no. 1372/3/2017 of Bucharest Tribunal, Civil Section VII, the court confirmed the reorganization plan of the company Transenergo Com S.A. (Transenergo), proposed by the special administrator. According to this plan, unsecured creditors will not benefit from any distributions of amounts. Electrica holds an unsecured receivable in amount of RON 37,088,830 composed of the main receivable of RON 35,725,171 (from two agreements) and penalties of RON 1,363,659 calculated until the date of insolvency proceedings' opening. Since ELSA is the beneficiary of an insurance policy in amount of RON 4,000,000, having as object the guarantee of the payment obligations of Transenergo resulting from the BRP Services Agreement no. 77/2005, out of the total receivable of RON 37,088,830, the amount of RON 4,000,000 was submitted under the resolute condition of recovering the amounts from the insurer. ELSA will appeal the sentence confirming the reorganization plan, but the execution of the plan is not suspended during the trial of the appeal.

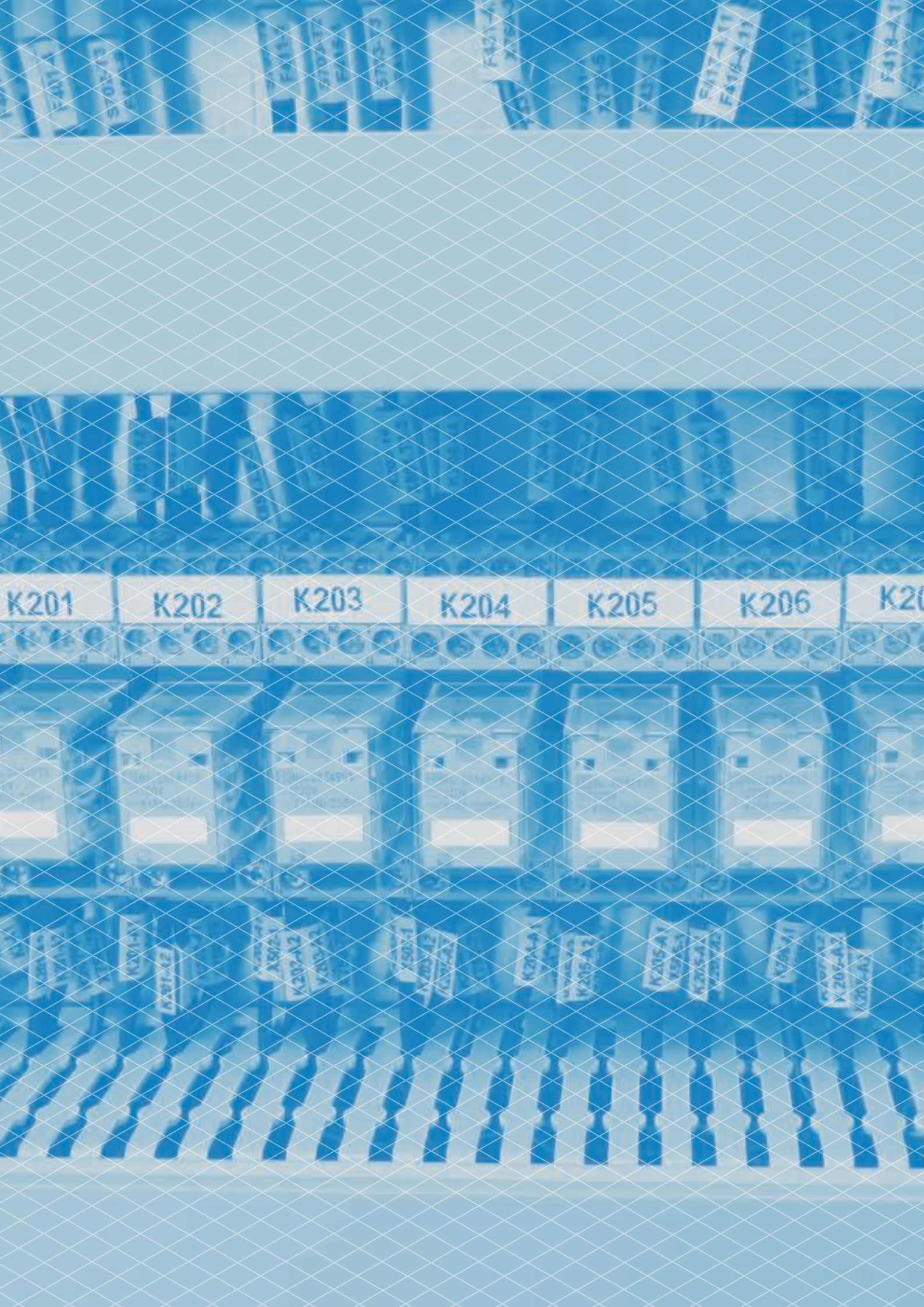
The financial exposure recorded by ELSA in relation to Transenergo is fully provisioned, so that the resolution from file no. 1372/3/2017 has no negative impact on ELSA's financial results for 2020 or 2021, the impact being recorded in the previous periods (2016 and 2017).

■ Transactions with related parties

Regarding the reporting of transactions with related parties, during the period between the 2020 financial year closing and the date of the present report, the following relevant events took place at Group level:

- A current report regarding the correction of several errors identified in the content of the reports on transactions with related parties concluded by Electrica Group's companies in the second semester of 2020, according to Art. 923 para (12) of Law No. 24/2017, was published on 26 January 2021;
- The auditor's independent limited assurance report regarding the transactions reported by ELSA according to art. 923 of Law no. 24/2017 in the second semester of 2020 was published on 27 January 2021;
- On 11 February 2021, a transaction between DEER and EFSA was concluded, having a value that, cumulated with the rest of the transactions concluded/executed in the period 1 January - 11 February 2021, exceeds the threshold of 5% of Electrica's net assets, according to Electrica's individual financial statements for 2019, respectively exceeds the value of RON 199,406,795.





2. Electrica Group

2.1 Organizational structure

As of 31 December 2020, the most significant shareholder of ELSA is the Romanian State, represented by the Ministry of Economy, Energy and Business Environment (Ministry of Energy at the report date), holding 48.79% (31 December 2019: 48.79%).

The table below shows ELSA's investments in subsidiaries:

Subsidiary	Activity	Registration code	Headquarters	% shareholdings as of 31 December 2020
Distributie Energie Electrica Romania S.A. („DEER”)	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	100%
Electrica Furnizare S.A. („EFSA”)	Electricity and natural gas supply	28909028	Bucuresti	99,9998409513906%
Electrica Serv S.A. („SERV”)	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%
Electrica Energie Verde 1 S.R.L.* („EEV1” – former Long Bridge Milenium SRL)	Production of electricity	19157481	Bucuresti	100%*

Source: *Electrica*

*indirect shareholding - *Electrica Energie Verde 1 SRL* is 100% owned by the subsidiary *EFSA*

The main activities of the Group are the regulated distribution of electricity (through operation and development of electricity distribution networks) and the electricity supply to end consumers. The Group is the electricity distribution operator and the main electricity supplier in North Transylvania (Cluj, Maramures, Satu Mare, Salaj, Bihor, and Bistrita-Nasaud counties), South Transylvania (Brasov, Alba, Sibiu, Mures, Harghita, and Covasna counties), and North Muntenia (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), ensuring the service of the network users by operating installations that function at voltages ranging from 0.4 kV to 110 kV (power lines, substations and electrical transformer stations).

The distribution operator for the three regions - TN, TS, and MN, invoices the electricity distribution service to electricity suppliers (mainly to EFSA subsidiary, the main electricity supplier in North Muntenia, North Transylvania, and South Transylvania), which further invoices the electricity consumption to end consumers.

EFSA is a supplier of electricity in the competitive market and is also a designated supplier of last resort (SoLR) at the national level.

According to the regulations issued by ANRE in 2020, the SoLR ensure the supply of electricity to final customers who benefit, under the law, from universal service, non-household customers who have not exercised their eligibility, and non-household customers taken over because the supply of electricity is not ensured from any other source.

In the regulated market, the supply of electricity was made at final prices for universal service, final prices for inactive customers, final prices of last resort, and at regulated tariffs for household consumers.

In the competitive market, the supply of electricity was made based on contracts with negotiated prices.

Regarding the electricity production segment, it is represented by the Electrica Group subsidiary, EEV1, which owns a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW).

2.2 Mission, vision, values

As an essential step of the transformation, Electrica Group substantiates its future business development on a new identity, adapted to the market context and respecting the specific elements of its companies. Thus, the definition of the company's mission, vision, and values has been finalized, following a process that included internal consultations and specialized analyses; these will serve as a foundation for implementing the Group's strategic directions and objectives for the period 2019-2023.

Mission

Energy – anywhere, anytime, for anyone!
We bring energy where people materialize their dreams.

Vision

Excellence and robustness for the traditional segments, innovation, and flexibility in new approaches.
Promoter of electrification and green energy.

Values

- **Trust** – we are the partner you can rely on, now and in the future.
- **Competence** – we build with skill. We are proud of the role our work gives us within society.
- **Safety** – we are always careful with the safety of our employees, collaborators, and the communities in which we work.
- **Sustainability** – our solutions are long-term and friendly for the environment as well as for the people.

2.3 Key elements of the 2019 – 2023 Strategic Plan

The Strategic Plan for the period 2019-2023, which reflects the Board of Directors' vision of the management of activities in the stakeholders' best interest, both on a medium and a long-term horizon, has been formulated after an analysis of the following areas:

- the external environment, to determine the main environmental factors affecting the electricity market and the key drivers that can significantly influence the evolution of the electricity market in the future;
- industry analysis, in order to identify trends in the electricity market, assess the market attractiveness, and determine the critical success factors necessary for competing and surviving in this market;
- internal analysis of the Group, to assess its past and current performance (relative to other market players).

Electrica Group remains dedicated to ensuring the balance between generating value for its customers and maximizing profit for shareholders, maintaining its ambition to become a regional player in the energy field, within a culture of ethics, integrity, and sustainability.

The Group aims to optimize the contribution of each company to the financial objectives of the group, through a homogeneous and efficient risk management system. In this regard, a unitary implementation of the strategy will be ensured, within coordinated strategic projects, focused on achieving newly defined objectives.

Governance and investor relations remain priorities for the Group, aiming for the constant improvement and the implementation of best practices in corporate governance and investor relations.

For the 2019-2023 period, the Group's key objectives are:

- Expanding into related fields and obtaining synergies within the areas in which the Group operates;
- Improving the operational performance to continuously increase the quality of the services offered to clients;
- Continuing investments to improve infrastructure reliability;
- Increasing the performance and strengthening the sustainability of economic results.

In addition to the traditional areas of interest, namely the electricity distribution, electricity supply, and natural gas and energy services, there is a high interest for the development of new activities, based on innovative technology, while continuing to monitor and analyze the opportunities for growth through mergers and acquisitions. Also, a closer relationship with the clients is pursued, based on the development of competencies, but also on an offer of products and services in line with their needs.

In order to ensure the implementation of the strategic plan for the period 2019-2023, the company's HR strategy aims to provide the qualified human resources, necessary to support the initiatives that ELSA has proposed for the next period, considering an accentuated dynamics of the labor market, significantly influenced by the context of social distancing. Thus, the HR strategy aims to ensure staff - in terms of quantity and professional competence - to increase operational performance and achieve the strategic objectives of the Group, modernizing the organization by implementing an organizational culture having as central elements excellence and safety, for staff and collaborators, modernizing the employer image and implementing a coherent system for performance management and employee evaluation. In 2020, the projects approved to be carried out were started, to follow the planned calendar.

At the Group level, a priority is to ensure the necessary human resources for key business areas, employees training and capitalize on their potential, expertise, and aptitudes, to increase labor productivity and individual performance.

Also, an important role will be played by the optimization of the classic IT&C support functions, but also by the

implementation of the integrated IT&C organization as a strategic partner for the business lines; IT&C takes over the responsibility of capitalizing on the synergies, but also of supporting the specific competencies that offer strategic advantages to the business units. In this context, beyond the processes' digitization and their integration in IT platforms, the development of smart grids, the smart meters' integration in the rhythm of their implementation plan, support for the operationalization of prosumers, etc. are provided in the distribution area. In the supply area, the development of a customer-friendly interface, the automation of contracting, reporting, and invoicing processes, and data exchange with all Romanian distributors are critical elements supported by IT&C as a strategic partner.

The improvement of the corporate governance framework is continued, closely following the Corporate Governance Action Plan established with EBRD starting with 2014.

In the distribution segment, the organizational transformation process started in 2017 has been developed and implemented, through the initiatives operationalized, measures aiming the efficiency and continuous improvement of the activity.

Moreover, at the end of 2019, the implementation of the newly approved strategy at the Group level was initiated - through the perspective of the megatrends that mark the energy industry (decarbonization, decentralization, digitalization), which reveals a significant transformation process, accelerated internationally, but initiated at the national level, also. The economic context at the national level, which brings additional pressure on the regulated activities, and the strategic priorities assumed in the field of energy urgent the need for transformation also at the level of electricity distribution companies, these becoming one of the important pillars for the transformation of the energy system. The need and principles for transforming the business model were analyzed in detail from the perspective of several implementation scenarios - from individual optimization to the legal merger of the three distribution operators. The latter, through the proposed target organizational model, created the premises for complying with current requirements, ensuring medium-term operational efficiency, preparing the organization for the challenges related to the energy transition, and for capitalizing on new medium and long-term business opportunities.

Thus, in 2020, the merger by absorption of the three distribution companies was carried out, the effective date of the merger being 31 December 2020. Among the benefits expected after the merger, the following can be listed: improving the quality of distribution service and implementing the concept of "customer-experience" for users, improving operational and financial results and the financial position, reflected in added value for shareholders, as well as optimizing the operating costs, streamlining support functions, improving network security, and continuing and finalizing projects started, with a unitary focus on strategic initiatives, for the distribution companies.

In the supply segment, the company has focused in 2020 on increasing the profitability of the customer portfolio by developing specific measures to increase customer satisfaction, by restructuring the portfolio, and by competitive and dynamic purchase strategies, in the context of a volatile and unpredictable electricity market. Additionally, the traditional offer electricity supply was complemented with combined packages of electricity, gas, and value-added services.

The measures taken during 2020 constitute a stable foundation for the Group's ambitions to be a market leader and to ensure, in a sustainable way, profitability and satisfaction for customers and partners. As a result, the transformation project was started for the supply area in order to transform EFSA into an organization capable of successfully responding to current and future challenges in the electricity market, including the improvement of the financial results, improving NPS, defining a competitive commercial programme, improving the position and transforming the organization into a supple and agile company.

In the energy services segment, in December 2019 the related strategy was revised, resulting in the decision to develop an integrated energy services company, optimized in terms of costs, with internal capabilities and partnerships that allow flexibility and agility in offering a wide range of services. After an analysis, the merger of SERV and SEM was considered the best option for integrating their activities, the merger process being completed on 30 November 2020. The main benefits expected from the merger are: improved business, organizational synergies, presenting an integrated services offer, reducing the complexity of administrative and support services, which will translate into a more competitive offer, less indirect costs, but also the transfer of knowledge and the development of the works' execution capacity.

Ethics remains a priority for the organization, as a preliminary requirement for the sustainable development of the Electrica Group. The first steps in order to obtain ISO 37001 certification were taken – the anti-corruption management system, which contributes to reducing the bribery risks and at the same time ensures the existence of protection measures for interested parties, as well as the use of international good practices. In the medium term, it is desired the development of an ethics ethical culture within Electrica Group, by moving from the reactive stage to the integrity stage, by internalizing the ethical standards and the values of the organization, understanding the role of ethics as a value-enhancing factor and ensuring a permanent internal control system which involves the whole company's personnel.

The **CSR activities** still remain very important for the Electrica Group, with multiple key areas being supported, with hundreds of projects registered annually to benefit from Electrica's support.

2.4 Outlook

The year 2020 was influenced by the recent public health events (on 11 March 2020, the OMS declared the COVID-19 pandemic) and the impact of these events on the business and social environment.

Electrica Group activates in a key economic sector and therefore is closely monitoring both the national and the international context, to be able to take the best decisions in the following period and for addressing the challenges in the short and medium term.

Globally, the budgets of countries where the number of pandemic infestations is high and economic sectors such as services, production, transportation, as well as commerce and international trade are affected, all these elements influencing the energy demand, the consumers' behavior, as well as the measures taken by the authorities, both for the energy sector and for the economic environment in general.

The current strategy of the Electrica Group is built on a set of trends and assumptions, and one of its goals is to accelerate the company's digitalization. This aspect is even more important as during the following period it is necessary to support the measures of social distancing, the need for remote intervention and back-up, as very relevant aspects for its activities. Thus, it will continue the efforts already started to support investments in IT tools and automation, both for streamlining processes and for increasing the performance of its distribution networks.

Considering energy policies developed at both EU and national level, as well as the international context of the energy markets, the following trends are expected to characterize on medium and long term the local electricity market:

- Increased competition between the players in the electricity supply market at the national level, especially regarding the diversification of the portfolio of products offered to customers (offers for natural gas, insurance, home appliances, etc.) and digital services offered (mobile applications, invoices, and online payments, extending the customer service through chat solutions); the supply market liberalization imposed the rethinking of priorities and establishing strategies for maintaining the market share;
- The new legislation introducing provisions related to transactions in the non-regulated market, will also influence the electricity market and future strategies of the SoLR regarding portfolio management;
- A regulatory trend in the electricity distribution area is the principle of remuneration of the distribution operator considering both the quality of the service, as well as the operational costs and efficiency based on comparative analyzes between DSOs;
- Electricity distributed generation technologies will determine the distribution operators to adapt their processes and strategies regarding the upgrade and development of the network and to offer solutions to the independent producers, considering the appearance of prosumers, which are active participants in the energy market; in this context, significant investments are necessary to improve both the transmission and the distribution infrastructure;
- In the long term, fully electric vehicles, light commercial vehicles, and electrification of railways are expected to increase the consumption of electricity in the transportation sector.
- Future development of technologies will support energy efficiency policies such as:
 - Development of transmission and distribution networks, including smart grid and smart metering;
 - End-use energy efficiency (thermal integrity of buildings, lighting, electric appliances, motor drives, heat pumps, etc.);
- The smart metering implementation will offer complex tariffs options to the consumers, detailed information regarding the consumption profile, which might lead to increased flexibility and demand reduction during peak periods. Thus, the consumers shall be better informed and involved in the decision-making process, as active participants. The smart metering implementation pace depends on the implementation calendar to be adopted at the national level;
- The significant reduction in the cost of photovoltaic technologies is an opportunity for the development of small-scale generation projects, especially in the domestic area;
- The development of the transmission and distribution infrastructure and long-distance interconnection will become a necessity. The electricity market target model, which implies the development of Europe's internal electricity market, will continue to evolve and be in line with future trends and challenges in the energy industry.

The key drivers of changes in the electricity market are presented in the following table:

Key drivers	Description	Impact on
GDP evolution and industry structure	Economic growth is a determinant factor of electricity demand. Although there is not a one-to-one relationship between GDP growth rate and electricity demand growth rate, there is a positive correlation, mainly between the industrial demand for electricity and economic growth. In the future, household and industrial electricity demand will also be influenced by energy efficiency policies.	Electricity consumption

Key drivers	Description	Impact on
GDP evolution and industry structure	The increase in electricity consumption is a constant trend in Romania. Over 2013 - 2019, there was an increase in electricity consumption, as opposed to a decrease in gas consumption, mainly due to the curtailment of heavy industrial production. The COVID-19 pandemic has temporarily reduced electricity consumption, but the general upward trend will be maintained.	Electricity consumption
Demographic evolution and technology development	In contrast with the demographic decline recorded at EU and Romanian level, electricity consumption is positively impacted by the changes in consumer behaviour and the increase in urbanization. For example, the massive increase in the number of connected devices and implicitly, in a less accelerated manner, in electricity consumption, maintains the increasing trend of consumption.	Electricity consumption
Changes in the regulatory framework	The regulatory framework has undergone major changes with the aim of aligning the Romanian legislation with the EU legislation. Although important steps have been taken, other major changes are expected to occur in the next decade, particularly following the new Framework Strategy for a European Energy Union, which highlights the need for integration and cooperation amongst member states. In 2019, the 4th regulatory period began, and ANRE approved significant changes to the Methodology both in 2019 and 2020 for all elements of the tariff (regulated rate of return, regulated assets base, network losses, operating and maintenance expenses, dynamic distribution tariffs starting with 2020). In 2020, the most complex process of revision of secondary legislation in recent years (47 regulations) took place in order to align with the amendments of Energy Law, the 15-minute Settlement, financing the connection works of domestic and non-domestic customers with shorter lengths of 2.5km. For the supply segment, important changes are forecasted in the purchase strategies and the sales to final customers, considering the impact of the legislation regarding the elimination of the regulated contracts for the household segment and allowing the transactions to be carried out on the non-regulated markets.	Electricity prices
Technological development	Smart networks and smart meters will create benefits for the end consumers, distributors, and suppliers in terms of energy efficiency, resource optimization and network operation, implementation of demand response, etc. It is necessary to prepare the networks and to integrate the distributed resources (storage solutions, micro-grids, local production, electric machines, etc.), considering also the management of their impact.	Electricity prices and consumption
Increase in environmental awareness	Romania has adopted the EU 20-20-20 targets, aiming to reduce greenhouse gas emissions, improve energy efficiency and raise the share of renewable energy. Moreover, the 2030 Framework provides even more ambitious targets and therefore more efforts are needed from governments and market players to achieve them.	Electricity prices and consumption, regulatory framework

Source: Electrica

The regulatory framework perspective and the impact on the energy market

For the distribution segment, the significant changes in the Romanian legislation were detailed in *chapter 1.2*. Based on these changes, the expected effects refer to:

- the changes brought by the new methodology for establishing the distribution tariffs and the RRR level, that will generate a negative impact on the operational and financial performances of the OD, as a result of the approval by ANRE of values of the operating costs and maintenance lower than the necessary costs requested by the OD, as well as of ANRE carrying out the annual corrections of the costs and of the forecast investments.
- the changes brought to the methodology in 2020 regarding the regulation of some aspects in case of mergers, which were materialized through the obligation regarding the annual reporting of the gross benefits, as well as of the expenses generated by the merger;
- investments in electrical distribution network - in January 2021, ANRE approved Order no. 3/20 January 2021 which grants a RRR incentive of 2% for investments in electrical distribution network made from own funds in projects in which European non-reimbursable funds were attracted, if the investments were made and commissioned by the operators after 1 February 2021.

The regulatory changes with significant impact in the **supply segment** are the following:

- until 31 December 2020, for household customers the supply of electricity is done in conditions regulated by ANRE; starting with 1 January 2021, the electricity market is liberalized for all categories of final customers.

The human resources area perspective

As it resulted from the analyzes used in the elaboration of the human resources strategy, as well as from more recent analyzes, the labor market will face new challenges, as demographic developments, labor migration, and the evolution of the economy will accentuate the shortage of skilled labor. Also, the acceleration of digitalization, generated by the pandemic context, the inherent technological changes, as well as the change of generations that the Group will go through, will have a disruptive effect on the recruiting possibilities of new employees, in the near future.

Combined with internal factors, companies in the energy-related markets, which need the same specializations as those in the Electrica Group, enter the competition to attract new employees, with competitive packages offers, aligned with the market. Also, given the current education system, it is difficult to cover the need for skilled workers in the energy field. This will sharpen in the coming years, following the retirees among employees of energy companies.

Electrica Group operates in a competitive market, where the technological progress is very fast and at a time when the approach of companies and employees is changing towards the work process, as it was defined in the past. Salary packages are no longer the only motivational lever. Non-financial benefits, along with the organizational climate, are increasingly important to attract employees and retaining valuable ones.

Career opportunities, broadening the area of competence, and assigning more significant responsibilities must be part of the strategies and tools used. At the same time, at the Group level, the provision of the necessary human resources and the staff training in key business areas were treated as priority topics, to increase labor productivity and individual performance.

The human resources strategy took into account these aspects and, through the proposed projects, aimed at reducing the impact of the negative aspects in the retaining and development of the human resource.

2.5 Key factors, directions, and significant market trends affecting the operational results of Electrica Group

Considering the strategic elements defined for 2019-2023, the company analyzes the strategic options and aims to implement streamlining measures, including through restructuring programs and transformation of Group's divisions, training, and staff development programs, redesigning business models, or entering new business segments, in order to improve both the quality of the services offered, as well as the financial performance.

The most important **assumptions** considered for the strategy review are the following:

- The Romanian energy mix is changing significantly, being heavily disrupted by the advent of renewables, together with the emergence of the prosumers in the following years;
- Romanian GDP will have a stable long-term evolution;
- Different trends in electricity consumption (an increasing trend on a medium term, but stagnation/reduction on the long term);
- Romania will maintain its commitment towards the accomplishment of the 20-20-20 strategy regarding the climate changes and the implementation of the new Framework for the period 2020-2030; Moreover, the adoption by the European Commission of the European Ecological Pact (the

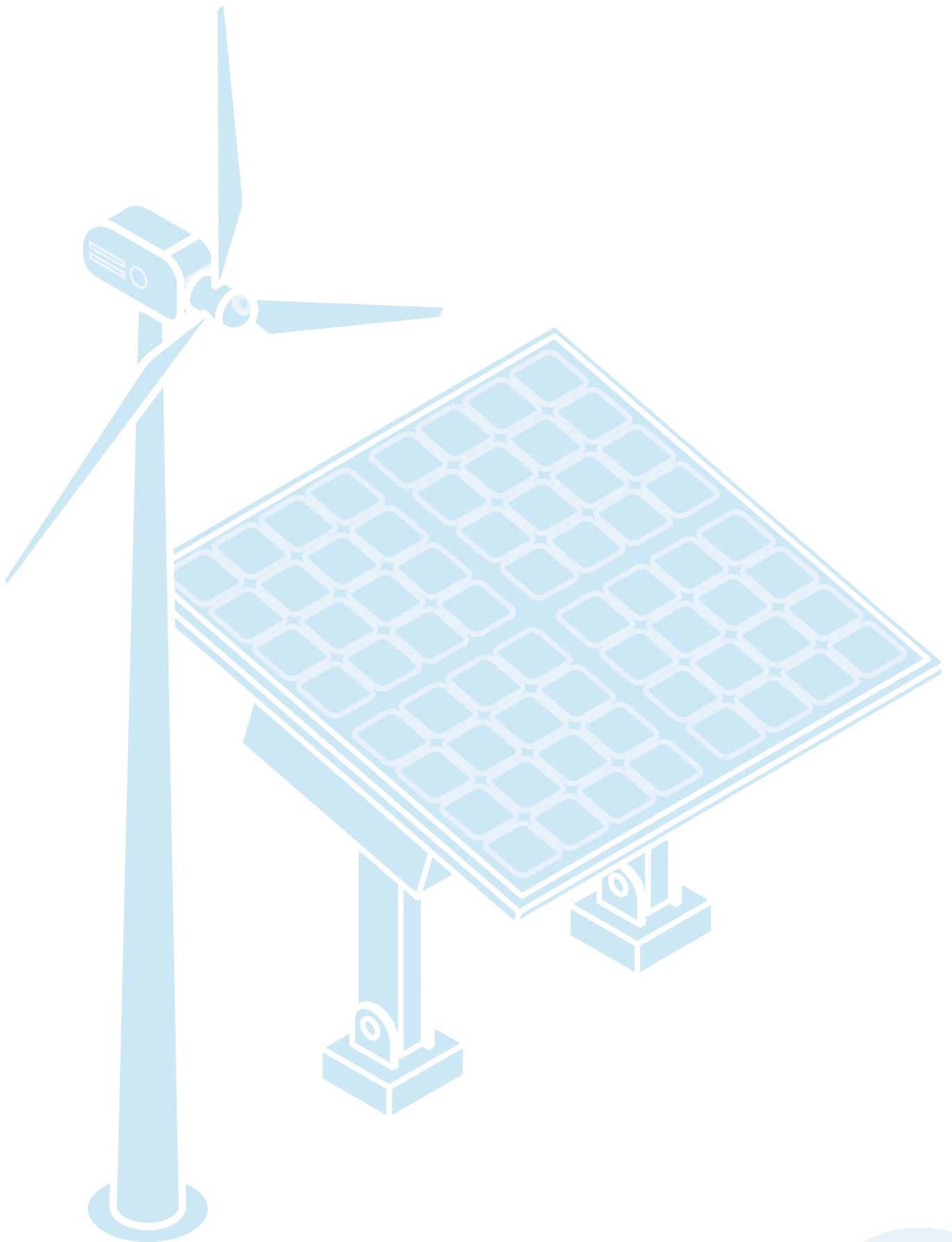
- "Green Deal") has the potential to significantly modify the entire macroeconomic system, leading to a revision of the strategy in the following period, depending on the local implementation;
- For the current regulatory period, the remuneration mechanism, the type of tariff and the method of applying corrections are subject to modifications, these key factors being considered in the strategic planning;
- The supply segment will experience a short and medium term repositioning following the elimination of regulated tariffs and liberalization of the electricity market starting with 1 January 2021;
- The impact that the legislative framework changes may have, as well as the lack of predictability in the medium and short term, particularly regarding the prices and supply conditions applicable to household customers who currently benefit from universal service;
- No major geopolitical turbulences have been taken into account, which might significantly affect the Romanian electricity market;
- Financial markets will allow access to profitable financing sources to support companies' investment programs.

As a result of the adoption of the new business strategy of the Electrica Group and in line with the main objectives and directions established by it, in 2019 a process of analysis, evaluation, formulation, and approval of a specific strategy for reorganizing Group IT&C activities took place. This strategy has clear and measurable objectives for the period 2020-2023 to support business projects, including among others measures to extend the digital transformation, increase the cyber security level at the Group level, develop virtual centers of excellence based on the use of best practices and benefiting from economies of scale, maximizing the economic benefits. During 2020, the implementation of the IT & C strategy achieved the proposed objectives in the area of personnel reorganization, evaluation of technology and processes, and setting the alignment plans that are already launched for 2021 and 2022.

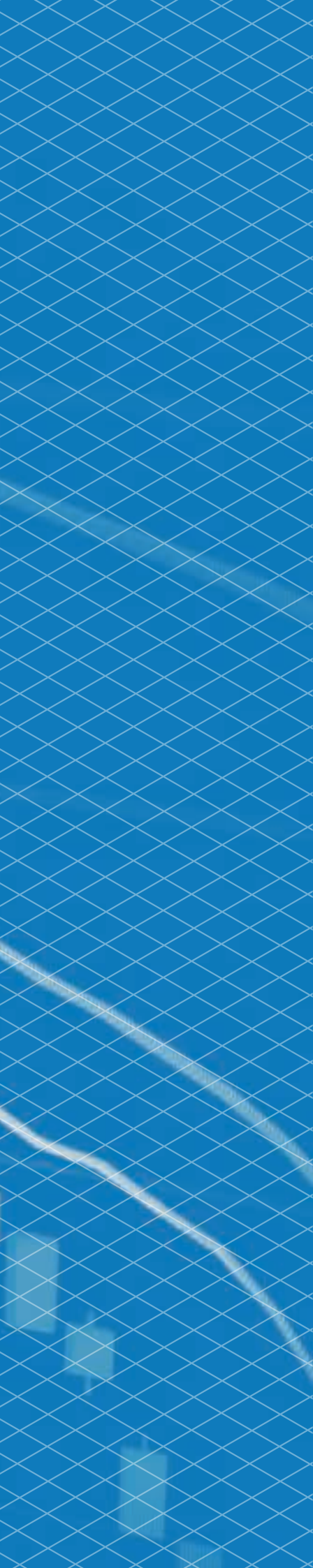
In the distribution segment, the focus is on operational efficiency, by reducing technological and commercial losses, optimizing internal processes, ensuring an optimal level of resources used, on user orientation and ensuring their satisfaction, by improving the network access and the quality of service, on development of smart grid technologies and cost recovery. Increasing the operational performance will lead to a positive impact on the users' experience, ensuring continuous supply security, at high quality and high standard interactions with our staff. In parallel, exploiting the significant optimization potential and reducing losses by streamlining the distribution operators' activities are key factors in the optimal allocation of resources, so important in this regulatory period.

The supply segment will focus on diversifying the activity through offers and services adapted to customers' needs, on operational efficiency through optimized processes for the sale and purchase of electricity, and on customer orientation and maximizing satisfaction. The aim is to increase the natural gas supply segment, offer value-added solutions (products and services) and to digitize specific operations and processes.

Please note that other factors that are not available at the report date (eg. legislation and regulatory provisions under discussions etc.) or not presented above, or not considered by the Group may occur and may have a significant impact on the implementation and evolution of the Group's strategy.







3. Electrica on the capital markets

3.1 Ownership structure

Until July 2014, the Romanian State, through the Ministry of Economy, Energy and Business Environment, was the sole shareholder of ELSA. As of 4 July 2014, after the Initial Public Offering, the Company's shares are listed on the Bucharest Stock Exchange (BSE – ticker EL), and the Global Depositary Receipts are listed on the London Stock Exchange (LSE – ticker ELSA).

After the secondary public offer that ended on 3 December 2019, during which a total number of 208,554 new shares were subscribed, with a nominal value of RON 10 and a total nominal value of RON 2,085,540, the ownership structure according to the Central Depository records (Romanian: Depozitarul Central) as of 31 December 2020 is the following:

Shareholder	Number of shares	Stake held (% of the share capital)	Percent of voting rights (%)
The Romanian State, through the Ministry of Economy, Energy and Business Environment (currently the Ministry of Energy)*, Bucharest, Romania	169,046,299	48.7948%	49.7850%
The European Bank for Reconstruction and Development	17,355,272	5.0096%	5.1112%
Electrica SA	6,890,593	1.9890%	0%
BNY MELLON DRS, New York, USA	3,565,252	1.0291%	39.6285%
Other legal entities**	134,559,772	38.8403%	4.4254%
Individuals	15,026,409	4.3373%	4.4254%
TOTAL	346,443,597	100.0000%	100.0000%

Source: Central Depository, Electrica

Note 1: Shares with voting rights - 339,553,004, representing the total number of shares (346,443,597) without the number of own shares held by Electrica (6,890,593), for which the voting right is suspended

* Until 15 February 2021, Depozitarul Central SA did not register the transfer of ELSA's shares from the Ministry of Economy, Energy, and Business Environment account to the account of the Ministry of Energy

** Paval Holding, NN Group NV, and Allianz SE hold, directly or indirectly, between 5 and 10% of the total number of shares with voting rights

The shares presented to be held by the Bank of New York Mellon represent the global depositary receipts (GDRs) owned by ELSA shareholders that are traded on the London Stock Exchange (LSE). A global depositary receipt represents four shares. The Bank of New York Mellon is the depositary bank for these securities.

Following the stabilization process after the June 2014 IPO, ELSA owns 6,890,593 of its shares, representing 1.989% of the total share capital at 31 December 2020, with suspended voting rights, which does not entitle ELSA the right to receive dividends.

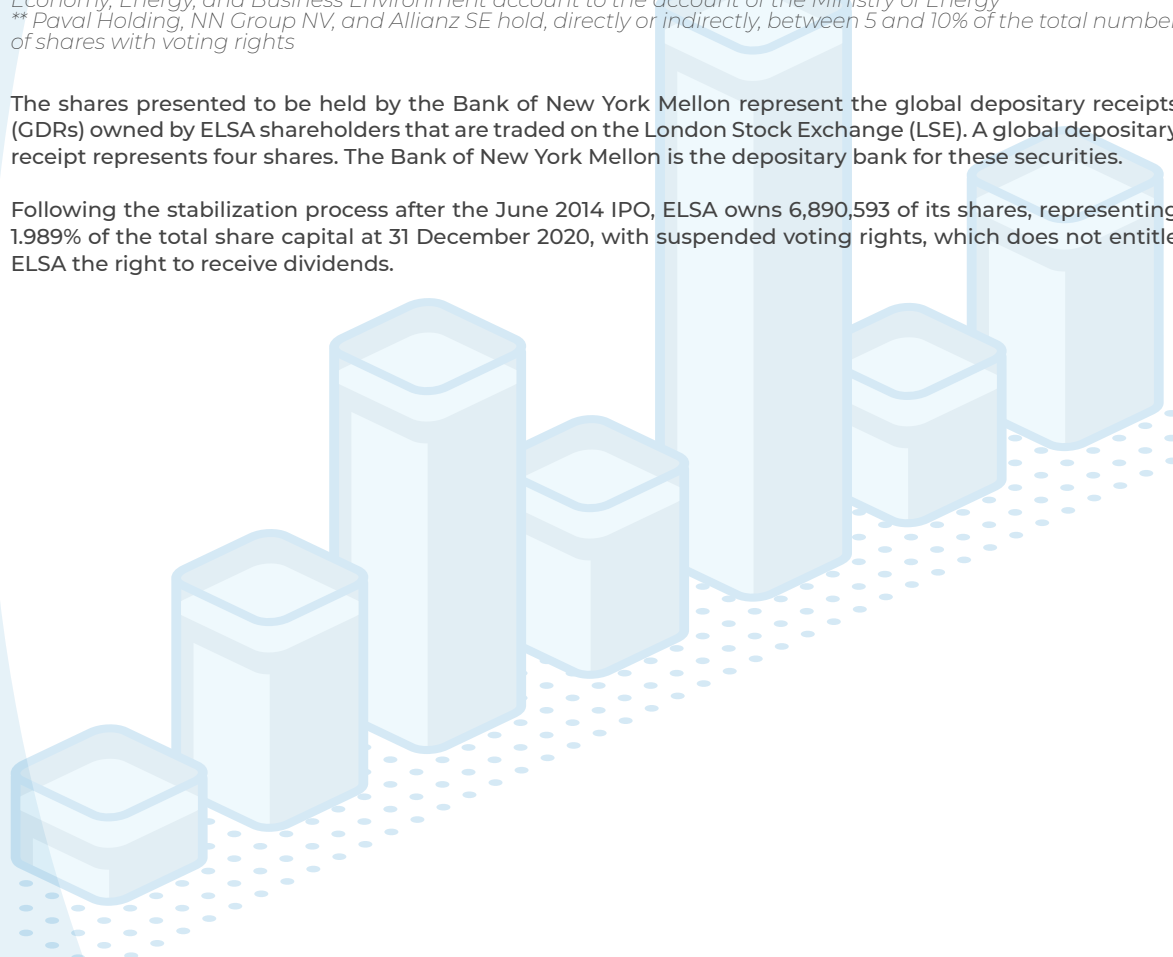
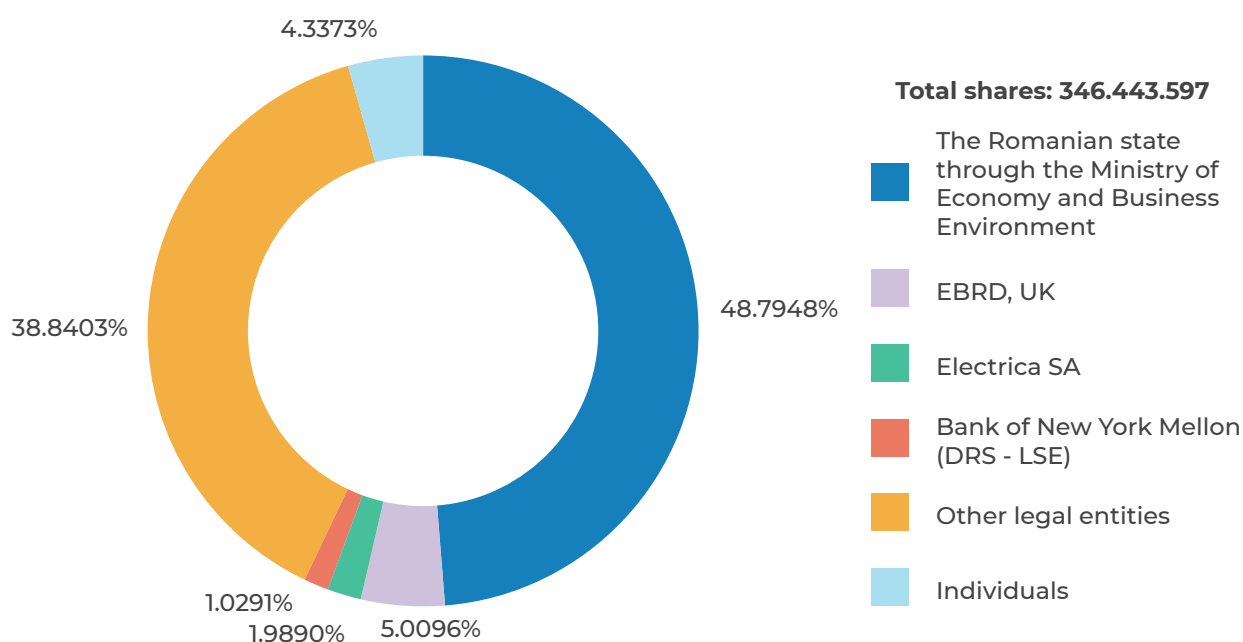


Figure 16: Ownership structure as of 31 December 2020



Source: Central Depository, Electrica

At the end of 2020, ELSA's shares were owned by a total of 7,329 shareholders, of which 253 legal entities and 7,076 individuals from over 30 countries. 88.03% of the total number of shares (304,983,226 shares) were held by Romanian investors. Thus, foreign shareholders held 11.97% of the share capital (41,460,371 shares), the largest weight being represented by European citizens. Shareholders in the United Kingdom and Ireland held 5.43% of share capital, while those in the USA held 1.78%, in this category being included also the GDR holders.

3.2 Shares evolution on BSE and Global depository receipts (GDRs) evolution on LSE

BSE:

ELSA's shares are included in several BSE indices, including the BET index (the reference index for the Romanian capital market reflecting the performance of the most traded companies on the BSE's regulated market), as well as in the BET-NG index (the sectorial index that reflects the evolution of the companies listed on BSE's regulated market having as main activity energy and related utilities).

Between **4 July 2014 - 31 December 2020**, ELSA's shares recorded a minimum price of RON 8.06 (16 March 2020) and a maximum price of RON 14.96 (12 May 2017), therefore the weighted average price was RON 11.79. Compared to the IPO price (RON 11), ELSA shares closed the year 2020 at a price of RON 12.55, up by 14.1%, while the BET index increased by 39.8% and the BET-NG index diminished by 1.7%.

In order to support the liquidity of its listed shares, ELSA concluded a **Market Making services contract** with Wood&Co, starting 30 September 2020.

The gross dividends per share granted by ELSA in this period reached a cumulative value of RON 4.5017, with a return of 40.9% reported to the IPO price (RON 11). Thus, the aggregate yield generated by ELSA's shares (along with dividends) from the IPO and until the end of 2020 was 55%.

From the IPO dated 4 July 2014 until the end of 2020, ELSA shares attracted a RON 3.71 bn liquidity on BSE, with a daily average of RON 2.29 mn. During this period of about 6 and a half years, 314.4 mn ELSA shares have been traded (including DEAL transactions), representing 90.8% of the share capital and 92.6% of the voting rights (total shares without ELSA shares). Thus, the average daily turnover during this period on BSE was 193,943 shares.

Strictly analyzing the year 2020, the evolution of the share price was an ascending one, except for the period between the end of February and the first part of March, a period strongly affected by the spread of the COVID-19 virus worldwide. Thus, during this period the minimum closing price since the IPO was reached, respectively RON 8.06, but the comeback was a strong one that led to reaching a maximum closing price

of RON 12.55 (30 December 2020), so that the weighted average was RON 10.97. During the year, ELSA share price increased by 17.8%, while the BET index went down by 1.7% and the BET-NG index depreciated by 11.8%. Additionally, during 2020, a consolidation of the positions held by institutional investors, which traditionally have a medium and long-term investment strategy, was noticed. It is considered that this is due also to the fact that the defensive shares (those that are not very affected by the economic cycles), like those of Electrica, are considered safer during such times of crisis, the utility companies being essential for the national economy.

The gross dividend per share granted by ELSA in 2020 (for 2019) was RON 0.7248, slightly below the 2019 level (by 0.7%), with a yield of 6.9% (computed at the ex-date closing price from 5 June 2020). Thus, the aggregate yield generated by ELSA's shares (together with dividends) was 24.7% in 2020, while the yield of BET-TR index was 3.4%.

During 2020, ELSA shares attracted a liquidity of RON 559.4 mn on BSE, with a daily average of RON 2.25 mn, up by 33.4% compared to 2019, the seventh value in the market. The volume of shares traded was 50.97 mn, up by more than 33% compared to 2019, so the daily average volume was 204,703 shares. The total volume of shares traded in 2020 accounted for 14.7% of the share capital.

During the period from the beginning of 2020 and until 15 February 2021, ELSA's share price recorded a strong ascending trend, increasing by 10.4%, up to a closing price of RON 13.85. This evolution was recorded on a traded volume of 2.68 mn shares, with an average daily turnover of 86.5 th shares. In the same period, the BET index grew by 7.1% and the BET-NG index appreciated by 12.0%.

LSE:

The GDRs' weight in ELSA's total share capital diminished during the period following the Initial Public Offering, reaching a level of 1.03% at the end of 2020, compared to 10.17% on 4 July 2014.

The maximum price reached by the GDRs was USD 15.3, in September 2014. Subsequently, the GDRs' price followed a fluctuating trend. During 2020, except for the period February-April (when the GDRs reached a **minimum price** of USD 7.9 on 6 April 2020), the trend was an upward one, ending 2020 at a price of USD 12.50, up by 28.9% compared to the end of 2019.

In the period since IPO and until the end of 2020, 12.6 mn GDRs have been traded, out of which 103,217 GDRs in 2020 (+49% y/y).

Strictly referring to the year 2019, GDRs recorded an evolution similar to the one of ELSA's shares, increasing by 10.4%, up to USD 13.8 per GDR, based on a total volume traded of over 6,500 GDRs.

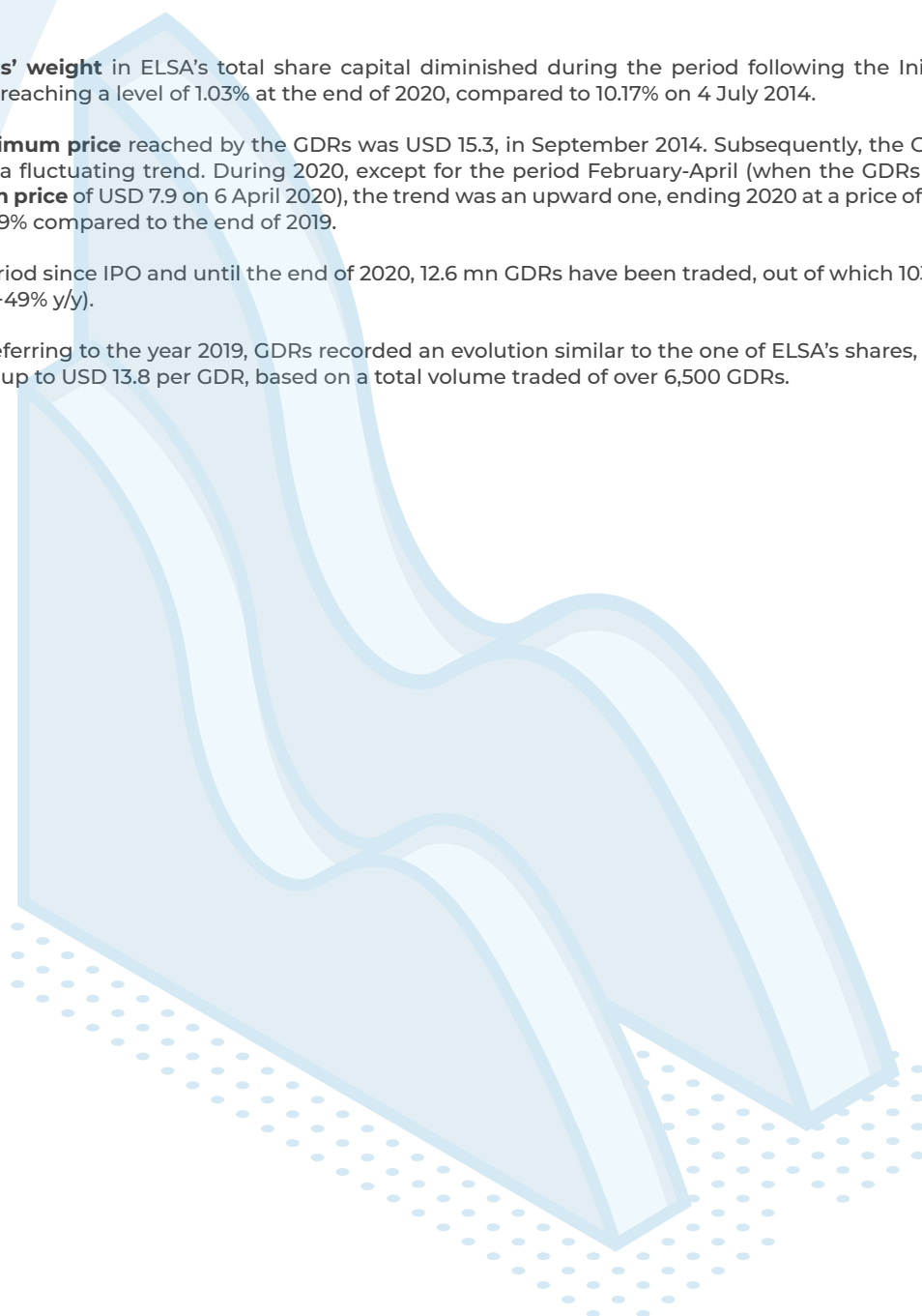
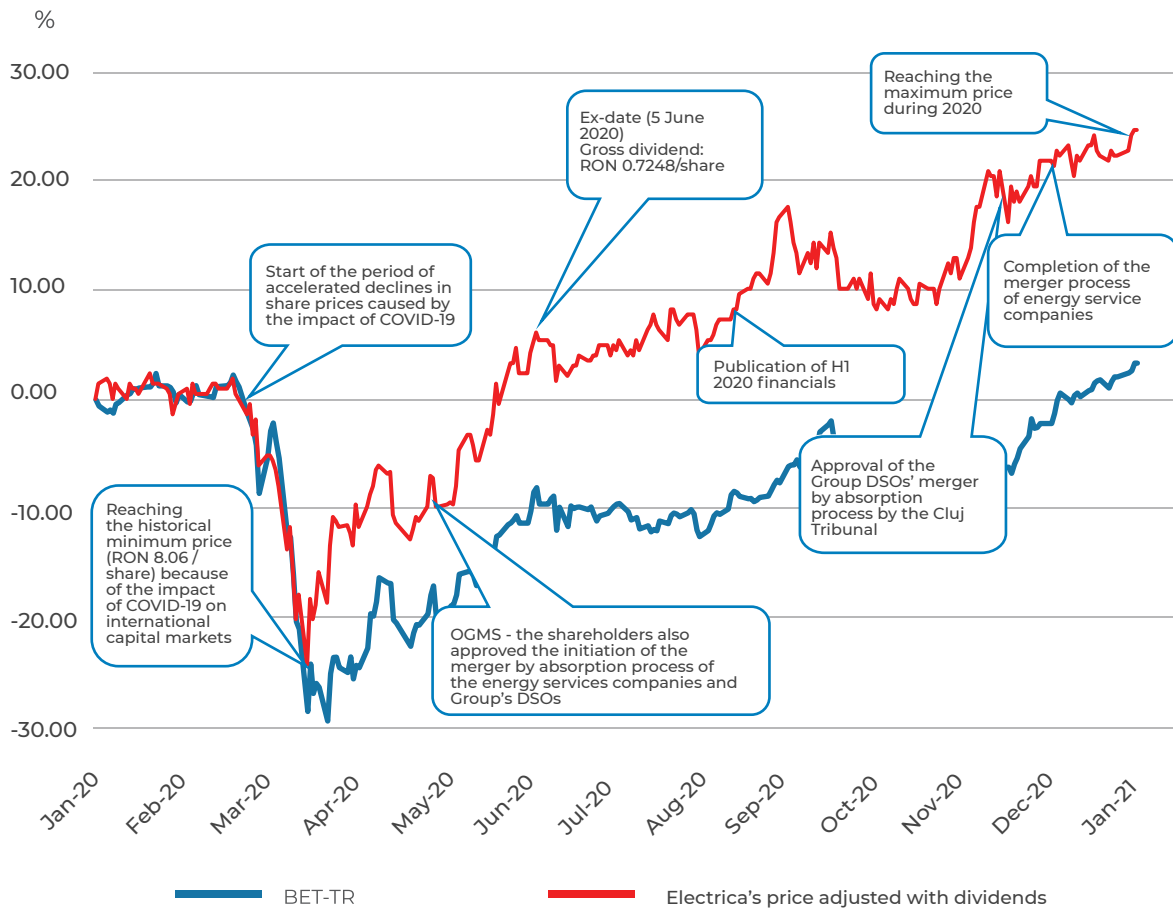
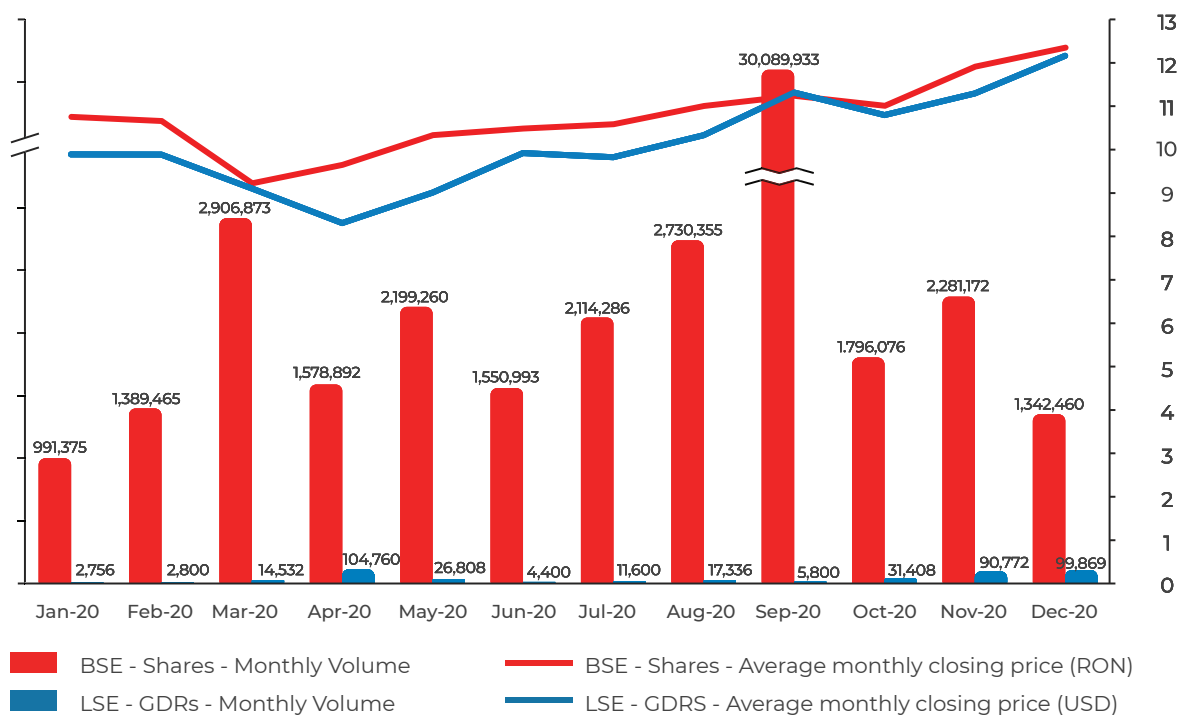


Figure 17: Evolution of the adjusted³ closing price of ELSA's shares vs BET-TR index during 2020

Source: BSE, Electrica

Figure 18: Monthly trading volume and weighted average monthly closing price of shares on BSE (in RON) and GDRs on LSE (in USD) during 2020



Source: BSE, LSE, Electrica

³ Adjusted at ex-date with the annual value of the dividend/share

3.3 Investor relations (IR)

As in every year, in 2020 ELSA's management team continued to be involved in numerous activities for investors and analysts. Although the crisis generated by the COVID-19 pandemic led to the impossibility of establishing physical meetings, ELSA's representatives continued to be present at national and international conferences as well as at online individual meetings, and attended conference calls with Romanian and foreign investors and analysts.

During the year, four teleconferences were organized to present the annual, quarterly, and half-yearly financial results of the Group. The events have been streamed live through webcasts, both the supporting documents and the webconference recordings can be accessed on the company's website, under the section *Investors > Results and Reports*.

Among the conferences that took place during 2020 and were attended by ELSA's representatives, we mention:

- Austria & CEE Investor Conference 2020 in London (30 January 2020);
- EME NYC! organized by Wood&Company, online event (25-26 March 2020);
- Institutional Investor Conference in Zürich, online event (30 March - 1 April 2020);
- Frontier Investor Days 2019 in Bucharest, online event (3-4 September 2020);
- Virtual Investor's Day: CEE Metals & Energy 2020, online event (28-30 September 2020)
- The Finest CEElection Conference 2020, online event organized by Erste Group (5-7 October 2020);
- Wood's Winter Wonderland EME Conference, online event (1-4 December 2020).

During 2020, ELSA continued to be an associate member of the Romanian Investors Relations Association (ARIR), being involved in numerous ongoing projects of the association.

In order to inform stakeholders correctly, continuously, and transparently, the Investor Relations Department has disseminated a large number of current reports and communications on the platforms of the Bucharest Stock Exchange (BSE), the London Stock Exchange (LSE), the Financial Supervisory Authority (ASF and FCA), as well as on ELSA's website. All these documents can be accessed on the company's website, under *Investors section > Results and Reports*.

All the actions taken during 2020, as well as the plans for the following years, have as main objective the achievement of the best-in-class investor program, increasing the transparency and quality of communication with investors and analysts, constantly driving shareholders' retention and satisfaction. Evidence of the recognition of these efforts was ELSA's positioning in the top listed companies in terms of transparency and communication in investor relations, by obtaining a score of 9.5 on Vektor – measure of the communication of listed companies with investors (in 2020 only 7 companies have obtained a grade above 9), as well as the awards granted by ARIR for the activity carried out by ELSA regarding its investors' relations, at the categories BEST COMPANY IN IR and BEST IRO, as a result of an annual survey conducted by Institutional Investor among institutional investors and analysts to evaluate the practices of listed companies.

3.4 Legal acts reported

ELSA reports legal acts such as those listed in art. 82 of law no. 24/2017, representing mainly transactions with affiliated parties. These can be found on the company's website, at <https://www.electrica.ro/en/investors/results-and-reports/current-reports/>.

Following the amendment of law 24/2017 regarding the issuers of financial instruments and market operations by law no. 158/2020, the transactions falling within the scope of art. 92³ of law 24/2017 (art. 82 being repealed).

ELSA has the obligation to report the significant transactions concluded by ELSA or its subsidiaries with related parties, by drawing up and publishing reports on this aspect. „Significant transaction” means any transfer of resources, services, or obligations, whether or not it involves the payment of a price, the individual or cumulative value of which represents more than 5% of ELSA's net assets, according to the latest individual financial statements published by ELSA (in this case on 31 December 2019, RON 199,406,795). Thus, ELSA has published numerous current reports on these types of transactions, these can be found on the company's website, at <https://www.electrica.ro/en/investors/results-and-reports/current-reports-art-92-ind-3/>.

3.5 Dividends policy

ELSA's dividend policy, updated in February 2018, can be accessed on the company's website under *Investors section > Corporate Governance > Corporate policies and other documents*.

ELSA's dividends are distributed from the annual net distributable profit based on the annual individual audited financial statements after their approval by ELSA's Ordinary General Shareholders' Meeting (OGMS) and the approval of the dividend proposal by the OGMS. The shareholders receive dividends proportionally to their share in the company's paid-up capital.

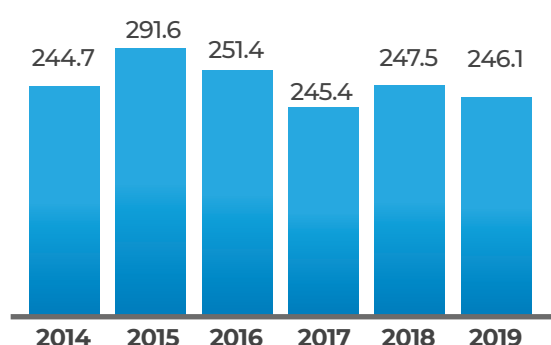
Regarding the global deposit receipts that are traded on the London Stock Exchange, ELSA pays dividends to the GDRs issuer proportionally to its holdings. Holders of GDRs will then receive dividends from the GDR issuer, proportionally to their holdings.

According to the policy in force, the dividend distribution that the Board of Directors will consider in formulating the proposal to ELSA's OGMS will be between 65% and 100% of its distributable net profit. In case there are deviations outside this range, they will be substantiated and explained to shareholders in the periods in which they occur. The company will pay all dividends in RON.

The dividend payout ratio from the distributable profit of the Group subsidiaries shall be consistent with ELSA's present dividend policy. The dividends paid by the Group's subsidiaries to ELSA in year N (related to year N-1 results) are recorded as finance income in ELSA's individual financial statements in year N and thus constitute the source of the net result from which ELSA declares and subsequently pays dividends to its shareholders in year N+1 (related to the result of year N).

3.6 Dividend distribution

Figure 19: Gross dividends distributed (2014-2019) - RON mn

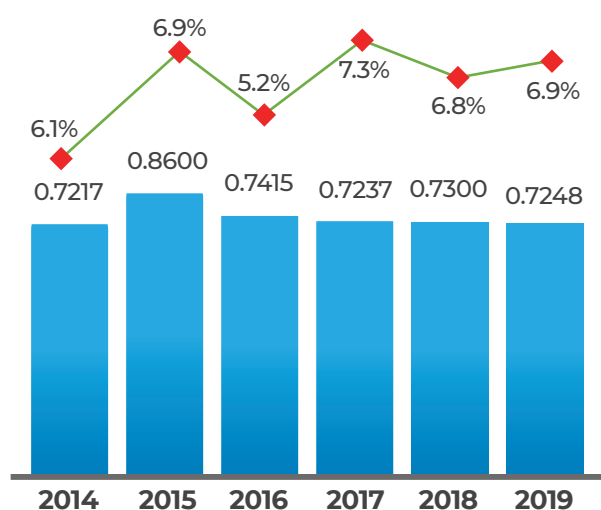


Source: Electrica

The dividends distributed⁴ by ELSA fluctuated in the period 2014 - 2019, between RON 244.7 mn and RON 291.6 mn, and the dividend payout ratio was 100% each year, except for 2014 (when it reached a level of 96%) and 2018, when it was 87% (RON 35.57 mn was distributed to "Others reserves"). The maximum amount was reached in 2015, when the net profit distributable as dividends included the amount of RON 5.7 mn representing retained earnings from 2014.

For 2019, the net distributable profit included, also, the net gain from the SPO, amounting to RON 1.2 mn.

Figure 20: Gross dividend per share (RON) and dividend yield (%)



Source: Electrica

The yield of the dividend paid in 2020, for the 2019 results, recorded a level of 6.9%, the gross dividend per share paid in 2020 being RON 0.7248. The dividend yield (%) is calculated as Gross dividend per share/Closing share price on BSE at ex-date.

Thus, Electrica continues to offer investors a stable return, which is at a level between 5.2% and 7.3% for each year in the period 2014-2019.

3.7 Own shares

In July 2014, ELSA bought back for price stabilization purposes, 5,206,593 ordinary shares and 421,000 Global Depositary Receipts, equivalent of 1,684,000 shares. The total amount paid for acquiring the shares and Global Depositary Receipts was RON 75,372 th. There were no changes in the number of the treasury shares until the date of the report.

⁴ Dividends refer to each financial year indicated and are paid during the following year.

⁵ Dividend payout ratio is calculated as Gross Dividends/Net profit distributable to dividend, whereas Net profit distributable to dividend is Net profit according to individual financial statements of ELSA less the required distributions to legal reserves.



4. Corporate governance in ELSA

ELSA confers great importance to the principles of good corporate governance, considering corporate governance a key element for the sustainable business growth and for the enhancement of long-term value for shareholders.

ELSA constantly develops and adapts its corporate governance practices and model, both at standalone, as well as at the Group level, so that it can align with the increasingly rigorous capital market requirements and with the best practices in corporate governance at European level, and also for creating opportunities and increase competitiveness.

Corporate governance represents the set of principles standing at the basis of the governance framework used for the company's management and control. Transposed in the internal rules and regulations, these principles determine the efficiency and effectiveness of the control mechanisms aiming to protect and harmonize the interests of all the stakeholders – shareholders, directors, executive managers, managers of different structures of the company, employees, and the organizations that represent their interests, customers and business partners, suppliers, central and local authorities, regulators and capital markets operators, etc.

ELSA's Code of Corporate Governance presents primarily the main work methods, attributions, and responsibilities of the management and supervisory structures of the company, as well as those of the committees, constituted to support these structures to fulfill their responsibilities.

ELSA undertook, from the moment of the IPO and admission to trading from July 2014, the implementation of a corporate governance action plan, as part of the framework agreement concluded with the European Bank for Reconstruction and Development. The standards and measures provisioned in this plan have been implemented and continuously monitored. For more details about this Action plan, please see *chapter 4.10*.

4.1 Corporate Governance Code

Starting with 2014, ELSA adheres to and applies wilfully the provisions of the Corporate Governance Code issued by BSE, as may be amended from time to time. This code can be accessed on the BSE's website at the following address: <http://www.bvb.ro/Regulations/LegalFramework/BvbRegulations>.

In order to ensure high standards of corporate governance, transparency, and business integrity, ELSA also applies certain provisions of the LSE's Corporate Governance Code.

Formally, ELSA adopted the Code of Corporate Governance (ELSA CGC) starting with February 2015 and made it available to all the interested parties on ELSA's website, in the section *Investors > Corporate Governance*.

In 2020, chapter six of the CGC ELSA regarding the risk management system was revised; in July 2020 the amended ELSA CGC was published on the company's website, and is available in the section *Investors > Corporate Governance*.

ELSA's compliance with BSE's Corporate Governance Code is being thoroughly assessed, and as updates and developments appear, ELSA promptly reports them to the capital market. The "Comply or Explain" Corporate Governance Statement from *chapter 4.9* presents annually the company's compliance level with the provisions of BSE's CGC code. This is also available on the company's website in the section *Investors > Corporate Governance > Comply or Explain*.

ELSA CGC embeds the general principles and conduct rules that set forth and regulate the corporate values, the responsibilities, the obligations and the business conduct of the company.

ELSA CGC contains the terms of reference and the main responsibilities of the company's corporate bodies, as they are detailed in ELSA's Articles of Association, the organization and functioning regulations of the Board of Directors and those of its committees.

ELSA CGC is also a guide on business conduct and corporate governance matters for the management and for the employees of ELSA, as well as for other stakeholders, and provides information about the company's principles and policies. The corporate policies and documents referred to in ELSA CGC can be accessed on the company's website in the section *Investors > Corporate Governance > Corporate policies and other documents*. These have been revised during 2020 and published on Electrica's website in revised form as follows: *Investor Relation Corporate Disclosure policy* on 25 August 2020, *Policy on Transactions with Affiliated Parties and Risk Management Policy* on 24 July 2020, *Policy on Organising and Running the General Meetings of Shareholders* on 25 August 2020.

In compliance with the company's policies and with the procedures of the Code of Ethics and Professional Conduct, the Audit and Risk Committee ensures that the company's activity is carried on with honesty and integrity, including the implementation of the whistle-blower policy.

ELSA has implemented a procedure for reporting ethical deviations, irregularities, and any other aspects of non-compliance with the law that otherwise could cause image and/or commercial prejudice or even involve

legal sanctions, thus damaging the prestige and profitability of the company. The whistle-blowing reporting tool, which functions according to this procedure, as well as the procedure itself, are available on ELSA's website, in the *Whistleblowing* section.

Since ELSA's shares are allowed for trading both on the regulated market managed by Bucharest Stock Exchange (BSE), as well as on the market managed by the London Stock Exchange (LSE), ELSA is subject to the rules imposed by the national and European laws regarding market abuse prevention and the regime applicable to inside information. Thus, ELSA has implemented a Policy on preventing the misuse of inside information, unauthorized disclosure of inside information, and market manipulation (*Policy regarding Market Abuse*). The purpose of this policy is to prevent violations of the legal provisions regarding the misuse of inside information, by increasing the awareness of all persons who possess inside information regarding the obligations, restrictions, and sanctions applicable in case of possession and abusive use of inside information or in case of market manipulation regarding ELSA's securities.

All the owners of financial instruments of the same type and class issued by ELSA are entitled to equal treatment. To ensure efficient, active, and transparent communication with its shareholders, an investor relations department has been created within ELSA and processes have been set up to ensure efficient and transparent communication with investors, in compliance with the legal obligations in force, which can be found in the *Investor Relation Corporate Disclosure Policy*, applicable at ELSA level, published on the company's website starting with 25 august 2020. The company's rules and procedures that establish the framework for organizing and conducting general meetings of shareholders are contained in ELSA's GMS Policy, amended on 25 August 2020 and available electronically on the company's website in the sections *Investors > General Meeting of Shareholders* and *Investors > Corporate Governance > Corporate policies and other documents*.

The section dedicated to investors is available on ELSA's website by accessing <https://www.electrica.ro/en/investors/>. Up-to-date essential information, of interest for the investors, can be found in this section, providing access to documents governing the company, following the provision of the CGC issued by BSE. This section also contains the name and contact details of the person who can provide, upon request of interested parties, relevant information regarding the activity of the company.

4.2 General Meeting of ELSA's Shareholders

The General Meeting of Shareholders ("GMS") is the main corporate governance body of ELSA, deciding on the items as outlined in the Articles of Association. The convening, functioning, voting method, as well as other provisions regarding the GMS are detailed in ELSA's Articles of Association, which is available in electronic format on ELSA's website, in the section *Group > About*.

Starting with 1 February 2020, ELSA has in place a policy on organizing and conducting the general meetings of shareholders of the company, which presents in detail aspects of interest for investors regarding the way of organizing and carrying out the GMS. It was updated in August 2020. The policy is available on the company's website, under the section *Investors > Corporate Governance*.

ELSA's ordinary general meeting of the shareholders (OGMS) has the following main duties:

- to appoint and revoke the members of the Board of Directors and establish the level of their remuneration and other rights according to the legal provisions;
- to establish the revenues and expenses budget, to set out the activity plan of the company;
- to establish the consolidated revenues and expenses budget at the Group level;
- to discuss, approve or amend the annual financial statements according to the reports submitted by the Board and the financial auditor;
- to approve the profit appropriation according to the law and to establish the dividend;
- to decide on the management activity of the directors and the discharge of their liability, in accordance with the law;
- to decide to file legal actions against the directors, managers, as well as the financial auditor for damages they caused to the company by breaching their obligations towards the company;
- to decide on mortgaging, renting, or closing of one or more units of the company;
- to appoint and revoke the financial auditor and to set the minimum term of the financial audit contract;
- to carry out any other duties set out by the law.

ELSA's extraordinary general meeting of the shareholders (EGMS) shall decide on the following:

- withdrawal of the preference right of shareholders upon subscription of new shares issued by the company;
- contracting any type of loans, debts or obligations representing a loan, as well as the provision of actual or personal guarantees relating to these loans, in each case in accordance with the limits of competence set out in Appendix 1 to Articles of Association;
- operations regarding the acquisition, sale, exchange, or creation of guarantee over fixed assets of the company whose value exceeds, individually or cumulated, during a financial year, 20% of the total fixed assets, fewer receivables and leases of tangible assets, for periods longer than one year, whose individual or cumulated value towards the same co-contractor or involved persons or with whom it acts in concert exceeds 20% of the fixed assets value, fewer receivables at the date of the conclusion of

- the legal action, as well as joint ventures for a period of more than one year, exceeding the same value;
- approving investment projects in which the Company will be involved in accordance with the competence limits provided in Appendix 1 to the Articles of Association, other than the ones provided in the annual investment plan of the company;
- approving the issuance and admission to trading on a regulated market or on an alternative trading system of shares, depositary certificates, allotment rights, or other similar financial instruments;
- approving the competencies delegated to the Board;
- changing the legal form;
- relocation of the registered office;
- changing the main or secondary business objects;
- increasing the share capital, as well as decreasing or the replenishment of the share capital by issuing new shares, according to the law;
- the merger and the spin-off;
- the dissolution of the company;
- carrying out any bond issuance, as per the provisions of art. 10 of the Articles of Association, or conversion of a category of bonds in a different category or in shares;
- approving the conversion of preferential and nominative shares from one category to another, according to the law;
- any other amendment to the Articles of Association;
- the establishment or dissolution of secondary offices: branches, agencies, representative offices, working points or other similar units without legal status, according to the legal provisions;
- participation in the establishment of new legal persons;
- approval of the eligibility and independence criteria with respect to the Board members;
- approval of the corporate governance strategy of the company, including the corporate governance action plan;
- donations within the limits of the competence provided in Appendix 1 to the Articles of Association;
- approval of granting of intragroup loans with a value higher than EUR 50 mn per operation;
- any other decision that requires the approval of the extraordinary general meeting of the shareholders.

The OGMS is convened at least once a year, within a maximum of four months from the end of the financial year. Except for this situation, OGMS and EGMS are convened as many times as needed, being convened by ELSA's Board of Directors whenever necessary for the activity of Electrica Group. The GMS may be convened also, upon the request of shareholders representing, individually or cumulatively, at least 5% of the share capital. In this case, the general meeting of the shareholders shall be convened by the Board of Directors within no more than 30 days and shall meet within no more than 60 days from the date of receiving the request.

4.3 Shareholders' rights

The rights of all ELSA's shareholders, independent of their holdings, are protected according to the relevant legislation. Shareholders have, amongst other rights provided under the company's Articles of Association and the laws and regulations in force, the right to obtain information about ELSA's operations and results, regarding the exercise of voting rights and the voting results in the GMS.

Shareholders have also the right to participate and vote in the GMS, as well as to receive dividends. Except for the shares owned by ELSA following the stabilization after the IPO in 2014, there are no shares without voting rights. There are no shares conferring the right to more than one vote.

Moreover, shareholders have the right to challenge the decisions of GMS or to withdraw from ELSA and to request the Company to acquire their shares, in certain conditions mentioned by the law. Likewise, one or more shareholders holding, individually or jointly, at least 5% of the share capital, may request the calling of a GMS. Those shareholders have also the right to add new items to the agenda of a GMS, provided that those proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals.

The rights and obligations of the holders of the shares, as extracted from ELSA's Articles of Association, are:

- Each share subscribed and fully paid in by the shareholders, in accordance with the law, grants the shareholders (i) the right to one vote in the general meeting of the shareholders, (ii) the right to elect the management bodies, (iii) the right to participate to the profit distribution, as well as (iv) other rights provided by these Articles of Association and by the legal provisions;
- The acquisition of the property right over a share by a person, directly or indirectly, has as effect the obtainment of the capacity of shareholder of the company together with all rights and obligations deriving from this capacity, in accordance with the law and these Articles of Association;
- The rights and obligations deriving from the shares are transferred to the new acquirers together with the shares;
- When a nominative share becomes the property of several persons, the transfer shall be registered only if they appoint a sole representative for exercising the rights derived from the shares;
- The obligations of the company are secured by its social patrimony, and the liability of the shareholders is limited to the subscribed share capital;
- The shareholder that has, in a certain operation, either personally or as representative of another person, an interest contrary to the interest of the company, must refrain from deliberations regarding the respective operation.

The exercise of the **rights by the holders of the depositary certificates**⁶ is realized as follows:

- The rights and obligations related to the underlying shares based on which the depositary certificates were issued are exercised by the holders of the depositary certificates, proportionally to their holdings of depositary certificates and taking into account the conversion rate between underlying shares and the depositary certificates;
- The issuer of the depositary certificates in the name of whom the underlying shares are registered is the shareholder, as provided by Regulation no. 4/2013 regarding the underlying shares for the certificates of deposit and within the meaning and for the application of Regulation no. 5/2018 on issuers of financial instruments and market operations. In this sense, the issuer of the depositary certificates is fully responsible for informing the holders of the depositary certificates in a correct, complete and timely manner, observing the provisions of the issuance documents of the depositary certificates, about the documents and the informative materials related to a general meeting of shareholders, as made available by the company to the shareholders;
- In order to exercise its rights and obligations related to a general meeting of shareholders, a holder of depositary certificates will send to the entity where it has opened its account for depositary certificates the voting instructions for the topics on the agenda of the general meeting of the shareholders, so that the respective information is sent to the issuer of the depositary certificates;
- The issuer of the depositary certificates votes in the general meeting of the shareholders of the company in accordance with and within the limits of the instructions of the holders of the depositary certificate which have this quality at the reference date;
- The issuer of the depositary certificates may cast different votes for certain underlying shares in the general meeting of the shareholders than those expressed for other underlying shares;
- The issuer of the depositary certificates is fully responsible for taking all necessary measures, so that the entity which keeps the records of the holders of the depositary certificates, the intermediaries involved in the custody services for holders of the depositary certificates on the market where the depositary certificates are traded and/or any other entities involved in recording the holders of the depositary certificates, to send the voting instructions of the holders of the depositary certificates related to the topics on the agenda of the general meeting of the shareholders;
- Any reference date for the identification of the shareholders who have the right to take part and to vote in the general meeting of the shareholders of the Company and any registration date for the identification of the shareholders who have rights deriving from their shares, as well as any other similar date set by the Company related to any corporate events of the Company will be established in accordance with the applicable legal provisions and with a prior notice sent with at least 15 free calendar days (in Romanian, *zile calendaristice libere*) to the issuer of the depositary certificates, in the name of which the underlying shares are registered based on which the depositary certificates mentioned above are issued. The reference date will be prior to at least 15 working days to the deadline for submitting the power of attorney related to the vote.

Transfer of shares

The shares are indivisible. The company shall recognize a sole owner per each share, subject to the provisions of article 11 paragraph (4) from Articles of Association.

The partial or total transfer of shares between the shareholders or to third parties shall be carried out according to the terms and procedure provided by the applicable legal provisions, including the capital markets legislation.

4.4 ELSA's Board of Directors

ELSA adopted a one-tier (unitary) corporate governance system, following the principles of good corporate governance, transparency, and accountability towards its shareholders and other categories of stakeholders, aiming to support and drive the business development and the efficient exchange of relevant corporate information.

The Board of Directors (BoD) is responsible for taking all the necessary measures to carry out, as well as supervising the activity of the company. Its structure, organization, duties and responsibilities are established under the Articles of Association and the Charter (organization and functioning regulations) of the BoD.

According to the provisions of the company's Articles of Association, starting with 14 December 2015, the BoD is composed of seven non-executive directors, elected by the Ordinary General Meeting of Shareholders of the company for a four years mandate, four of whom must meet the criteria of independence provided by the Articles of Association.

During 2020, the Board of Directors' structure has undergone several changes, as follows:

- At the beginning of the year, the BoD consisted of the following members: Mr. Valentin Radu – Chair, Mrs. Ramona Ungur, Mr. Dragos Andrei, Mr. Radu Florescu, Mr. Bogdan Iliescu, and Mr. Gicu Iorga;
- On 29 April 2020, ELSA shareholders elected Mr. Iulian Cristian Bosoanca to occupy the vacant position created after the resignation of the non-independent administrator Mr. Niculae Havrilet;

⁶ According to ELSA's Articles of Association reflecting the dispositions of Regulation 4/2013 and of the former Regulation 6/2009, Law no. 24/2017 on issuers of financial instruments and market operations and of Regulation 5/2018 on issuers of financial instruments and market operations.

- On 17 July 2020, following the resignation of Mr. Valentin Radu as Chair of the BoD, members of the Board elected Mr. Iulian Cristian Bosoancă as Chair of the BoD starting with 18 July 2020 and until 31 December 2020.

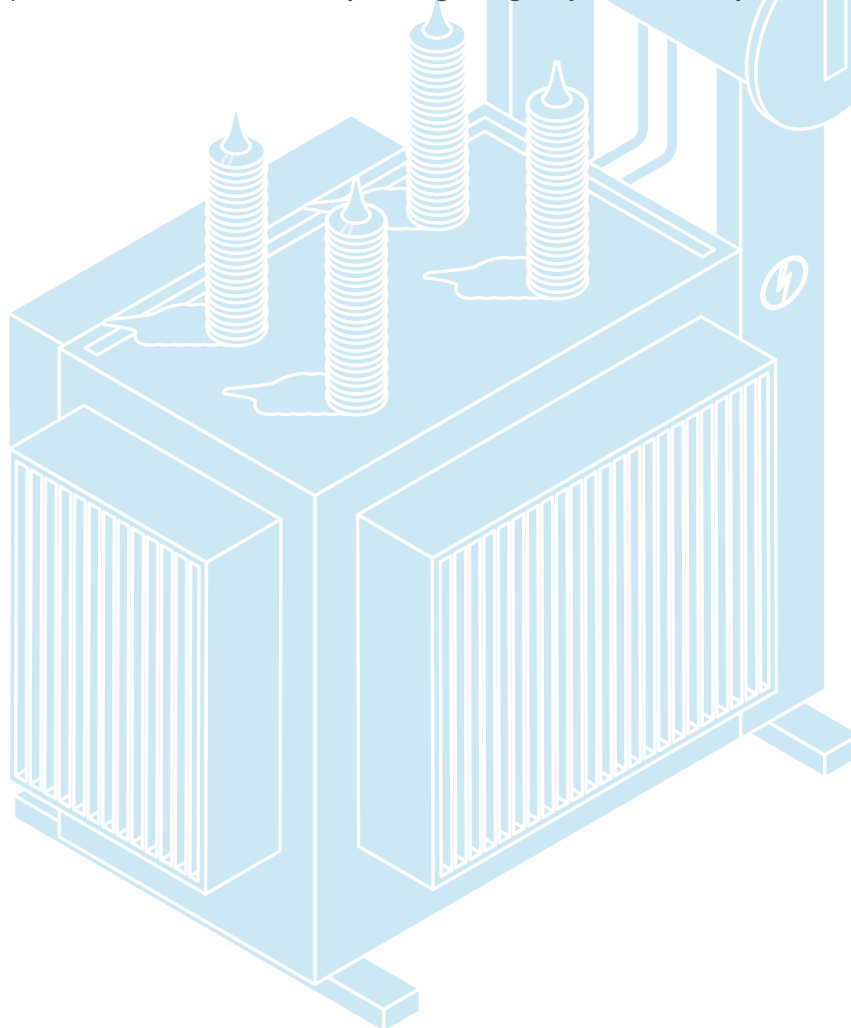
At the end of 2020, as well as at the date of issuance of this report, the members of the BoD were the following:

No	Name	Term of office (until 27 April 2022)	Status	Starting date of the first mandate
1.	Mr. Iulian Cristian Bosoancă	~2 years	President, non-executive director	29 April 2020
2.	Mrs. Ramona Ungur	4 years	non-executive director, independent	27 April 2018
3.	Mr. Dragos Andrei	~3 years and 5 months	non-executive director	1 December 2018
4.	Mr. Radu Mircea Florescu	~3 years and 3 months	non-executive director, independent	7 February 2019
5.	Mr. Bogdan George Iliescu	4 years	non-executive director, independent	14 December 2015
6.	Mr. Gicu Iorga	4 years	non-executive director	1 May 2017
7.	Mr. Valentin Radu	4 years	non-executive director, independent	27 April 2018

Source: *Electrica*

More details on the Board members' biographies can be found on the Group's website in the section *Investors > Corporate Governance > Board of Directors*.

Below are presented **the most relevant aspects regarding the professional experience of the BoD members**.



Julian Cristian Bosoancă

IS A NON-EXECUTIVE DIRECTOR APPOINTED ON 29 APRIL 2020, CHAIRMAN OF THE BOARD OF DIRECTORS SINCE 18 JULY 2020, AND MEMBER OF THE RISK AND AUDIT COMMITTEE.

He holds an extensive professional experience in the economic field (accounting, financial, tax), having over 20 years of activity. The basic profession is carried out as an independent professional since 2008, being currently shareholder and director of the company Expert Contabilitate & Servicii S.R.L., and within the Individual Cabinet of Accounting Expertise, also being a judicial accounting/tax expert.

Beginning with 2016, Iulian Cristian Bosoancă holds the position of President of C.E.C.C.A.R. Mehedinți branch, carrying out lecturer activities in the past within C.E.C.C.A.R.

Throughout his career, Mr. Bosoancă has been a member of the Board of Directors in various companies such as: CAZANELE S.A. between August 2005 – September 2006, Mehedinți County National Health Insurance in the period May 2012 – October 2014, and also Chairman of the Board of SECOM S.A. (a local company managing the Water Supply and Sewage Service in Mehedinți County) between September 2017 – May 2018.

In parallel, for the past 8 years, he has also performed the mediation activity within his Individual Mediator's Cabinet, member of The Mediators Council of Romania.



Ramona Ungur

IS A NON-EXECUTIVE INDEPENDENT DIRECTOR SINCE 27 APRIL 2018 AND CHAIR OF THE AUDIT AND RISK COMMITTEE.

She holds vast experience in the banking sector, having over 20 years of experience in various reputable banking entities such as Banca Comerciala Romana S.A., Eximbank Romania S.A., Credit Europe Bank, National Bank of Romania.

Throughout her career, Ramona Ungur has coordinated audit, back-office activities, risk and restructuring of non-performing loans departments.

Ramona Ungur was a member of the Board of Directors of SNGN Romgaz S.A. between July 2018 - June 2019.

Currently, Ramona Ungur is an independent business consultant and a member of the Board of Directors of Oil Terminal S.A. Constanta (since November 2017).



Dragos Andrei

IS A NON-EXECUTIVE DIRECTOR SINCE 1 DECEMBER 2018 AND CHAIR OF THE STRATEGY AND CORPORATE GOVERNANCE COMMITTEE.

Dragos Andrei has an impressive financial experience, of over 30 years, but also a remarkable career in diplomacy and central administration.

From April 2015 to January 2020, Mr. Andrei was a member of the Board of Directors, being also the Deputy Manager of the Constituency Turkey/Romania/Azerbaijan/Moldova/Kyrgyzstan within the European Bank for Reconstruction and Development (EBRD). From this position, he assured the representation of Romania in EBRD's Board of Directors, the approval of the sectoral and country strategies of EBRD, as well as the monitoring of all banking and capital market operations of the financial institution.

During the period 2013 - 2015, he held the position of State Counsellor within the Chancellery of the Prime Minister, after having previously held the position of Minister Counsellor within the Permanent Representation of Romania to the European Union in Brussels. In addition, in the period 2014 - 2015, he coordinated the Inter-ministry Committee for the Coordination of State Aid Schemes.

Beginning with 2003, Dragos Andrei occupied important positions in the administration of the Romanian state: Secretary of State within the Ministry of Public Administration, Counsellor of the Minister within the Ministry of Internal Affairs and Administration, and Secretary of State within the Ministry of Public Finance.

Graduate of the Bucharest Academy of Economic Studies, Dragos Andrei was part of the top management of some important financial-banking institutions in Romania during 1990 - 1999.



Bogdan George Iliescu

IS A NON-EXECUTIVE DIRECTOR APPOINTED ON 29 APRIL 2020, CHAIRMAN OF THE BOARD OF DIRECTORS SINCE 18 JULY 2020, AND MEMBER OF THE RISK AND AUDIT COMMITTEE.

Bogdan George Iliescu has a career of over 20 years in investment banking, as well as a vast experience as an independent non-executive director in one of the top ten listed companies in Romania. Between May 2007 and May 2016, he led the Corporate Finance Department of BRD - Groupe Société Générale in Romania, being involved in various national and international M&A projects, listings, and bond issues.

Currently, he is also a member of the SNTGN Transgaz S.A. Board of Directors, currently exercising his second consecutive mandate.

In the last five years, Bogdan George Iliescu held the following management/supervisory positions in other companies:

- General Manager BRD Corporate Finance S.R.L. (2007 - 2015);
- Executive Manager BRD - Groupe Société Générale, Corporate Finance (2015 - 2016);
- Independent non-executive director SNTGN Transgaz S.A. (2013 - present); and
- Manager of S.C. Bogdan Iliescu Corporate Finance S.R.L. (2016 - present).



Radu Mircea Florescu

IS AN INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE 7 FEBRUARY 2019 AND A MEMBER OF THE STRATEGY AND CORPORATE GOVERNANCE COMMITTEE.

Radu Mircea Florescu is currently the CEO of Centrade | Cheil, South East Europe, the regional communications hub for Cheil Worldwide, coordinating 11 markets in the Adriatic and Balkan region.

For more than 25 years, Radu Mircea Florescu has worked with leading Fortune 500 companies and EU-funded programs operating throughout emerging markets including Romania, Moldova, Bulgaria, Serbia, and Croatia.

A graduate of Marketing and Finance from Boston College with a Bachelor of Science degree, Radu Mircea Florescu began his career in commodity trading with Merrill Lynch/EF Hutton at NYMEX (New York Mercantile Exchange), with a specific focus on WTI (West Texas Crude), fuel oil and gasoline. In 1989, he co-founded Centrade USA and became one of the leading pioneers for marketing and communication services on the Romanian market with the launch of Saatchi & Saatchi, SSX, Chainsaw Studios, Cable Direct, and Zenith Media.

Radu Florescu has held other notable positions including nomination as a member to numerous board positions: founding member and board member of IAA Romania, co-founder and member of the Union of Advertising Agencies of Romania (UAAR), member of the European Council of the European Association of Communication Agencies (EACA), representing Romania and Eastern Europe in Brussels (2012 - 2015, 2017 and presently Treasurer), member of the Board of Directors and vice-president of the American Chamber of Commerce in Romania (2013 - 2015 and 2016 - present), member of TAROM's Board of Directors (March 2015 - June 2017), coordinator and member of the Steering Committee for Coalition for Romania's Development – the “umbrella” group and leading association representing the business community and trade sections from key foreign embassies in Bucharest.

Radu Mircea Florescu is also active in the field of social responsibility, with a long history of philanthropy and local community service. Currently, Radu is a member of the AIESEC Romania Board, member of the JA (Junior Achievement) Council, member of the OvidiuRo Board, member of the Supervisory Board of the Principesa Margareta Foundation, president of the MBA ASEBUSS Program Board - top EMBA business school in Romania, member of Hospice Casa Sperantei Board and member and President of United Way Romania Board for 12 years.

Valentin Radu

ISANON-EXECUTIVE INDEPENDENT DIRECTOR SINCE 27 APRIL 2018, THE CHAIRMAN OF THE BOARD OF DIRECTORS UNTIL 17 JULY 2020, AND A MEMBER OF THE STRATEGY AND CORPORATE GOVERNANCE COMMITTEE.

Consultant by profession, with studies in business management, has over 15 years of experience in strategic consultancy and organizational change management, having significant achievements in maximizing the value of companies through measures and initiatives for business development and by implementing effective strategies to achieve financial and operational excellence.

He managed and coordinated a large number of complex strategy and restructuring/reorganization projects for both national and international clients.

During 1995 - 2003 he was Senior Project Manager at Roland Berger Strategy Consultants and was involved in over 40 consulting projects in various industries.

Between 2003 and 2007 he worked for Tiriac Holdings as CEO, being in charge of the strategic and operational management of the holding divisions, as well as being a member of the Board of Directors and/or Board of Managers of Tiriac Bank, Allianz Tiriac Asigurari, Tiriac Leasing, Premium Leasing, Romcar, and Autorom.

Starting with 2008, Mr. Valentin Radu is the Founder and Managing Partner of Platinum Capital, a consultancy company focused on providing strategy, financial consultancy, redress and restructuring services, interim management, and crisis management.



Gicu Iorga

IS A NON-EXECUTIVE DIRECTOR SINCE 1 MAY 2017 AND A MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE.

Gicu Iorga has an experience of over 30 years in the field of economics and public administration. Since April 2017, Mr. Iorga has held the position of General Secretary at the Ministry of Energy. Presently, Mr. Iorga is Deputy General Secretary within the Ministry of Economy, Entrepreneurship and Tourism.

Most of his professional activity was carried out in institutions such as the National Customs Authority, NAFA – General Customs Directorate, the General Regional Public Finances Directorate of Bucharest, and the National Sanitary Veterinary and Food Safety Authority (ANSVSA).



Three consultative committees support the activity of the BoD, respectively the Nomination and Remuneration Committee, the Audit and Risk Committee, and the Strategy and Corporate Governance Committee, each of them composed of three directors and chaired by one of them. The majority of members of the Nomination and Remuneration Committee and of the Audit and Risk Committee, as well as their Chairs, are independent directors.

The consultative committees' members are elected for a period of one year. Changes in the composition of the committees during this period may intervene with the vacancy of a Board position. The organization, duties, and responsibilities of each committee are set under ELSA's Articles of Association, respectively in the committee Charters and in the Company's Corporate Governance Code.

According to the changes registered in the BoD composition, the composition of the committees changed during 2020, as it follows:

► **28 January – 12 May 2020**

Nomination and Remuneration Committee:

- Mr. Bogdan Iliescu – Chair of the committee;
- Mr. Valentin Radu – Member;
- Mrs. Ramona Ungur – interim member until the nomination of a new member of the BoD.

Audit and Risk Committee:

- Mrs. Ramona Ungur – Chair of the committee;
- Mr. Bogdan Iliescu – Member;
- Mr. Gicu Iorga – Member.

Strategy and Corporate Governance Committee:

- Mr. Dragos Andrei – Chair of the committee;
- Mr. Radu Florescu – Member;
- Mr. Valentin Radu – Member.

► **13 May – 31 December 2020**

Nomination and Remuneration Committee:

- Mr. Bogdan George Iliescu – Chair of the committee;
- Mr. Valentin Radu – Member;
- Mr. Gicu Iorga – Member.

Audit and Risk Committee:

- Mrs. Ramona Ungur – Chair of the committee;
- Mr. Bogdan Iliescu – Member;
- Mr. Cristian Bosoanca – Member.

Strategy and Corporate Governance Committee:

- Mr. Dragos Andrei – Chair of the committee;
- Mr. Radu Florescu – Member;
- Mr. Valentin Radu – Member.

► **At the issue date of this report, the composition of the BoD Committees is as follows:**

Nomination and Remuneration Committee:

- Mr. Bogdan George Iliescu – Chair of the committee;
- Mr. Valentin Radu – Member;
- Mr. Gicu Iorga – Member.

Audit and Risk Committee:

- Mrs. Ramona Ungur – Chair of the committee;
- Mr. Bogdan Iliescu – Member;
- Mr. Cristian Bosoanca – Member.

Strategy and Corporate Governance Committee:

- Mr. Dragos Andrei – Chair of the committee;
- Mr. Radu Florescu – Member;
- Mr. Valentin Radu – Member.

According to the available information, there is no agreement, understanding, or family relation between the directors of the company and another person who may have contributed to their appointment as directors. As of 31 December 2020, the BoD members did not hold ELSA shares.

According to the available information, the BoD members were not involved in litigations or administrative proceedings regarding their activity within the company or regarding their capacity to fulfill their duties within the company in the past five years.

4.5 The activity of ELSA's Board of Directors and its consultative committees in 2020

In 2020, the Board of Directors met 24 times; of these, 21 meetings were organized with the physical presence of the members, two were held by conference call, per Art. 18 para. 20 of the company's Articles of Association and one was held electronically, following the provisions of Art. 18 para. 23 of the Articles of Association of the company⁷.

The Board members' attendance (in person, by conference call, or by email) in the meetings of the Board of Directors and its committees in 2020 is presented below:

Name	The Board of Directors (no. of meetings - 24)	The Audit and Risk Committee (no. of meetings - 16)	The Nomination and Remuneration Committee (no. of meetings - 16)	The Strategy and Corporate Governance Committee (no. of meetings - 19)
Iulian Cristian Bosoancă*	18	10	-	-
Ramona Ungur	24	16	5	-
Dragos Andrei	24	-	-	19
Radu Florescu	23	-	-	18
Bogdan Iliescu	24	16	16	-
Gicu Iorga	24	6	11	-
Valentin Radu	23	-	14	17

Source: *Electrica*

*Member starting 29 April 2020

The key decisions taken by the BoD during 2020 refer to:

- Election of the chairman of the BoD and establishing the composition of the consultative committees and election of their chairs (after the GMS has established the new structure);
- Revision and endorsement of ELSA's revenue and expenses budget at standalone and consolidated levels, as well as of the revenue and expenses budgets of company's subsidiaries for the financial year of 2020;
- Analysis and endorsement of ELSA's financial statements at an individual and consolidated level, as well as of the financial statements of the company's subsidiaries, for the financial year ended at 31 December 2019;
- Quarterly analysis of the registered financial results, analysis of the budgetary execution;
- Approval, by principle, of the merger between SDTN, SDTS, and SDMN and participation of the companies in the merger with SDTN as absorbing company. This approval by principle is in line with Electrica Group strategy and its scope is to increase the efficiency of the distribution area;
- Approval, by principle, of the merger between SERV and SEM and participation of the companies in the merger, with SERV as absorbing company. This approval by principle is in line with the Electrica Group Strategy for the period 2019-2023 and its scope is to increase the efficiency of the activities of the two companies;
- Approval of the acquisition of 100% of the share capital of Long Bridge Milenium S.R.L., a company that owns and operates the Stanesti photovoltaic park, in Giurgiu County, with an installed capacity of 7.5 MW. The photovoltaic park was built between October 2012 - January 2013 and started injecting energy into the grid in February 2013;
- Participation, in the consortium formed together with the Societatea de Administrare a Participatiilor in Energie S.A. (S.A.P.E. S.A.) and Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A., at the competitive procedure organized by CEZ for the sale of its business in Romania;
- Participation in the competitive processes of acquisition of operations in the electricity sector from renewable sources;
- Participation in the EFSA EGMS and expressing a favorable vote regarding the establishment of EFSA branch in the Republic of Moldova;
- Revision of the Governance Code and other corporate documents to which it refers such as: Investor Relations Corporate Disclosure Policy, Policy on Transactions with Related parties, Risk Management Policy, Policy on Organizing and Running the General Meetings of Shareholders;
- Reviewing the Delegation Policy, the Delegation of the Authority and the Regulation on Organization and Functioning at the company level;
- Amending the Code of ethics and professional conduct;
- Revision of the Articles of Association of the subsidiaries.

⁷ In accordance with the provisions of the Art. 18 para 19 of the Constitutive Act, when the Board members were unable to attend the meetings organized by the three methods specified by the Company's Articles of Association (physical presence, by telephone conference call, videoconference or any other form of communication), they were represented based on the mandates given to another Board member.

Regarding the **structuring and development of the Group's business portfolio**, the BoD analyzed the existing opportunities and decided the following:

- Participation in the EGMS of the distribution subsidiaries and energy services subsidiaries and expressing a favorable vote regarding the merger processes;
- Continuous analysis of investment opportunities, taking into account the energy market development, the impact on the activity of the group's subsidiaries and competitive advantages of the competition and participation in various competitive processes for this purpose;
- Approval of the consolidated annual investment plan at group level for 2020;
- Reviewing the communication strategy following the Group Strategy;
- Implementation of the transformation process of the supply segment;
- Increasing the share capital of distribution subsidiaries by contribution in kind.

Regarding the **human resources and the managerial competencies**, the BoD took the following measures:

- Continuing the collaboration with Mrs. Livioara Șujdea and granting a new mandate as CDO starting with 1 February 2021, for 4 years;
- Revision of the Policy regarding the recruitment and nomination of candidates for positions of executive management within the Group companies;
- Adoption of the Succession Policy regarding the group companies;
- Evaluating the performances registered by ELSA executive directors in 2019 and establishing new performance indicators for 2020;
- Initiating the elaboration and implementation of a catalog of performance indicators at the Group level;
- Revising the Remuneration Policy for key positions within the Group;
- Implementing the Electrica Group Human Resources strategy, by cascading the objectives in strategic initiatives and materializing them in strategic projects.

The main aspects of **audit and financials areas** referred to:

- Monitoring the internal audit plan implementation for 2020 and approving the audit plan for 2021;
- Approval of the Risk Management Policy.

Evaluation of the Board of Directors

The Board evaluates annually its activity and the activity of the consultative Committees and establishes the necessary elements to be improved to increase efficiency. The purpose of the evaluation is to provide the members of the Board with an overview of the activity performed, the strengths/weaknesses, the performance, and the potential of collective and individual development, in order to efficiently and effectively fulfill the responsibilities of the Board.

According to the established mechanism, the evaluation of its activity can be carried out either with the support of a consultant or by self-evaluation.

The Board of Directors decided, following good corporate governance practice, to conduct the evaluation of its activity and functioning during 2020 with the support of an external consultant, with international experience, specialized in assessing management teams and board of directors of listed companies. In addition, the Board has evaluated its achievements regarding the main objectives defined by the General Meeting of Shareholders for the Board: Group Strategy, Corporate Governance, Placing of financial investments, and Investment achievement in the distribution companies.

Previously, the 2019 Board's activity evaluation was conducted using an internal questionnaire defined and thoroughly discussed and agreed upon by the Board members.

The consultant's evaluation was focused on the following objectives:

1. Assess the Board structure and its composition, diversity, competencies of its members, operations, and structure with regards to its effectiveness for the company's strategy and its business environment;
2. Assess the dynamics and functioning of the Board;
3. Assess the Board role in strengthening the confidence in the Company's approach to corporate governance;
4. Assess the management of tools/procedures used to prevent fraud, the quality of the audit process, and the strength of the risk management program;
5. Interaction of the Board with interested parties;
6. Identify ways in which the Board can better contribute to the company's performance.

Among the positive aspects of the Board functioning, the following were highlighted:

- Progress in establishing a corporate governance framework that is well structured, communicated, and understood at the Board level and cascaded in the subsidiaries;
- Most processes and procedures are considered adequate, well documented, and following applicable legislation;
- Significant improvement of the process of identifying and mitigating risks as well as of the control mechanism;
- Engagement towards the significant shareholder and how communication with other shareholder takes place, all shareholders being treated equal and transparent;
- A clear perception of the Board with regards to the corporate culture;
- The existence of a clear vision over the company's strategy;
- Preparation of the Board meeting, frequency, and allocated time for debate.

Improvement areas were suggested as follows:

- Better communication of the company's vision and strategy, along with the changes brought to the organizational culture in order to ensure the necessary climate to reach medium and long-term strategic objectives;
- Paying more attention to succession planning at the level of Senior Management, so that the existing system meets all expectations and provisions that succession planning should take into account not only the existence of a person that possesses the skills of the person currently in office, but also addresses future challenges;
- Improvement of the remuneration system to assure high qualified personnel and appropriate performance motivation;
- Communication with the general public.

Regarding the main elements of Electrica's Strategy for the period 2019-2023 presented during the General Meeting of Shareholders, major steps were taken in 2020. A remarkable moment is the successful completion of the merger processes of the 3 distribution subsidiaries as well as the 2 services subsidiaries. These will contribute to increasing the group's performance and the quality of services offered to customers. Also, opportunities for inorganic growth were exploited by expanding the activity in the electricity production sector, additional efforts should be taken in this direction in the upcoming future.

Also, progress was made in optimizing the Group's corporate governance framework through best practices in the field of corporate governance, investor relations, and consolidating the sustainability profile.

Continued investments remained a priority for Electrica in 2020, thus, the investments made by the distribution subsidiaries being in line with the values approved by the regulatory authority.

In the area of risk management, a new Risk Management Policy was adopted, applicable at the Group level, a fact that led to the amendment of ELSA Governance Code by aligning it with its provisions.

Last but not least, the Board continues to allocate particular importance to occupational health and safety issues within the Group, aiming to devote time and effort in 2021 to support management in improving the company's occupational safety culture.

■ The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three non-executive BoD members, two of its members are independent.

The role of the Committee is to propose candidates for the BoD, to develop and propose to the Board the selection procedure of candidates for the executive managers' positions and other management positions, to recommend the Board candidates for these positions, to formulate proposals on the managers' and other management positions' remuneration.

The Committee has the following responsibilities **concerning nomination matters**:

- recommends to the Board a nomination policy, including a target Board profile, the process, and principles to be considered by the shareholders when proposing candidates for company's directors, and advises the Board regarding the nomination of interim directors in accordance with the policy;
- reviews the implementation of the nomination policy, submits a report to the Board on its implementation, and presents a summary of this report in the Directors' Report;
- advises the Board on the appointment and dismissal of the Chief Executive Officer, makes recommendations on the appointment and dismissal of the company's executive management team after consulting with the Chief Executive Officer, and makes proposals on the appointment and dismissal of subsidiaries' board of directors members following the Group Governance Policy;
- recommends to the Board policies in the human resources field, including those covering recruitment and dismissal, talent management and development and succession planning across the company and its subsidiaries (the Group);
- recommends to the Board a succession policy, both for the members of the board and for the executive team;
- oversees the process for the annual evaluation of the effectiveness of the Board and its consultative committees;
- periodically assesses the size, composition, and Committee's structure and makes recommendations to the Board oncerning any changes;
- advises the Board on continuous skill development programmes for Board members and executive management;
- oversees the nomination process of the appointment of subsidiaries' CEOs and executive managers according to the nomination and remuneration policy.

The Committee has the following duties **regarding remuneration**:

- advises the Board in relation to the remuneration, incentive, and compensation policies of the company;
- advises the Board regarding the periodic review of the remuneration policy for Board members and executive managers;
- advises the Board in relation to the remuneration of the CEO and other executive managers, including

the main remuneration components, annual and long term performance objectives, and regarding evaluation methodology;

- makes recommendations to the Board on the remuneration of subsidiaries' board members and the general limits of remuneration for subsidiaries' executive management;
- monitors compensation trends within areas relevant to the Group;
- oversees the remuneration process of the subsidiaries' chief executive officer and executive managers according to the nomination and remuneration policy at the Group level;
- verifies at least once a year the number of mandates held in other companies by the members of the Board and by the executive managers, in order to evaluate their independence;
- Oversees the annual evaluation process of the Board of Directors' activity.

The Nomination and Remuneration Committee met 16 times during 2020, among the main aspects on which the activity of the Committee focused, were the following:

- ✓ Analysis of ELSA executive managers' KPIs achievement for 2019 and establishing a new improved KPIs system, along with the new performance evaluation methodology for 2020;
- ✓ Supervising the evaluation process of the Board of Directors' activity;
- ✓ Endorsing the proposals regarding the nomination of the subsidiaries' Board members;
- ✓ Reviewing the Policy on the recruitment and nomination of candidates for executive management within the Group companies;
- ✓ Endorsement of the Succession Policy for the Group companies;
- ✓ Proposals regarding the nomination of the Chairman of the BoD and the consultative committee's competence.

■ The Audit and Risk Committee

The Committee is composed of three non-executive BoD members, two of them being independent. The Committee's composition provided the necessary expertise in finance and risk management, according to legal requirements.

The main role of the Committee is to support the Board in fulfilling its duties of verifying the efficiency of the company's financial reporting, internal control, and risk management. While fulfilling this role, the Committee advises the Board regarding the assessment of the annual report and annual financial statements, whether the documents are accurate, balanced, and comprehensive and provide all the necessary information for the shareholders' evaluation of the financial performance.

The Committee has the following duties in **terms of financial reporting**:

- examines and monitors the financial reporting process, the integrity of annual and interim financial statements, at standalone and consolidated levels, or of disclosures made by ELSA and its subsidiaries;
- reviews press releases announcing financial or operational results related to or derived from such financial statements, as well as any financial information or earning guidance, to be provided to financial analysts or rating agencies, by analyzing the fairness and adequacy of the content and presentation of such statements or information;
- regularly reviews the adequacy of the Group's accounting policies;
- reviews and recommends to the Board's approval the company's financial forecast policy;
- advises the Board on whether the content of the annual report, taken as a whole, represents a fair, balanced, and understandable account for shareholders and provides them with the information necessary to assess the Company's performance.

Regarding the **audit and internal control matters**, the Committee has the following responsibilities:

- endorses, for the Board's approval, the annual plan at Group level, based on the annual risk assessment, as well as any significant changes to the plan and receives periodic reports on activities, important findings, and follow-up of internal audit reports;
- periodically reviews the charter and internal audit manual and submits them to the Board, for approval;
- advises the Board on the appointment, dismissal, and remuneration of the Head of Internal Audit Department;
- monitors the adequacy, effectiveness, and independence of the internal audit function;
- makes recommendations to the Board on the appointment, rotation, or dismissal of the company's external auditor;
- reviews the plan, activity, and findings of the external auditor;
- assesses the independence and objectivity of the external auditor and monitors the compliance with relevant ethical and professional guidance, including the requirements on the rotation of audit partners;
- monitors the application of the legal standards and generally accepted internal audit standards;
- endorses the internal audit reports, the recommendations made by the internal auditors, and the plans of measures for the implementation of the recommendations;
- performs any other activities established by the Board and the law;
- regularly reviews the adequacy of the key internal control policies, including fraud detection and bribe prevention policies;
- reviews the operations between affiliated parties following a policy drafted by the Committee and approved by the Board;
- analyzes the annual report prepared by the Internal Audit Department and/or Risk Management, which evaluates the effectiveness of the internal control system within the Group.

The Committee has the following responsibilities concerning **risk management matters**:

- reviews regularly the main risks facing the company and the Group, recommending to the Board adequate policies for risks identification, mapping, management, and mitigation;
- monitors the main categories of risks that are recorded annually in the management report in order to reduce them and to evaluate the efficiency of the risk management system within the Group;
- makes recommendations to the Board on financing methods, including proposals for contracting any type of loans and securities associated with these loans;
- makes recommendations to the Board regarding major economic transactions within the authority of the General Meeting of Shareholders and assesses the associated risks regarding such transactions.

The Audit and Risk Committee met 16 times during 2020, among the main aspects on which the activity of the Committee focused, being the following:

- ✓ Analysis of the financial statements of ELSA at standalone and consolidated level for the financial year of 2019, as well as the financial statements of the company's subsidiaries for the financial year of 2019, together with the financial auditor report and recommendations, issued during the auditing process; ELSA's budget execution, the consolidated budget execution, and the quarterly financial results;
- ✓ Revision of the internal audit plan for 2020 and analysis of its achievement, as well as the reports submitted by the Internal Audit Department, proposing recommendations;
- ✓ Monitoring the implementation of the recommendations made by the internal audit department;
- ✓ Support in the realization of the consolidated Sustainability Report at Electrica Group level for 2019;
- ✓ Revising the Policy on Transactions with Affiliated parties;
- ✓ Financing the investment program of the distribution subsidiaries for 2021 - 2023;
- ✓ Updating the Code of Ethics and Professional Conduct.

The internal audit activity is carried out by a structurally separate organizational unit (the internal audit department), within the Company. In order to ensure the fulfillment of its main functions, it reports functionally to the BoD through the Audit and Risk Committee and administratively to the CEO.

■ The Strategy and Corporate Governance Committee

The Committee is composed of three non-executive BoD members, holding the necessary expertise in performing the committee's specific duties, two of them being independent.

The Committee has the following **duties in terms of strategy**:

- makes proposals to the Board on the development of the medium-term strategic plan, makes recommendations on the strategic direction, priorities, and long term objectives of ELSA and its subsidiaries;
- reviews management proposals on the Group's consolidated annual budget, subsidiaries' annual budgets, investment plans of the Group companies and makes relevant recommendations to the Board;
- advises the Board in monitoring and assessing the Group's performance in relation to the approved strategic plan, budgets, investment plans, industry trends, local and regional market trends, company's competitiveness and technological advances;
- periodically reviews the overall strategic planning process, including the process of developing the medium-term strategic plan, makes recommendations on the issues that can be improved in strategic planning, and provides feedback to the executive management;
- makes recommendations to the Board regarding the proposed acquisitions, divestments, investment projects, joint-ventures, and collaboration projects, especially assessing their alignment with the Group's strategy;
- performs any other activities or assume responsibilities regarding strategic matters which may be delegated periodically to the Committee by the Board.

Regarding **the tasks of the Committee on restructuring**, they mainly relate to the following:

- reviews and makes recommendations to the Board concerning the development and implementation of the Group's overall restructuring plans and objectives, including any decision regarding the conduct or rationalization of core businesses;
- regularly reviews the organizational structure and chart of the company, and makes recommendations to the Board in this regard;
- performs any other activities or responsibilities on restructuring matters as may be periodically delegated to the Committee by the Board.

Also, the Committee has duties in **terms of corporate governance**:

- oversees and monitors the company's compliance with legal and contractual obligations on corporate governance, as well as other applicable corporate governance principles and makes recommendations to the Board;
- regularly reviews the company's Corporate Governance Code, the Charter of the Board of Directors, and the company's Articles of Association and makes recommendations to the Board on relevant amendments to the company's corporate governance policy and documentation;
- submits the Group Governance Policy to the Board for approval and regularly reviews it thereafter;
- reviews the company's Delegation of Authorities policy and the company's Delegation of Authority standard to ensure that the delegation of authorities to management allows for effective and efficient decision-making process, and makes recommendations to the Board in this respect;

- reviews the company's policy for corporate social responsibility and stakeholder engagement, and makes recommendations to the Board in this regard;
- makes recommendations to the Board on improving the quality of information flows to the Board, including the improvement of reports sent, key performance indicators presented to them, and guidelines for preparing Board documents and presentations;
- drafts reports or materials related to corporate governance, upon the Board request.

During the year 2020, **the Committee met 19 times**, among the main aspects on which the activity of the Committee focused, being the following:

- ✓ Initiating and monitoring the process of merger by absorption of the three distribution subsidiaries;
- ✓ Initiating and monitoring the process of merger by absorption of the two energy services subsidiaries;
- ✓ Analysis of the opportunities and the efficiency of investments in different renewable production capacities and participation in various competitive processes in this regard;
- ✓ Finalizing the sales transformation program;
- ✓ In terms of corporate governance, the Corporate Governance Code and other corporate policies and documents referring to the Code were revised, such as the Policy on Transactions with Related Parties, Risk Management Policy, Investor Relation Corporate Disclosure Policy, or Policy on Organizing and Running the General Meetings of Shareholders;
- ✓ Revising the Communication Strategy in accordance with the new Group Strategy;
- ✓ Actions to achieve the objectives regarding the internationalization of the Group's activities by establishing an EFSA branch in the Republic of Moldova.

4.6 ELSA's Executive management

Per ELSA's Articles of Association, the Board of Directors (BoD) appoints and revokes the CEO, as well as the other executives with mandates, and also approves their empowerments.

The attributions of the Company's executive managers (including those of the General Manager) are established by the mandate agreements based on which the directors carry out their activity within ELSA, the internal organization and functioning regulations of ELSA, and the applicable legal provisions.

On 15 December 2020, the BoD approved the continuation of the collaboration with Mrs. Livioara Șujdea and her appointment as Distribution Director (CDO) starting with 1 February 2021, for a 4 years term.

The BoD decided, in March 2020, to change the name of the IT & T Direction to IT & C, and in May 2020, to change the name of the Strategy, Mergers and Acquisitions Direction to Corporate Development Direction.

Following these changes, at the end of 2020, as well as the date of issuing this report, the ELSA's executive managers, each appointed four years, were:

Name	Function	The Executive Manager's mandate
Georgeta Corina Popescu	Chief Executive Officer	1 February 2019 – 31 January 2023
Mihai Darie	Chief Financial Officer	3 January 2018 – 3 January 2022
Livioara Șujdea	Chief Distribution Officer	1 February 2017 – 31 January 2021, the mandate being renewed for a continuous period of 4 years, respectively 1 February 2021 – 31 January 2025
Anamaria Dana Acristini-Georgescu	Chief Corporate Development Officer	1 May 2017 – 1 May 2021
Catalina Popa	Chief Market Officer	12 December 2017 – 11 December 2021
Bibiana Constantin	Chief Human Resources Officer	1 February 2019 – 31 January 2023
Mircea Toma Modran	Chief IT & C Officer	1 June 2019 - 1 June 2023

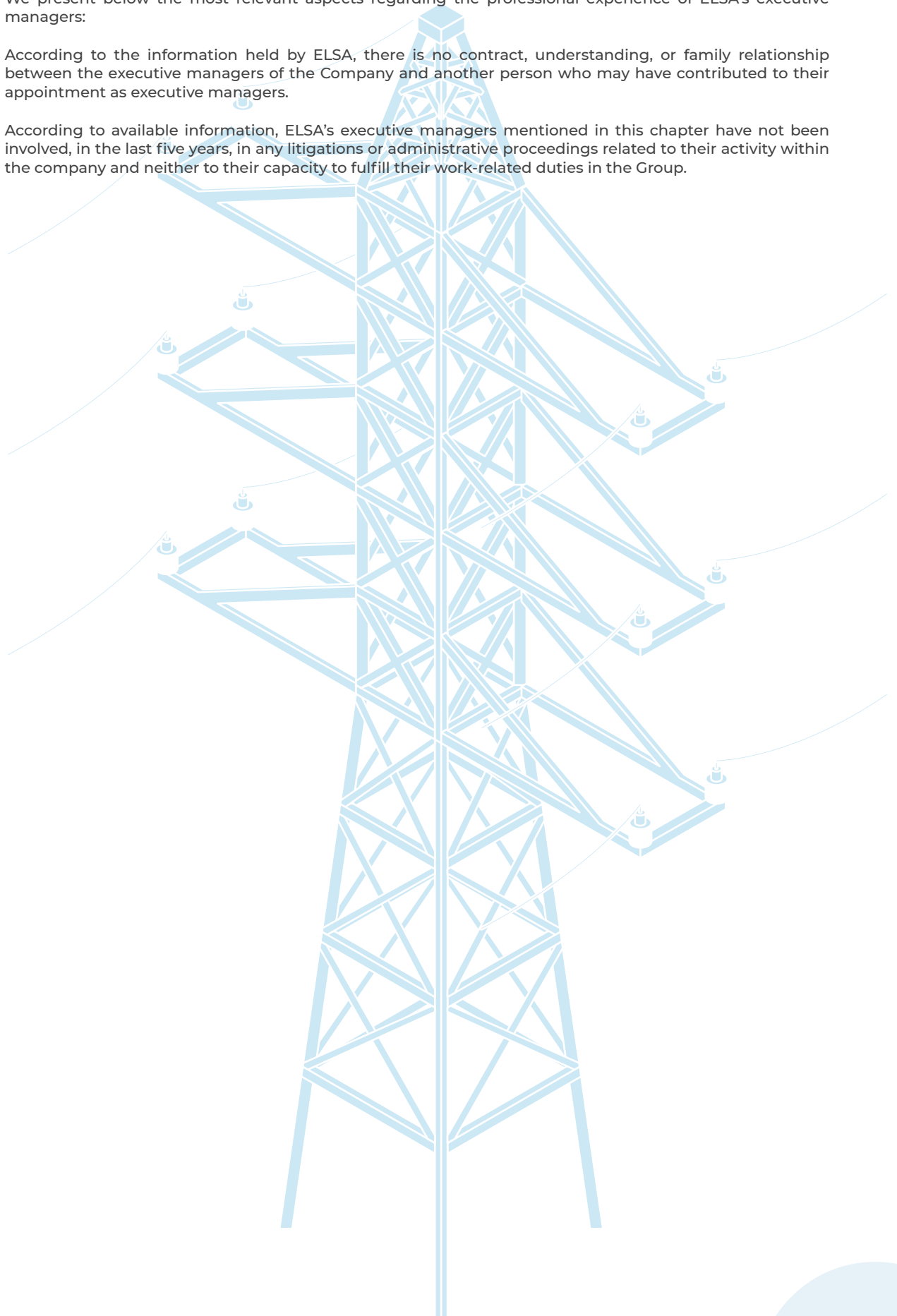
Source: *Electrica*

More details on the executive managers' biographies can be found on ELSA's website in the section *Investors > Corporate Governance > Executive Management*.

We present below the most relevant aspects regarding the professional experience of ELSA's executive managers:

According to the information held by ELSA, there is no contract, understanding, or family relationship between the executive managers of the Company and another person who may have contributed to their appointment as executive managers.

According to available information, ELSA's executive managers mentioned in this chapter have not been involved, in the last five years, in any litigations or administrative proceedings related to their activity within the company and neither to their capacity to fulfill their work-related duties in the Group.



Georgeta Corina Popescu

CHIEF EXECUTIVE OFFICER

Mrs. Georgeta Corina Popescu is a top executive with impressive experience in the field of electricity and natural gas. Appointed CEO of SDMN, part of Electrica Group, on 1 June 2018, Corina Popescu took over from 1 November 2018 the position of interim CEO of ELSA. Starting with 1 February 2019, Corina Popescu holds the CEO position of ELSA, for a 4 year period.

Graduate of the Faculty of Power Engineering at the University Politehnica of Bucharest specialized in Power Engineering Systems, Georgeta Corina Popescu started her professional career in Sucursala de Distributie si Furnizare a Energiei Electrice Bucuresti.

Since 2007, Georgeta Corina Popescu has worked in the private sector, holding important positions in E.ON Romania Group and OMV Group.

Between December 2015 and February 2017, Corina Popescu held the position of State Secretary within the Ministry of Energy, a period during which she was also a member of the BoD of ELSA. Starting with 1 May 2017, she was appointed in Transelectrica's Directorate, and during the June 2017 – April 2018 period she was Transelectrica's Directorate President.



Mihai Darie

CHIEF FINANCIAL OFFICER

Mr. Mihai Darie has 21 years of professional experience in finance, acquired in various fields such as energy, infrastructure, financial advisory, banking, investment funds in executive as well as management positions, gained in companies such as Nuclearelectrica SA, Fondul Proprietatea SA, Raiffeisen Bank, and BDO Romania.

Mihai Darie is a graduate of the Finance and Banking Faculty within the Academy of Economic Studies Bucharest, he is an expert accountant member of CECCAR, he is a graduate of Asebus Bucharest EMBA program and he is an ACCA UK member as well as a CFA (Chartered Financial Analyst) certification holder.



Livioara Șujdea

CHIEF DISTRIBUTION OFFICER

With over 21 years of experience in the energy field, Livioara Șujdea started her activity as a Design Engineer at ELSA, subsequently occupying various top management positions, including Deputy CEO and member in the BoD of E.ON Moldova Distribuție, E.ON Gas Distribuție, E.ON Distribuție România, Operation and Maintenance Director at Delgaz Grid and Deputy CEO and member in the BoD of E.ON Energie.

Livioara Șujdea graduated from the Technical University "Gheorghe Asachi" of Iasi – Faculty of Electrical Engineering and Energy, where she also obtained a master's degree in Business Management and Commercial Engineering, and she also has an Executive MBA with specialization in General Management at the University of Sheffield UK and a Strategic Management and Leadership Degree from the Chartered Management Institute London, UK.



A portrait of Anamaria Acristini-Georgescu, a woman with long, wavy brown hair, smiling. She is wearing a black blazer over a red top with a ruffled collar. The background is a light blue and white abstract design with curved shapes.

Anamaria Acristini-Georgescu

CHIEF CORPORATE DEVELOPMENT OFFICER

Anamaria Acristini has an experience of over 13 years in the energy field, in particular from strategic and financial perspectives; the last position held was as Strategy Director within E.ON Romania. Previously, she held important positions in leading companies, such as Ernst&Young, Mazars, and KPMG.

Anamaria Acristini is a graduate of the Bucharest Academy of Economic Studies, has a master's degree in International Project Management, and holds an Executive MBA from Sheffield University (U.K.). Moreover, she is also an affiliated member of the ACCA UK.

Catalina Popa

CHIEF MARKET OFFICER

With an experience of more than 29 years in the field of electrical power and natural gases, Catalina Popa started her activity as an engineer within Electrica. Subsequently, she occupied several top management positions within E.ON, among which Sales Management Executive Director, Director of Operations, Financial Director, and Director of Energy Network Performance Management.

Catalina Popa is a graduate of the Power Engineering Faculty within the University Politehnica of Bucharest, holding a diploma as well in Management & Business Administration from Codecs-Open University, Great Britain.



Bibiana Constantin

CHIEF HUMAN RESOURCES OFFICER

Graduate of the Faculty of Psychology and Sociology – West University of Timisoara and with a Master's degree in Human Resources Management and Communication, as well as of a Master's degree in Psychology, Bibiana Constantin has experience in consultancy and HR management for various industries, including the energy field.

With more than 10 years of experience in managing company restructuring and executive search projects, at a national and international level, but also with a solid knowledge of the human resources market, Bibiana Constantin has provided, in recent years, specialized consultancy and occupied positions in the top management of large companies in the industry.



Mircea Toma Modran

CHIEF IT & C OFFICER

Starting with 1 June 2019, Mr. Mircea-Toma Modran has taken over the position of Chief Information Officer within Electrica SA, for 4 years.

With more than 30 years of professional experience, he occupied for 20 years top management positions for Romanian and foreign, private, and state-owned, listed companies, operating in energy and utilities, oil and gas, chemical, aeronautics, and information technology, fulfilling a wide range of responsibilities, from the classic IT and industrial automation to direct coordination of operational divisions with strategic impact on financial results.

Mr. Mircea-Toma Modran graduated from the Faculty of Electrical Engineering, Department of Automation and Computers (currently the Faculty of Automation) of the University of Craiova, with an Electrical Engineer degree, and the York University Schulich School of Business Toronto, with a master's degree in Business Administration. He also attended postgraduate programs at Humber College and the Niagara Institute in Canada and the Ashridge-Hult and Edinburgh Universities in the UK.



4.7 Remuneration of the Directors and the Executive Managers with mandate agreements

ELSA's Remuneration Policy for Directors and Executive Managers was prepared based on the best practice used at the international and national level by companies similar to ELSA, as identified after the company was listed, and updated taking into consideration the impact of the fiscal changes of the Romanian legislation. The Policy was approved by the General Shareholders Meeting – regarding the Directors' remuneration and the remuneration limits for the executive managers, and by the Board of Directors – regarding the setting of the remuneration and benefits for each executive position, according to the Nomination and Remuneration Committee's recommendation.

According to ELSA's Corporate Governance Code, **the Nomination and Remuneration Committee (NRC)** established within the BoD has the following responsibilities related to remuneration:

- makes recommendations to the Board on the remuneration, incentive, and severance compensation policies of the Company;
- makes recommendations to the Board on the remuneration policy for Board members;
- makes recommendations to the Board on the remuneration of the CEO and other executive managers, including the main remuneration components, performance objectives, and evaluation methodology;
- makes recommendations to the Board on the remuneration of subsidiaries' board members and the general limits of remuneration for subsidiaries management;
- monitors compensation trends within industries relevant to the Group;
- oversees the remuneration process of the general managers and executive managers in the subsidiaries according to the Nomination and Remuneration Policy.

The Remuneration Policy for Directors and Executive Managers is subject to annual review by the NRC and describes the main pillars of remuneration, as well as the terms, conditions, and non-financial benefits approved by the corporate bodies of ELSA.

The Remuneration Policy has the following objectives:

- to establish clear guidelines and thresholds on remuneration matters;
- to establish the remuneration structure;
- to set the correlation matrix between remuneration levels within the company.

The principles governing this policy are:

1. The remuneration structure is defined separately for the Board of Directors and the executive management.
2. The remuneration structure and thresholds were set considering national and international best practices and benchmarks, respectively:
 - 2.1 the remuneration system includes a fixed component and a variable component based on performance, in line with market practice; additionally, it also includes non-financial benefits;
 - 2.2 the benchmarks were established based on data on remuneration within several international companies of comparable size in the energy sector, in Romania, but, also, compared to other industries (e.g., oil & gas industry) and to other countries in European Economic Area (EEA);
 - 2.3 most companies' practice of to choosechoosing the range between the median and upper quartile in order to be attractive on the competitive market, that is, however, not positioned to the upper limit.
3. The variable component is comprised of:
 - 3.1 a short term variable remuneration, granted for the collective and individual contribution of the executive managers to the company's objectives, determined yearly based on performance criteria;
 - 3.2 a long term variable remuneration – a package of options of virtual shares – considered as remuneration tool for executive managers with the aim of promoting added value and contribution over medium to long term;
 - 3.3 for the Board members – both the international practices and the fact that ELSA is a listed company on both Bucharest Stock Exchange and London Stock Exchange, provide for an attendance fee for Board members participating to the BoD and its committees' meetings;
4. The importance of the company on the energy market – ELSA is a strategic company in the energy sector, with the potential of becoming a regional player;
5. The need to attract and retain in the BoD's structure specialists and senior managers with broad experience in a wide range of activities at a national and international level, and not only in the energy sector.

A. Board of Directors

The BoD members' remuneration has as main pillars a monthly fixed remuneration and an attendance fee for participating at meetings, and it is completed by facilities (benefits) necessary for the mandate fulfillment, as follows:

- the fixed monthly remuneration is differentiated between the Chair and the Board members, respectively EUR 3,630 gross for the BoD members and EUR 4,985 gross for the Chair;
- the attendance fee to the Board and its committees' meetings is differentiated as well between

the members and the committees' Chairs, respectively EUR 1,200 gross for the Board/committees' members and EUR 1,445 gross for the committees' chairs. The annual number of meetings to be remunerated is limited to 12 for BoD and to 6 for each committee. However, if the BoD composition changes, either as an effect of registering a vacancy of one or more Director positions, or as an effect of applying the cumulative voting method, the Director appointed as such will be entitled to receive the remuneration fee for the Board/committees meetings attended;

- reimbursement of reasonable expenses related to the execution of the mandate;
 - a "directors & officers' liability" insurance policy, supported by the company, according to market terms;
 - same medical services and/or medical insurance package contracted by the Company for the employees (if any);
 - other legal expenses incurred by the Director in defending against a third party claim made against the Director in relation to the performance of its duties according to his mandate agreement, the Articles of Association, the Board Charter, or the Legal Framework shall be borne by the Company, to the extent that they are not already covered by the directors & officers liability insurance policy in force at the time;
- compensation in case of unjustified revocation.

B. The Executive Management

B.1. General remuneration limits for ELSA's CEO

The remuneration of ELSA CEO is comprised of: (a) a fixed monthly remuneration, (b) a variable yearly remuneration depending on the achievement of the performance indicators, and (c) a package of options of virtual shares (hereinafter referred to as "OAVT"), as follows:

- a. The fixed monthly remuneration is between EUR 9,000 and EUR 13,050 gross. This remuneration is established by the BoD within limits approved by the GMS;
- b. The variable yearly compensation is between 30% and 50% of the fixed yearly remuneration. The percentage is established by the BoD, within the limits approved by the GMS. The payment of the variable yearly compensation (partially or in full) depends on the achievement of the KPIs set for the respective year;
- c. The value of the OAVT package will be set between 150% and 200% of the fixed yearly remuneration and cashed only at the end of the term, according to the mandate agreement.

B.2. General remuneration limits for ELSA's Executive Managers (mandated by the BoD)

The remuneration of the executive managers consists of: (a) a fixed monthly remuneration, (b) a variable yearly compensation depending on the achievement of KPIs, and (c) a package of options of virtual shares (hereinafter referred to as "OAVT"), as follows:

- a. The fixed monthly remuneration approved by the GMS will be between EUR 6,980 and EUR 11,700 gross. The remuneration is established by the BoD within the limits;
- b. The variable yearly compensation of an executive manager is between 15% and 40% of the fixed yearly remuneration - limits approved by the GMS. The percentage is established by the BoD within these limits. The payment of the variable yearly compensation (partially or in full) depends on the achievement of the KPIs set for the respective year;
- c. Each executive manager (unless mandated on an interim or on a short-term basis) will receive at the beginning of the term an OAVT package. The value of the OAVT package will be between 60% and 160% of the fixed yearly remuneration, within the limits approved by the GMS. The executive manager is entitled to cash in the value of the OAVT package only at the end of the term, according to the mandate agreement.

At the beginning of the Executive Manager's mandate (including the CEO), the BoD will set up the long-term KPIs (for the duration of the mandate). At the end of the term, the Board will review the achievement of the long-term KPIs and will adjust the final value of the OAVT package paid out to the executive manager, including the CEO.

In order to perform more efficiently their duties and obligations, in a proper and safe manner properly and safely, the mandate agreements of all executive managers approved by the BoD stipulate the specific equipment that the company makes available (e.g.: company car, mobile phone, laptop), the rules to use it, as well as other kinds of related benefits (e.g.: reimbursement of reasonable expenses related to the execution of the mandate, a "directors & officers' liability" insurance policy, mobility package).

The Executive Managers cannot receive more than one remuneration from the Group companies and for those who occupy/exercise other roles/positions within the Group companies, the remuneration can be increased temporarily, only during the exercise of those roles/functions. The total of the monthly fixed and additional remuneration cannot exceed the limit of the monthly fixed remuneration established by the GMS for the position of executive managers.

B.3. General remuneration limits for the Executive Managers within the Company's subsidiaries (mandated by the BoD)

The remuneration of the executive managers is comprised of: (a) a fixed monthly remuneration, (b) a variable

yearly compensation depending on the achievement of KPIs and (c) a long-term gross variable compensation, granted at the conclusion of a full term of four years, as follows:

- a. The fixed monthly remuneration for the SDTS, SDTN, SDMN, and EFSA's CEO is between EUR 6,593 and EUR 10,257 gross; the remuneration for the SDTS, SDTN, SDMN, and EFSA's Deputy CEO is between EUR 5,300 and EUR 9,231 gross.
The fixed monthly remuneration for SERV and SEM's CEO is between EUR 5,558 and EUR 8,718 gross. The remuneration for the SERV's Deputy CEO is between EUR 5,300 and EUR 7,846 gross and the remuneration for the SEM's Deputy CEO is between EUR 4,505 EUR and EUR 7,846 gross.
The final remuneration will be established by the BoD within the limits presented above, approved by the GMS of each subsidiary.
- b. The fixed monthly remuneration for the SDTS, SDTN, SDMN, EFSA si SERV's Executive Manager is between EUR 5,128 EUR and EUR 6,837 gross.
The fixed monthly remuneration for the SEM's executive manager is between EUR 4,359 and EUR 5,811 gross.
The final remuneration will be established by the BoD within the limits presented above, approved by the GMS of each subsidiary.
- c. The variable yearly remuneration of an executive manager is between 15% and 40% of the fixed yearly remuneration. The final percentage is established by BoD within the limits presented above, approved by the GMS of each subsidiary. Granting the variable yearly compensation (partially or in full) depends on the achievement of the KPIs set for the respective year.
- d. The long-term gross variable remuneration, granted at the conclusion of a full term of four years is between 60% and 120% of the fixed yearly remuneration (limits approved by the GMS of each subsidiary).

At the beginning of the executive managers' mandate (including the CEO), the BoD will set up the long-term KPIs (for the duration of the mandate). At the end of the term, the Board will review the long-term KPIs' achievement and will grant accordingly the final value of the the long-term gross variable compensation.

In order to perform more efficiently their duties and obligations, in a proper and safe manner properly and safely, the mandate agreements of the executive managers (including the CEO and deputy CEO), approved by the BoD stipulate the specific equipments that the company makes available (e.g.: company car, mobile phone, laptop), the rules to use it, as well as other kinds of related benefits (e.g.: reimbursement of reasonable expenses related to the execution of the mandate, a "directors & officers' liability" insurance policy, mobility package).

In December 2020, as a result of the merger of the 3 distribution subsidiaries, the changes to the fixed remuneration limits of the executive directors of DEER, the distribution company that appeared following the merger, were approved, applicable starting with 1 January 2021. The new fixed monthly remuneration limits are the following:

- a) the fixed monthly remuneration of the General Manager is between EUR 6,593 and 11,000 gross;
- b) the fixed monthly remuneration of the deputy general managers is between EUR 5,300 and 10,300 gross;
- c) the fixed monthly remuneration of the executive directors is between EUR 5,128 and 9,231 gross.

4.8 Corporate Governance in ELSA's subsidiaries

The Board of Directors of ELSA's subsidiaries

During 2020 and until the date of this report, all the Boards of Directors of ELSA's subsidiaries were composed of non executive directors, which are executive managers or employees of ELSA, and, according to ELSA's policy, do not receive any remuneration from the subsidiaries for the quality of member of their Board of Directors.

During 2020 and until the date of this report, the composition of the Boards of Directors of ELSA's subsidiaries were was as follows:

The distribution subsidiaries, respectively SDTN, SDTS, and SDMN – 1 January 2020 – 31 December 2020 (the effective date of the merger)

1 January – 3 January 2020	4 January – 11 February 2020	12 February – 31 December 2020
Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair
Livioara Șujdea	Livioara Șujdea	Livioara Șujdea
Ana Maria Nistor	Stefan Alexandru Frangulea	Stefan Alexandru Frangulea
Stefan Alexandru Frangulea	Mircea Toma Modran	Mircea Toma Modran
Mircea Toma Modran		Mirela Dimbean Creta

Source: *Electrica*

The mandate of the BoD members of the absorbed companies, SDTS and SDMN, ended starting with the effective date of the merger of the distribution subsidiaries, 31 December 2020.

The mandate of the BoD members of the absorbing company, SDTN, which changed its name to DEER, ended on 31 January 2021.

The distribution subsidiary DEER – 1 January 2021 – date of the report

1 January – 31 January 2021	1 February – date of the report
Georgeta Corina Popescu – Chair	Livioara Șujdea – Chair starting with 8 February 2021
Livioara Șujdea	Stefan Alexandru Frangulea
Stefan Alexandru Frangulea	Mircea Toma Modran
Mircea Toma Modran	Mirela Dimbean Creta
Mirela Dimbean Creta	Geanina Dumitru

Source: *Electrica*

The end date of the mandates of DEER's directors at the date of this report is 31 January 2025.

The supply subsidiary EFSA – 1 January 2020 – date of the report

1 January – 4 October 2020	5 October – 4 December 2020	5 December – 1 February 2021	2 February 2021 – date of the report
Catalina Popa – Chair	Mihai Darie – Chair, starting with 8 October 2020	Mihai Darie – Chair	Georgeta Corina Popescu – Chair starting with 9 February 2021
Mihai Darie	Bibiana Constantin	Bibiana Constantin	Mihai Darie – Chair until 9 February 2021
Mihai Ioanitescu	Stefan Valeriu Ivan	Maria Cristina Manda	Bibiana Constantin
Bibiana Constantin	Maria Cristina Manda	Laura Mihaela Nastasescu	Maria Cristina Manda
Stefan Valeriu Ivan	Laura Mihaela Nastasescu		Laura Mihaela Nastasescu

Source: *Electrica*

The end date of the mandates of EFSA's directors at the date of this report is 26 April 2021.

The energy services subsidiary SERV – 1 January 2020 – date of the report

1 January – 11 February 2020	12 February – 4 June 2020	5 June – 8 June 2020	9 June – 14 July 2020
Mihai Darie – Chair until 11 February 2020	Stefan Valeriu Ivan- Chair starting with 17 February 2020; interim between 12 February – 4 March	Stefan Valeriu Ivan – Chair	Stefan Valeriu Ivan – Chair
Mihai Ioanitescu	Mihai Darie	Mihai Darie	Mihai Darie
Vasile Moise	Vasile Moise	Bibiana Constantin	Bibiana Constantin
Bibiana Constantin	Bibiana Constantin	Anamaria-Dana Acristini-Georgescu	Anamaria-Dana Acristini-Georgescu
Anamaria-Dana Acristini-Georgescu	Anamaria-Dana Acristini-Georgescu		Ion Udrea –interim between 9 June – 29 June

Source: Electrica

15 July – 21 July 2020	22 July 2020 – 17 January 2021	18 January 2021 – 14 February 2021	15 February 2021 – date of the report
Stefan Valeriu Ivan- Chair	Stefan Valeriu Ivan- Chair	Mihai Darie	Georgeta Corina Popescu - Chair starting with 16 February 2021
Mihai Darie	Mihai Darie	Bibiana Constantin	Mihai Darie
Bibiana Constantin	Bibiana Constantin	Anamaria-Dana Acristini-Georgescu	Bibiana Constantin
Anamaria-Dana Acristini-Georgescu	Anamaria-Dana Acristini-Georgescu	Irina Clima	Anamaria-Dana Acristini-Georgescu
	Irina Clima		Irina Clima

Source: Electrica

The end dates of the mandates of SERV's directors at the date of this report is 12 December 2021 in the case of Mrs. Bibiana Constantin, Irina Clima, and Anamaria-Dana Acristini-Georgescu and respectively 29 January 2022 in the case of the other two directors.

SERV, the absorbing company within the merger of the energy services subsidiaries, absorbed SEM starting with the effective date of the merger, 30 November 2020.

The energy services subsidiary SEM – 1 January 2020 – 30 November 2020 (the effective date of the merger with SERV)

1 January – 28 June 2020	29 June – 30 November 2020
Anamaria-Dana Acristini-Georgescu – Chair	Anamaria-Dana Acristini-Georgescu – Chair
Mihai Darie	Mihai Darie
Bibiana Constantin	Bibiana Constantin
Mihai Ioanitescu	Mihai Ioanitescu
Gheorghe Gadea	Stefan Valeriu Ivan – interim between 29 June – 21 July 2020

Source: Electrica

The mandate of the BoD members of the absorbed company, SEM, ended starting with the effective date of the merger of the energy services subsidiaries, 30 November 2020.

Executive management of ELSA's subsidiaries

The tables below show the subsidiaries' executive managers with delegated management duties by the Board of Directors of ELSA subsidiaries in 2020, as well as until the date of this report, as follows:

The distribution subsidiaries, respectively SDTN, SDTS, and SDMN – until 31 December 2020 (the effective date of the merger)

Name	Period (day month year)	Function
SDTN		
Emil Merdan	3 July 2017 – 31 December 2020	General Manager
Dora Fataceanu	1 February 2019 – 31 December 2020	Business Support Division Manager
Vasile Farcas	1 February 2019 – 31 December 2020	Network Operations Division Manager
Sorin – Viorel Muresan	1 August 2019 – 31 December 2020	Energy Management Division Manager
Mihaela Rodica Suci	5 June 2020 – 31 December 2020	Deputy General Manager
Gabriel Adrian Margin	1 October 2018 – 15 October 2020	Network Development Division Manager
Constantin Buda	1 October 2017 – 15 October 2020	Asset Management Division Manager
SDTS		
Sinan Mustafa	27 August 2018 – 31 December 2020	General Manager
Dragos Eduard - Staicu	1 July 2018 – 31 December 2020	Deputy General Manager With delegated attribution of Asset Management Division Manager until the appointment of a new manager
Monica Radulescu	1 August 2018 – 31 December 2020	Shared Services Division Manager
Raul Toma	15 October 2018 – 31 December 2020	Energy Management Division Manager
Simon Lajos Attila	1 August 2018 – 31 December 2020	Network Operations Division Manager
Alexandru Nine	1 July 2019 – 31 December 2020	Network Development Division Manager
Mihai Catalin Nicolae	1 October 2020 - 31 December 2020	Asset Management Division Manager
SDMN		
Valentin Branesu	1 November 2018 – 31 December 2020	General Manager
Diana Moldovan	1 April 2019 – 31 December 2020	Deputy General Manager
Gabriela Dobrescu	24 September 2018 – 31 December 2020	Asset Management Division Manager
Marius Raduta Petrescu	1 September 2018 - 31 December 2020	Network Operations Division Manager
Ilie Marin	1 September 2018 - 31 December 2020	Network Development Division Manager
Vasile Claudiu Tudose	1 September 2018 - 31 December 2020	Energy Management Division Manager
Bogdan Ionut Vlad	2 September 2019 – 14 December 2020	Shared Services Division Manager

Source: Electrica

The distribution subsidiary DEER– 1 January 2021 – date of the report

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Emil Merdan	1 January 2021 - present	General Manager	30 June 2021
Sinan Mustafa	1 January 2021 - present	Deputy General Manager coordinating Energy Management Division and Asset Management Division	26 August 2022
Valentin Branescu	1 January 2021 - present	Deputy General Manager coordinating Network Development Division and Network Operations Division	1 May 2023
Dragos Eduard Staicu	1 January 2021 - present	Integration Division Manager	30 June 2022
Diana Moldovan	1 January 2021 - present	Business Support Division Manager	31 March 2023
Dora Fataceanu	1 January 2021 - present	Financial Division Manager	31 January 2023
Monica Mariana Radulescu	1 January 2021 - present	Procurement Operations Manager	31 July 2022
Raul Toma	1 January 2021 - present	Energy Management Division Manager	14 October 2022
Gabriela Dobrescu	1 January 2021 - present	Asset Management Division Manager	24 September 2022
Catalin Mihai	1 January 2021 - present	Innovation Engineering Manager	31 December 2021
Mihaela Suciu	1 January 2021 - present	Network Development Division Manager	31 December 2021
Vasile Caudiu Tudose	1 January 2021 - present	TN Power Construction Unit Manager	1 September 2022
Alexandru Nine	1 January 2021 - present	TS Power Construction Unit Manager	30 June 2023
Ilie Marin	1 January 2021 - present	MN Power Construction Unit Manager	1 September 2022
Vasile Farcas	1 January 2021 - present	Network Operations Division Manager	31 January 2023
Sorin Viorel Muresan	1 January 2021 - present	TN Network Operations Unit Manager	31 December 2021
Simon Lajos Attila	1 January 2021 - present	TS Network Operations Unit Manager	31 July 2022
Marius Raduta Petrescu	1 January 2021 - present	MN Network Operations Unit Manager	1 September 2022

Sursa: Electrica

The supply subsidiary EFSA – until the date of the report

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Darius - Dumitru Mesca	1 October 2019 – present	General Manager	30 September 2023 With delegated attributions of Sales Division Manager until the appointment of a new manager
Claudiu - Daniel Radulescu	10 March 2020 – present (vacancy position until 9 March 2020) Interim	Deputy General Manager	31 March 2021
Raluca - Florentina Dumitriu	1 August 2019 – 16 September 2020	Financial Division Manager	15 December 2024
Daniel Anton	17 September 2020 – 14 December 2020 Interim		
Ionut – Bogdan Vlad	15 December 2020 – present		
Corina - Cristina Drumeanu	16 October 2019 - present	Portfolio Management Manager	15 October 2023
Paul Ferdoschi	21 January 2020 – 12 April 2020 Interim	Sales Division Manager	12 April 2024
Silvia – Cristina Macedon	13 April 2020 - present		
Corina Vasile	20 August 2019 – 29 February 2020	Marketing Division Manager	31 March 2021
Cristian - Eugen Radu	1 March 2020 – present Interim		
Constantin Marin	1 August 2019 – 30 September 2020 Interim (vacancy position starting with 1 October 2020)	Operations Division Manager	

Source: *Electrica***The energy services subsidiary SERV – until the date of the report**

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Vasile Ionel Bujorel Oprean	18 December 2019 – 14 December 2020 with delegated attributions	General Manager	16 April 2021
Beatrice Ambro	15 December 2020 – 15 January 2021		
Vasile Ionel Bujorel Oprean	16 January 2021 – present with delegated attributions		
Maroiu Marian	15 April 2020 – 15 October 2020 (one DGM position was dissolved starting with 5 November 2020)	Deputy General Manager	31 December 2021
Marius Guran	6 May 2020 - present		

Source: *Electrica*

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Ioana Lavinia Panu	15 December 2020 – 15 January 2021	Financial Manager ⁸	
Gheorghe Batir	1 June 2018 - present	Technical Manager	31 March 2021
Vasile Ionel Bujorel Oprean	1 December 2017 - present	Property Management and Product Development Manager	31 December 2021

Source: *Electrica*

The energy services subsidiary SEM – until 30 November 2020 (the effective date of the merger with SERV)

Name	Period (day month year)	Function
Alexandru Vladu	12 aprilie 2019 - 12 mai 2020	Director General
Constantin Gheban	13 mai 2020 – 30 noiembrie 2020	

Sursa: *Electrica*

Number of shares owned by the managers of Electrica Group

The table below shows the situation of ELSA shares held by the executive managers of the companies in the Group which were mentioned in this chapter, a situation valid both on 31 December 2020, as well as on 15 February 2021 (last update):

Item no.	Name	Number of shares	Weight in the share capital (%)
1	Emil Merdan	7.277	0,0021%
2	Dora Fataceanu	1.000	0,00029%

Source: *Depozitarul Central, Electrica*

According to information held by ELSA, there is no contract, understanding, or family relationship between the executive managers of the Group companies mentioned in this chapter and another person who may have contributed to their appointment as executive managers.

According to available information, the members of the BoD and the executive managers of the Group companies mentioned in this chapter have not been involved, in the last five years, in any litigations or administrative procedures related to their activity within the Group and to their capacity to fulfill their work-related duties within the Group.

General Meetings of Shareholders of ELSA subsidiaries

Corporate approvals at the GMS/BoD level in the case of ELSA's subsidiaries are regulated through their articles of association, as well as through the implemented corporate policies.

ELSA, as majority shareholder of its subsidiaries, voted in their GMS in 2020 on various topics, amongst which the most important are related to:

- revenue and expenses budgets, financial statements, the financial part of the individual annual investment plan, profit appropriation;
- contracting long-term loans to finance investments by distribution subsidiaries; acquisition of a credit line for working capital financing in the case of SDTS; contracting a working capital loan facility intended to finance the current activity in the case of EFSA;
- general debt limit in case of EFSA;
- amendments/improvements of the articles of association, except in the case of SEM;
- increases in the share capital with land plots in the case of SDMN, EFSA, and SERV;

⁸ The position of Financial Manager was held by Alexandrina Rusu, on the basis of an individual labor agreement between 1 January 2020 – 14 December 2020 and with delegated attribution starting with 20 January 2021 – present (until the appointment of a financial manager with mandate contract)

- increases in the share capital with the value of the component assets of the AMR system in the case of distribution subsidiaries;
- membership of the distribution subsidiaries in the EU - DSO entity;
- the merger of distribution subsidiaries (SDTN, SDMN, and SDTS) and merger of energy services subsidiaries (SERV and SEM);
- establishment of EFSA's branch in Chisinau, Republic of Moldova;
- the acquisition by EFSA of 100% of the share capital of Long Bridge Milenium SRL.

Starting with the end of 2019/beginning of 2020, a unitary policy was implemented within the Group's subsidiaries, regarding the organization and conduct of the General Meetings of Shareholders of the Electrica Group companies, whose objectives are for each company to obtain the corporate approvals in the competence of the GMS in a timely manner promptly, in order to carry out in good conditions the operational activity, in compliance with all legal and statutory provisions, implementation of a unitary system of convening, organizing, carrying out the GMS meetings in Electrica Group, as well as better tracking of the implementation of GMS resolutions.

4.9 Statement regarding the corporate governance “Comply or Explain”

The present Statement reflects ELSA's status of compliance with the new BSE Corporate Governance Code as of 4 March 2021.

Note: considering the fact that because there are no mentions for “Reason for non-compliance”, the corresponding column has been removed from the table below.

No.	Name	Compliance YES/NO/ PARTIALLY	Other remarks
Section A – Responsibilities			
A.1.	All companies must have an internal Board regulation which includes the terms of reference/responsibilities of the Board and the key management functions of the company, and which applies, among other things, the General Principles of this Section.	YES	ELSA's Corporate Governance Code (ELSA's CGC) was adopted in February 2015 and published on ELSA's website (it included the Articles of Association of ELSA, the rules of organization and functioning of the BoD and its committees). All of these documents mentioned above contain the terms of reference/ the responsibility of BoD, as well as those of the key management functions of the company. In 2016, the Board carried out an extensive project to review the Articles of Association and the above-mentioned regulations in order to detail the responsibilities of the Board, of its committees, and of the management team, taking into account the recommendations made in the Evaluation Report of the Board's activity in the previous year. In 2020, the Board revised ELSA's CGC, in accordance with the Group's Risk Management Policy. It is available on the company's website in the section “Investors -> Corporate Governance”.
A.2.	Provisions for the management of conflict of interest should be included in the Board regulation.	YES	Such provisions are mentioned in ELSA's CGC, in the Articles of Association, in the Code of Ethics and Professional Conduct, and the BoD organization and functioning regulation.
A.3.	The Board of Directors must consist of at least five members.	YES	ELSA's BoD consists of seven members since 14 December 2015.

No.	Name	Compliance YES/NO/ PARTIALLY	Other remarks
Section A – Responsibilities			
A.4.	The majority of the members of the Board of Directors must have no executive function. In the case of Premium Companies no less than two non-executive members of the Board of Directors should be independent. Each independent member of the Board of Directors should submit a declaration at the time of its nomination for election or re-election as well as when any change in its status occurs, indicating the elements based on which it is considered independent in terms of its character and judgment and according to the following criteria: A.4.1. is not the General Manager/Executive Director of the company or a company controlled by it and has not held such a position for the past five (5) years; A.4.2. is not an employee of the company or a company controlled by it and has not held such a position for the past five (5) years; A.4.3. does not and did not receive additional remuneration or other advantages from the company or a company controlled by it, other than those corresponding to the quality of a non-executive director; A.4.4. is not or has not been an employee or has not had a contractual relationship, during the previous year, with a significant shareholder of the company, shareholder who controls more than 10% of voting rights or with a company controlled by him; A.4.5. does not have and did not have in the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/Administrator, General Manager/Executive Director or employee of a company if, by its substantial nature, this report may affect its objectivity; A.4.6. is not and has not been for the last three years the external or internal auditor or partner or associate employee of the current external financial or internal auditor of the company or a company controlled by it; A.4.7. is not the general manager/executive director of another company where another general manager/executive director of the company is a non-executive director; A.4.8. has not been a non-executive director of the company for more than twelve years; A.4.9. has no family ties to a person in the situations mentioned in points A.4.1. and A.4.4.	YES	All the members of ELSA's BoD are non-executive. According to the Articles of Association, at least four out of seven members must be independent. The independence criteria stipulated in the Articles of Association are similar and even more restrictive than those in the BSE's Corporate Governance Code. Currently, four out of seven members are independent. All independent members submitted a declaration of independence, at the time of their appointment by the OGMS.
A.5.	Other relatively permanent professional commitments and obligations of a Board member, including executive and non-executive Board positions in companies and not-for-profit institutions, must be disclosed to shareholders and potential investors before the appointment and during his/her term of office.	YES	The professional background of the proposed candidates, as well as of the current Board members are available on ELSA's website in the <i>Investors > General Meeting of Shareholders</i> section. Their biographies contain all the relevant information requested by this provision of the Code. The updated biographies of each member of the Board are presented annually in the Directors' Report.
A.6.	Any member of the Board should submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights.	YES	When a Board member has entered into a relation with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights, he/she briefly informed the entire Board.
A.7.	The company should appoint a Board secretary responsible for supporting the Board's work.	YES	The company has established the General Secretary Department, which is directly subordinated to the Board of Directors.

No.	Name	Compliance YES/NO/ PARTIALLY	Other remarks
Section A – Responsibilities			
A.8.	The corporate governance statement will inform whether an evaluation of the Board has taken place under the leadership of the chair or the nomination committee and, if so, will summarize the key measures and changes resulting from it. The company should have a policy/guide regarding the evaluation of the Board including the purpose, criteria, and frequency of the evaluation process.	YES	This provision was applied starting with 2015, the BoD carrying out an annual assessment process of its activity with the support of an external consultant (in 2015, 2017, and 2020), or using a self-assessment questionnaire (in 2016, 2018, and 2019). More details are provided in the 2015-2017 Annual Reports in <i>chapters</i> 6.1 and 6.2, for 2018 and 2019 and 2020 in <i>chapter</i> 4.5.
A.9.	The corporate governance statement must contain information on the number of meetings of the Board and committees during the last year, directors' attendance (in person or absent), and a report of the Board and committees on their activities.	YES	Details regarding the compliance with this provision are presented in the Annual Report, in the Corporate governance chapter. For 2020, please see <i>chapter</i> 4.5.
A.10.	The corporate governance statement must contain information on the exact number of the independent members of the Board of Directors.	YES	Four out of seven members of the BoD are independent and this is specified in the Annual Report. More details are provided in the Annual Reports for 2015-2017, in <i>chapters</i> 6.1 and 6.2, for 2018 and 2019 in <i>chapters</i> 4.4 and 4.5, and for 2020 in <i>chapter</i> 4.4. On ELSA's website, in the section <i>Investors > Corporate Governance > Board of Directors</i> , it is specified exactly which members are independent.
A.11.	The Board of Premium Companies must set up a nomination committee of non-executive members that will lead the procedure of nomination of new members to the Board and will make recommendations to the Board on the appointment and the revocation of the Chief Executive Officer and the management team. The majority of the members of the nomination committee must be independent.	YES	The Articles of Association and ELSA's CGC highlight the existence of this committee (Nomination and Remuneration Committee - NRC), its structure, and responsibilities. The NRC structure is reviewed annually, following the NRC organization and functioning regulation (Charter) and at the beginning of each new mandate of the BoD. In May 2020, its structure was revised according to the changes that occurred in the board structure. According to the NRC's Charter, in December 2020 the current structure of the NRC was established, two of the members being independent. Details regarding the NRC structure are presented in <i>chapter</i> 4.4.
Section B – Risk management and internal control system			
B.1.	The Board must set up an audit committee in which at least one member must be an independent non-executive director. A majority of members, including the chairman, must have proven that they are adequately qualified relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience. In the case of Premium Companies, the audit committee must consist of at least three members, and the majority of the audit committee must be independent.	YES	The Articles of Association and ELSA's CGC highlight the existence of this committee (Audit and Risk Committee - ARC), its structure, and responsibilities. The ARC structure is reviewed annually, according to ARC Charter, and at the beginning of each new mandate of the BoD. In May 2020, its structure was revised according to changes in the BoD structure. In accordance with the ARC Charter, the current composition of the ARC was voted in December 2020, in which two of the members are independent. Details of this are presented in <i>chapter</i> 4.4.

No.	Name	Compliance YES/NO/ PARTIALLY	Other remarks
Section B – Risk management and internal control system			
B.2.	The chairman of the audit committee must be an independent non-executive member.	YES	Mrs. Ramona Ungur, an independent non-executive board member was re-elected as Chairman of the Audit and Risk Committee on 13 May 2020 and subsequently on 15 December 2020, being in this position since 18 February 2019.
B.3.	Among its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	YES	According to the organization and functioning regulation, the Audit and Risk Committee (ARC) has the following responsibilities on internal control issues: (i) regularly review the adequacy and implementation of key internal control policies, including fraud detection and bribery prevention policies; (ii) reviewing related parties transactions in accordance with a policy developed by the Committee and approved by the Board; (iii) analysis of the annual report prepared by the Internal Audit Department and/or Risk Management Department assessing the effectiveness of the internal control system within the Group.
B.4.	The assessment must consider the effectiveness and purpose of the internal audit function, the adequacy of risk management and internal control reports submitted to the audit committee of the Board, the promptness and effectiveness with which the executive management solves the deficiencies or weaknesses identified as a result of the internal control and the submission of relevant reports to the Board's attention.	YES	Such reports are annually presented. The assessment report for 2020 specified in the CGC was presented and discussed by the Audit and Risk Committee in the meeting on 4 March 2021.
B.5.	The audit committee must assess conflicts of interests in connection with the transactions of the company and its subsidiaries with related parties.	YES	The assessment is carried out annually. The assessment report for 2020 specified in the CGC was presented and discussed by the Audit and Risk Committee at its meeting on 4 March 2021.
B.6.	The audit committee must assess the effectiveness of the internal control system and risk management system.	YES	The ARC has at least the following responsibilities on risk management issues: (i) regularly review of the main risks to which the company and the Group are exposed, recommending to the Board appropriate policies for identifying, mapping, management, and risk reduction; (ii) annual analysis of a management report that assesses the effectiveness of the risk management system within the Group. Based on the ARC Charter's provisions, the evaluation report for the year 2020 was presented and discussed by the Audit and Risk Committee at its meeting on 4 March 2021. Details regarding the ARC activity for the year 2020 are presented in chapter 4.5 of the Annual Report.

No.	Name	Compliance YES/NO/ PARTIALLY	Other remarks
Section B – Risk management and internal control system			
B.7.	The audit committee must monitor the application of legal standards and generally accepted internal audit standards. The audit committee must receive and assess the reports of the internal audit team.	YES	The ARC has the following responsibilities on internal audit issues: (i) approval of an annual audit plan at Group level, based on an annual risk assessment, as well as any significant changes to the plan and receipt of periodic reports on activities, key findings and follow up of internal audit reports; (ii) advising the Board on the appointment, revocation, and remuneration of the Head of Internal Audit Department; (iii) monitoring the adequacy, effectiveness, and independence of the internal audit function. Details regarding the ARC activity are presented in <i>chapter 4.5</i> of the Annual Report.
B.8.	Whenever the Code mentions reports or analyses initiated by the Audit Committee, these must be followed by regular (at least annual) or ad-hoc reports to be submitted to the Board afterward.	YES	
B.9.	No shareholder may be granted preferential treatment over other shareholders with regards to transactions and agreements concluded by the company with shareholders and their related parties.	YES	Provisions on this matter are included in ELSA's CGC and in the Policy on Transactions with Related Parties.
B.10.	The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations whose value is equal to or more than 5% of the net assets of the company (according to the latest financial report), is approved by the Board following a mandatory opinion of the Board's audit committee and fairly disclosed to shareholders and potential investors, to the extent that these transactions fall under the category of events subject to reporting requirements.	YES	The Policy regarding the transactions with Related Parties, has been updated in July 2020 and covers all the required aspects.
B.11.	Internal audits must be carried out by a separate structural division (internal audit department) within the company or by hiring an independent third-party entity.	YES	The internal audit is carried out by the Internal Audit Department, a structurally separate entity.
B.12.	In order to ensure the performance of the main functions of the internal audit department, it must report functionally to the Board through the audit committee. For administrative purposes and within the framework of management's obligations to monitor and reduce risks it must report directly to the chief executive officer.	YES	The Internal Audit Department reports functionally to the BoD through the ARC, while administratively reports to the CEO.

No.	Name	Compliance YES/NO/ PARTIALLY	Other remarks
Section C – Fair rewards and motivation			
C.1.	The company must publish on its website the remuneration policy, and include in its annual report a statement of the remuneration policy during the annual period under review. The remuneration policy must be formulated in such a way as to allow shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and the CEO, as well as the members of the Management Board in two-tier board systems. It should describe how the process is managed and decision-making on remuneration, detail the components of executive management remuneration (such as salaries, annual bonus, long term incentives related to the value of shares, benefits in kind, pensions, and others), and describe the purpose, principles, and assumptions underlying each component (including general performance criteria for any form of variable remuneration). Also, the remuneration policy must specify the duration of the executive manager's contract and the notice period provided for in the contract as well as any compensation for revocation without just cause. The remuneration report must present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any essential change in the remuneration policy must be published in a timely manner on the company's website.	YES	The remuneration limits for the General Manager and others executive managers were approved by the General Meeting of Shareholders (GMS) on 9 July 2015. In March 2016, the GMS approved the new Directors Remuneration Policy. Considering the tax changes introduced during 2017, the Board has analyzed their impact and submitted for the GMS approval proposals regarding the revision of the Remuneration Policy for the BoD members and of the remuneration limits for the executive managers. On 9 February 2018, the GMS approved the revised Directors' Remuneration Policy and remuneration limits for the executive managers. The Remuneration Policy for directors and the executive management is available on the ELSA website, under <i>Investors > Corporate Governance > Corporate Policies and other documents</i>.
Section D – Building value through investors' relations			
D.1.	The company must have an Investor Relations function – indicating to the public the person(s) responsible or the organizational unit. In addition to the information required by legal provisions, the company must include on its website a section dedicated to Investor Relations, both in Romanian and English, with all relevant information of interest to investors, including: D.1.1. Main corporate regulations: the articles of association, the procedures regarding the general meetings of shareholders. D.1.2. Professional CVs of members of the company's management bodies, other professional commitments of the board members, including executive and non-executive positions on board of directors of companies or non-profit institutions D.1.3. Current and periodic reports (quarterly, semi-annual and annual reports); D.1.4. Information related to general meetings of shareholders; D.1.5. Information on corporate events; D.1.6. The name and contact details of a person who should be able to provide relevant information upon request; D.1.7. Corporate presentations (e.g. investors presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), audit reports, and annual reports.	YES	The company has both an Investor Relations department and a section dedicated to Investor Relations on its website (in both Romanian and English). All relevant information for investors is published under the Investors section on ELSA's website.
D.2.	The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the CEO or the Management Board and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.	YES	The BoD last revised the Dividends Policy at its meeting on 14 February 2018. It is published on ELSA's website, in the <i>Investors > Corporate Governance > Corporate Policies and other documents</i> section.

No.	Name	Compliance YES/NO/ PARTIALLY	Other remarks
Section D – Building value through investors' relations			
D.3.	The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the overall impact of several factors for a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly from the forecasts initially presented. The forecast policy will determine the frequency, period envisaged, and the content of the forecasts. Forecasts, if published, may only be part of annual, semi -annual, or quarterly reports. The forecast policy should be published on the company's website.	YES	The BoD last revised the Forecasts Policy in its meeting on 14 February 2018. It is published on the ELSA website, in the <i>Investors > Corporate Governance > Corporate Policies and other documents</i> section.
D.4.	The rules of general meetings of shareholders should not limit the participation of shareholders in general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next general meeting of shareholders	YES	ELSA rules and procedures that establish the framework for the organization and conduct of general meetings of shareholders are part of ELSA's Policy on organizing and running the General Meetings of Shareholders, available from the beginning of 2020 and in updated form from August 2020, in electronic form on ELSA website in the section <i>Investors > Corporate Governance > Corporate Policies and other documents</i> . Also, the rules of general meetings of shareholders are mentioned in each convening notice, published in accordance with following the legal and statutory requirements approximately 45 days before each meeting.
D.5.	The external auditors should attend the general meetings of shareholders when their reports are presented.	YES	External auditors attend each OGMS in which the annual reports are approved.
D.6.	The Board will present to the annual general meeting of shareholders a brief assessment of the systems of internal control and significant risks management, as well as opinions on issues subject to the decision of the general meeting.	YES	The directors' annual report, presented to the annual general meeting of shareholders together with the financial statements, contains the BoD's assessments on the systems of internal controls and significant risk management. As a practice, all the documents subject of the GSM approval are endorsed by the BoD; this is clearly stated in the documents presented to the shareholders.
D.7.	Any professional, consultant, expert, or financial analyst may attend the shareholders' meeting on the bases basis of a prior invitation from the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chair of the Board decides otherwise.	YES	In this respect, the agreement of the shareholders present at the General Meetings was requested each time it was the case.
D.8.	The quarterly and semi-annual financial reports will include information in both Romanian and English on key factors influencing changes in sales levels, operating profit, net profit, and other relevant financial indicators, both from quarter to quarter as well as from one year to another.	YES	

No.	Name	Compliance YES/NO/ PARTIALLY	Other remarks
Section D – Building value through investors' relations			
D.9.	A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings/teleconferences.	YES	ELSA organizes quarterly teleconferences with analysts and investors and publishes presentations and audio recordings of the teleconference on the ELSA website, in the section <i>Investors > Results and Reports > Presentations and other information.</i>
D.10.	If a company supports different forms of artistic and cultural expression, sports activities, educational or scientific activities, and considers that their impact on the innovative character and competitiveness of the company part of its mission and development strategy, it will publish the policy regarding its activity in this area.	YES	Information regarding the CSR activities can be found online on the company's website, in the CSR section. The Grants Program is annually reviewed and approved by the BoD. The projects and activities supported each year are presented in ELSA's annual Sustainability Reports, available on the ELSA website, in the <i>CSR section > Non-financial Reporting.</i>

Source: *Electrica*

4.10 Implementing action plans undertaken by signing the framework agreement with EBRD

The company's initial public offering and dual listing preparation process involved the signing of a framework agreement with the European Bank for Reconstruction and Development (EBRD), which includes action plans aiming at key dimensions for the company's transformation: developing a culture of integrity and compliance, adopting best practices concerning corporate governance and incorporating the sustainability principles at Group level.

As for the development of a culture of integrity and compliance at the Electrica Group level, in line with the EBRD standards, the year 2020 meant maintaining the compliance framework from an ethical perspective and updating it in accordance with the evolutions of the social and legal context in which the organization operates, through concerted actions on four main directions:

- maintaining the organizational structures dedicated to ethics and compliance and increasing their awareness on of their role within the organization;
- updating the compliance framework - reviewing the provisions of The Code of Ethics and Professional Conduct and its subsequent policies, according to the new Strategy Group;
- informing, through the information channel of all employees, on updating the compliance framework – The Code of Ethics and Professional Conduct, as well as other policies/procedures implemented, promoting and disseminating these documents at the level of all entities within the Group;
- promoting and monitoring compliance in relation to the framework defined by the Code of Ethics and Professional Conduct and subsequent policies.

Having mainly a preventive role in relation to the risks to which the organization is exposed, compliance adds value to each business, but, to be effective, the compliance framework must be adapted to the organization transformations and to be aligned permanently with legislative changes, external environment trends and business ethics' best practices.

Given this principle, Electrica Group embraced a proactive attitude, updating and developing certain provisions of the compliance framework in order to better suit the practical aspects and the specific activity of the companies within the group. As a result, in February 2020, The Policy Regarding the Avoidance and Combating Conflicts of Interest was reviewed and updated, in line with the legal framework and organizational environment evolution.

In March 2020, at the ELSA level was carried out an activity to inform employees about combating harassment at work, currently being in progress, a policy to prevent combating harassment and sanction any forms of harassment at work.

Subsequently, due to the restrictions generated by the current pandemic crisis, were carried out, exclusively through the information channel of all employees, information and awareness activities on the provisions of the compliance framework from an ethical perspective, as well as monitoring the compliance in relation with it through the organizational structures dedicated to ethics and compliance existing in the companies within the Group.

Regarding the organizational entities dedicated to ethics and compliance, these exist in all the Group companies.

The steps towards the professional training of the dedicated staff and the increase of the integration level of the specific approaches and solutions materialized in 2020 through information made through the communication channel of the dedicated staff from the group companies, carried out by the ethics and compliance officer, which, in two situations that occurred during 2020, also provided the necessary support to this staff to solve complex cases.

Awareness regarding the standards of ethics and compliance and compliance monitoring continued at the Electrica Group level throughout 2020.

Regarding the donations, in 2020 Electrica Group focused on donations in the health field in order to support the situation created by the COVID-19 pandemic.

The action plan regarding corporate governance

The implementation of the Corporate Governance Action Plan, assumed as part of the Framework Agreement with EBRD, has been considered since the IPO and the company's listing. The standards and measures it envisaged have been implemented, maintained, and continuously monitored.

Selection of independent directors

The EBRD guidelines were included in ELSA's Articles of Association adopted on 4 July 2014, being maintained in the context of increasing the total number of directors from five to seven, by adopting the Extraordinary General Meeting of Shareholders decision from 10 November 2015; out of the seven directors, four must meet the independence criteria.

For details about ELSA's Board of Directors, its members, and the election of its members, please see *chapter 4.4*.

Nomination and Remuneration Policies

ELSA uses nomination and remuneration principles in accordance with best practices for the appointment and remuneration of directors, executive management, and other members of its staff. In this respect, the Profile of the Board of Directors and the Policy for the nomination of the executive managers were elaborated.

The Nomination and Remuneration Committee periodically reviews The Remuneration Policy for ELSA's Directors and Executive Management which describes the main pillars of remuneration, as well as the terms, conditions, and non-financial benefits approved by ELSA's corporate governance bodies. Following the approvals received at the General Meeting of Shareholders, the policy was published on the company's website in the Corporate Governance section in March 2017 and subsequently updated in May 2018.

For details regarding the remuneration of the Board members and the executive management of ELSA, please see *chapter 4.7*.

Advisory Committees of the Board of Directors

In order to increase the effectiveness of its activity, ELSA's Board of Directors has established the following committees with an advisory role: the Nomination and Remuneration Committee, the Audit and Risk Committee, and the Strategy and Corporate Governance Committee. For details, please see *chapter 4.5*.

Internal Control and Audit Framework

During 2020, the documentation governing the internal audit activity at the Electrica Group level approved in November 2019 was maintained and applied. This documentation was approved in its first version by the BoD at the beginning of 2015 and includes the Internal Audit Charter, the Audit Manual, and the Auditor's Code of Ethics, its last update dating from 2019. The documents are available on ELSA's website in the section *The group > Internal Audit*. For details about the internal audit please see *chapter 4.11*. and for more details on the internal control, please see *chapter 6.8*.

ELSA's Articles of Association

EBRD guidelines were included in the Articles of Association of ELSA adopted on 4 July 2014.

In 2019, ELSA's Articles of Association were updated according to ELSA Board of Directors' decisions from 9 December 2019, following the increase of the company's share capital. All versions of the ELSA Articles of Association adopted since the listing of the company are available on its website in the section *The group > About > Articles of Association*.

Clear lines of competence and responsibility

To define the reporting system and to set responsibilities and competencies at the level of the group and its' companies, ELSA, and its subsidiaries carried out projects for processes' mapping both in distribution and in supply areas, benefiting from external consultancy in this regard. In the context of the 2018 – 2020 organizational transformation, the applicable procedural framework, and the documentation of the Quality – Environment – OHS Integrated Management Systems implemented at each Group company level have been fully revised, maintaining their certifications in accordance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 following the audit performed during 2020 by the SRAC CERT certification body, IQNet affiliate.

In 2020, the Delegation of Authority Policy was updated both by ELSA and the companies within the Group.

Code of Conduct

EBRD requirements are covered by the Code of Ethics and Professional Conduct, which has been updated following the new Strategy adopted by the Electrica Group. Regarding the Whistleblowing Policy, it has been updated and is available on the company's website.

During 2020, follow-up actions were carried out in relation to the provisions of the Code at the group level, after it was disseminated and implemented in its new version within the Group.

Compliance with BSE Corporate Governance Code

On 4 January 2016, the new BSE Corporate Governance Code entered into force and, on this occasion, ELSA published on 8 January 2016 the „Corporate Governance Code Apply or Explain” statement according to the new provisions. ELSA publishes the updated statement yearly and reports promptly to the capital market any update of its compliance.

In its turn, ELSA adopted its own Corporate Governance Code since the beginning of 2015, its last update being approved by the BoD on 23 June 2020. This version, as well as the policies and other corporate documents referred to by the Corporate Governance Code of ELSA, are available on the company's website in the *Investors > Corporate Governance* section (<https://www.electrica.ro/en/investors/corporate-governance/>).

For details, please consider *chapters 4.9 and 4.1*.

Electrica Group continues to have a *Market Abuse Policy* adopted by all companies within the Group.

The Social and Environmental Action Plan

The measures set by The Social and Environmental Action Plan, an annex to the Framework Agreement signed by ELSA with EBRD, have been implemented and monitored since the end of 2014, aiming the highest degree of compliance with the bank's requirements.

1.1. In the context of the organizational transformations implemented between 2018 and 2020, the companies within Electrica Group redefine their quality - environment - OHS integrated management systems by redesigning and redocumenting their processes with the revision of the applicable procedural framework.

The endeavour for aligning the specific processes documentation within the quality - environment - OHS integrated management systems, initiated in 2019 for the distribution operators within the group, was an important step in preparing their merger at the end of 2020.

In 2020, the redesign of EFSA's specific processes and the redefinition of its integrated quality - environment - SSO management system continued in the context of the Brancusi project.

At the end of 2020, each of the group companies had integrated quality management systems - environment - SSO, implemented and certified in accordance with the reference standards ISO 9001: 2015, ISO 14001: 2015, and ISO 45001: 2018, successfully completing recertification and supervision audits performed by the same certification body, SRAC Cert, affiliated to IQNet.

The implementation of the international standard for energy management ISO 50001:2011 was scheduled after the implementation of the organizational transformation projects at the Electrica Group level.

1.2. For ensuring the contractors' compliance with the company's environment and OHS standards, ELSA developed certain provisions integrated into dedicated conventions, concluded as part of the agreements/contracts with works and services providers.

1.3. During 2020, the practice of including chapters dedicated to the environmental and OHS aspects, in the new investment projects, continued at the Group level. There were considered mainly the measures for the grids crossing the bird-protected areas and Natura 2000 sites, according to the digital maps highlighting the priority areas for risk mitigation.

1.4. Regarding Corporate Social Responsibility, in 2020 ELSA maintained its grants, donations, and sponsorships

policies approved in 2018, implemented at the level of its subsidiaries in 2019, and operationalized through a dedicated working procedure, the policies being available on the ELSA website.

As in previous years, during 2020 the company was involved in the community and financially supported social causes, directly or via prestigious non-governmental organizations in Romania, focusing on supporting the health system in managing the COVID-19 pandemic throughout the country. All information on donations, sponsorships, and grants provided by ELSA is available on its website under the CSR section.

In mid-2020, ELSA posted on its website the Group-level Sustainability Report for 2019, prepared in accordance with the requirements of GRI (Global Reporting Initiative) standards.

1.5. Complaints' management within Electrica Group is based on procedures in force at each company level and involves several departments, both for investigating and analyzing the information, as well as for remedying the situation and documenting the answers, if required. In 2019, for the three distribution companies, integration of the call centers serving the users of electricity distribution networks operated in a unique Call Center, by implementing an IT application for management, distribution, and prioritization was made.

Since April 2015, at Electrica Group level is available and functional a reporting system for ethical misconduct, irregularities, or any violations of the law through professional alert devices (whistleblowing system). It includes a dedicated hotline, postal addresses (physical and electronic), as well as an online platform for receiving integrity warnings, accessible from the websites of all companies within the group. The services for receiving and anonymizing integrity warnings have been outsourced since the launch of the system and maintained like this even during 2020.

In November 2019, the Procedure for reporting ethical misconduct, irregularities, or violations of the law through professional alert devices was reviewed and a dedicated Whistleblowing Policy was approved by ELSA's BoD. The approved documents are available on the company's website, in the Whistle-blower section.

1.6. The identification and assessment of environmental and social risks by an independent consultant was an integral part of the project initiated in November 2017, for the improvement and development of the risk management system in accordance with the SR ISO 31000:2010 provisions. The consultant defined a dedicated methodology, analyzing all vulnerabilities in relation to the environment, communities, occupational health and safety, and to business ethics, and has conducted interviews and evaluation sessions across all the group's companies. In 2018, the vulnerability analysis was completed and the external consultant's report on Electrica Group environmental and social risks was approved, following that the implementation of their mitigation measures to be monitored as part of the Risk Register by the organizational entity with responsibilities for risk management within each Group company.

1.7. Regarding the development of a corporate policy on the reorganization/restructuring actions carried out, in the context of the extensive organizational transformation projects implemented at the Group level, dedicated provisions were negotiated with the trade unions as part of the Collective Labor Agreement for all Electrica Group companies, a medium-term human resources strategy being defined.

2.1. The recent study carried out on the level of electromagnetic fields in installations belonging to a distribution company of Electrica Group (transformer stations and high voltage overhead lines), conducted by RENAR accredited laboratory of ICEMENERG National Research and Development Institute, concluded that no parameters exceed the admitted standards in accordance with the legal provisions in force for any of the locations for which the evaluation was conducted. The external consultant involved in the environmental and social risk assessment at the group level also found that the respective environmental aspect is not significant.

2.2. Electrica Group companies selectively collect and temporarily store the generated waste and then processes it through authorized contractors, according to the legal requirements in force, fulfilling their reporting obligations to the competent environmental authorities, based on the implemented waste management procedures.

In 2019, under ELSA guidance, the group distribution companies agreed upon implementing the process of managing environmental issues and reports in a unitary manner. Thus, a unique waste management procedure was adopted, which prepared the implementation of a unitary waste management system at the company level resulting from the merger of the three distribution operators in the Group, which took place at the end of 2020. However, the nature of the specific activities makes necessary a distinct process and implicitly different procedures for EFSA, ELSA, and SERV.

2.3. Electrica group distribution companies have an ongoing program to eliminate asbestos and PCB from the managed installations, in accordance with specific national and European legislation in force, developed based on a risk assessment regarding the use of these materials in their own activity. The program is monitored annually through reports, the objective being considered in the investment projects initiated.

2.4. Accidental leakage of insulating oil from transformers from the stations operated by the group distribution companies is monitored and recorded in registers of faults. For several locations (repair shops, warehouses) soil and water analysis were conducted, following the requirements imposed by environmental authorizations.

In 2020, at the level of the Electrica Group, an incident that generated minor accidental pollution was registered, its minor effects being completely eliminated, as described in section 5.7, dedicated to the environment, of this report.

3.1. The reduction of noise pollution in residential areas and of the associated health risks is achieved by including specific provisions in the works and services contracts, when applicable, and by measurements made in the substations located in the vicinity of such areas. For 2020 no significant impact, nor complaints or notifications regarding noise pollution were registered or reported.

4.1. The 2020 year meant for the emergency situations and fire protection management a series of usual prevention measures implemented at the level of all companies, which included: control of compliance with specific rules by its own authorized personnel, regular training for all categories of personnel according to approved training programs and topics, carrying out intervention and evacuation exercises in emergency situations, check and maintenance for fire protection installations, respectively for firefighting means and devices at each location with authorized companies, keeping pathways and evacuation routes free, measures to prevent fires specific for the hot and cold seasons. At the same time, given the epidemiological crisis generated by the COVID-19 pandemic, the actions in the field of managing emergency situations aimed at developing and implementing resilience plans for each company within the Group, starting from the resilience concept defined and provided by ELSA.

4.11 Internal audit activity report for 2020

The Internal Audit Department is responsible for conducting risk-based audit missions at the Group companies' level.

The Internal Audit Department performs its activity based on an audit plan, which is endorsed by the Audit and Risk Committee, and subsequently approved by the Board of Directors. The 2020 Audit Plan included assurance missions, operational, as well as ad-hoc audit missions, started after their validation by the Audit and Risk Committee. The audit plan is aligned with the risk register at the Group level and prioritizes the main risks identified for the major business areas.

During 2020, assurance audit missions were carried out, as well as various ad-hoc missions on the most important business activities. The audit missions were performed on major projects or events within the Group, but also on procurement, information security, physical security, and other areas. The Audit and Risk Committee together with the Board of Directors analyzed the audit reports regarding the findings identified, as well as the action plans established to remedy them.

Throughout 2020, the internal audit department team consisted of four internal auditors, out of which one has a management role.

Among the most important audit missions carried out in 2020 are:

1. Evaluation and audit of the procurement activity at ELSA, SERV, and SEM. Three audit reports were prepared, containing 27 findings regarding the procurement activity, of which 15 with high impact;
2. Evaluation and audit on information security and access rights systems areas, carried out at ELSA and SERV. Two audit reports were prepared containing 27 findings, of which 12 with high impact;
3. Evaluation and audit of the activity regarding the physical security at ELSA and SERV. Two audit reports were prepared containing 8 findings, of which 2 with high impact;
4. Two "follow-up" missions were carried out at the Group level, which aimed to identify and monitor the implementation degree of the audit recommendations related to the issued reports;
5. Based on the procedure for analyzing integrity warnings, 89 warnings were received through the "whistle-blower" system. Out of the total number of warnings received during the year 2020, ELSA Internal Audit Department analyzed 16 warnings, of which 11 were resolved and 5 are still under analysis.

The audit reports are submitted to and agreed by the audited companies' management and further submitted to the Audit and Risk Committee of ELSA, as well as to the Board of Directors. Following the conclusion of the audit engagements and after agreeing on the audit recommendations with the responsible persons, the Internal Audit Department works together with the audited structures in order to draw up the action plans aimed to reduce or eliminate the identified risks.



5. Operating activity of Electrica in 2020

5.1 Operating segments

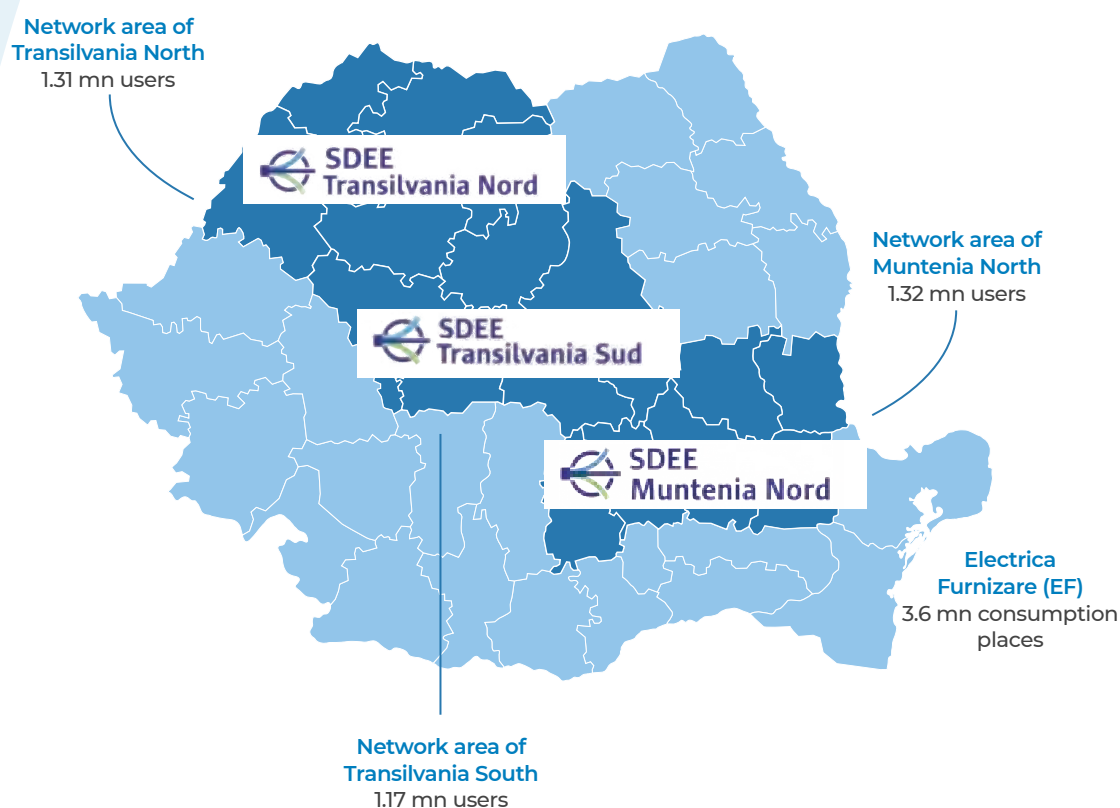
The operations of each reportable segment are summarized below.

Segments	Operations
Electricity and gas supply	Purchasing and supplying electricity and gas to end consumers (EFSA, including the trading and representation activity on the Balancing Market as Balance Responsible Party – BRP)
Electricity distribution	Electricity distribution service (in 2020 included SDTN, SDTS, SDMN, SERV and the activity performed by ELSA within the distribution network; starting with 1 January 2021, includes DEER, following the DSO merger, serving the areas TN, TS, MN)
Electricity generation	Production of electricity from renewable sources (photovoltaic panels)
External electricity network services	Repairs, maintenance, and other services for electricity networks owned by other distributors
Headquarters	Includes corporate services at parent level

Source: Electrica

The figure below shows the areas covered by the Group subsidiaries and the number of customers/users they serve.

Figure 21: The geographical coverage of the companies in the Electrica Group in 2020



Source: Electrica

Note: The figure refers to the company's number of consumption places/users on 31 December 2020

DISTRIBUTION SEGMENT

Electrica Group's distribution segment refers to the activity of its subsidiaries SDMN, SDTN, SDTS, and SERV. Starting with 1 January 2021, Electrica Group's distribution segment is represented by the activity of DEER (with the following network areas: Transylvania North, Transylvania South, and Muntenia North) and SERV.

The electricity distribution segment is a regulated area of activity, in which operations are conducted in

a geographically limited area in accordance with the concession agreement, the nature of the services provided, and the specific obligations are stipulated in the license conditions of the concessionaire operator. Thus, Electrica Group, through its subsidiary, is the electricity distribution operator in Transylvania North (Cluj, Maramures, Satu Mare, Salaj, Bihor, and Bistrita-Nasaud counties), Transylvania South (Brasov, Alba, Sibiu, Mures, Harghita, and Covasna counties) and Muntenia North (Prahova, Buzau, Dambovit, Braila, Galati and Vrancea counties), operating electrical installation with voltages between 0.4 kV and 110 kV.

DEER holds the exclusive electricity distribution license in these regions of network areas valid for the next seven years with an extension clause for another 25 years. Within its service for distribution activity, SERV provides maintenance, repair, and various services to group companies (car rental, rental of buildings, etc.) as well as repairs and other related services to third parties.

The specific distribution tariffs are determined and approved by ANRE based on the "tariff basket cap" method as set out in ANRE Order no. 169/18 September 2018 regarding the approval of the tariff setting methodology for the electricity distribution service (applicable in the fourth regulatory period 2019 - 2023), with subsequent amendments, and respectively GEO no. 1/15 January 2020 and ANRE Order no. 75/6 May 2020 regarding the establishment of RRR applied to the approval of tariffs for the electricity distribution service.

The regulatory method "tariff basket cap" aims to avoid significant fluctuations in the tariffs applied to the users for electricity distribution. The model for determining the regulated income is based on the principle of remunerating in tariffs the justifiable costs recorded by the distribution system operator, the main source of profit of the distribution company being the rate of return of capital invested in the distribution activity.

The tariffs are adjusted annually, taking into account the operational performance achieved, the quantities of electricity distributed, the quantities and the purchase price of electricity needed to cover network losses (NL), controllable and noncontrollable costs, the change in reactive energy revenues from forecasted values, the depreciation and carrying out expected capitalizable expenses, the changes in actual gross profit from other activities compared to the forecasted one, as well as the corrections in previous periods, carried out according to the methodology.

As of 31 December 2020, the Group is in an estimated over-recovery position of approximately RON 88 mn (2019: RON 80 mn), which will be deducted from the distribution tariffs of the following years.

The current regulatory period (the fourth regulatory period – RP4) began on 1 January 2019 and will end on 31 December 2023. Both the current regulatory framework and the rules on RAB and distribution tariffs determination are expected to remain unchanged until the end of 2023. ANRE sets the annual level of distribution tariffs in RON per MWh for each distribution company, respectively on each network area in case of a merged DSO and for each voltage level (high, medium, and low). The invoiced tariffs are summed up according to the related voltage level (e.g., the medium voltage tariff includes the high voltage tariff, and the low voltage tariff includes the high voltage and medium voltage tariff).

ANRE determines the regulated annual income required for each year of the regulatory period based on projections submitted by distribution operators in accordance with the methodology requirements, at the beginning of the regulatory period.

The electricity distribution tariffs approved by ANRE for 2021 are as follows (RON/MWh):

Tariff (RON/MWh)	Applicable starting with 1 January 2021			
	ANRE Order no.	High Voltage	Medium Voltage	Low Voltage
MN	220/11 December 2020	18.72	38.15	127.88
TN	221/11 December 2020	19.23	47.12	107.58
TS	222/11 December 2020	22.23	45.24	111.31

Source: ANRE

SUPPLY SEGMENT

Electrica Group operates on the electricity supply segment through its subsidiary, EFSA, both on the regulated electricity market (as SoLR in the territorial areas where the Group's distribution subsidiaries operate), and on the competitive market, at a national level. EFSA holds an electricity supply license that covers the entire Romanian territory, valid until 2021, with the possibility of extension. Additionally, holds a license for supplying natural gas, valid until 2022.

The electricity market is split between the regulated market (through suppliers of last resort) and the

competitive market. On both markets, electricity can be sold/purchased wholesale or retail.

Regulated market

The liberalization of the electricity market has accentuated the competition between traditional suppliers and other suppliers newly entering the energy market, generating a massive offer for the segment of household customers in the regulated market. During 2020, similar to 2019, there was an increase in the number of products offered by suppliers to end customers and the option of customers for offers that combine electricity, gas, and/or other products and services.

Currently, EFSA is a supplier of last resort for approximately 3 mn customers with 3.3 mn consumption places.

Competitive market

In 2020, the trading on the wholesale competitive market is transparent, public, centralized, and non-discriminatory and takes place on OPCOM platforms; prices can be freely negotiated by the parties on the competitive retail market. The participants on the wholesale market can trade electricity based on bilateral contracts concluded on the markets managed by OPCOM or on the spot markets also managed by OPCOM.

BRP Electrica - Balance Responsible Party

The activity of representation in the Balancing Market as the Balance Responsible Party (BRP) took place within EFSA.

Starting with 1 April 2018, the client portfolio is diversified, consisting of producers (hydro, thermal, wind, photovoltaic, biogas, biomass), suppliers, and distribution operators, ensuring the balancing service of over 24% of total electricity consumption from Romania.

The distribution companies within Electrica Group have delegated their responsibility to BRP EFSA.

The Balancing Market, a component of the wholesale energy market, is a market for which each licensee must either assume the balancing responsibility or transfer the balancing responsibility to a BRP. By transferring the responsibility to a balance responsible party, there is the advantage of aggregating imbalances, in the sense of reducing costs on the Balancing Market compared to the situation where the producer/supplier/distributor would be itself a Balance Responsible Party.

ENERGY SERVICES SEGMENT

The Group's portfolio also includes the energy services segment (equipment maintenance, repairs, and other additional services related to the network), performed almost entirely for the distribution companies outside the Group.

Until 30 November 2020, the segment was represented by SEM, and after the merger by absorption between SERV and SEM, the segment includes the energy services activity within SERV.

5.2 Fixed assets

The number of users and volume of installations as of 31 December 2020 at the level of the three distribution regions and at the Group's overall level are quantified as follows:

	MU	TN	MN	TS	Total
Geographical coverage	km ²	34,162	28,962	34,072	97,196
Number of users, of which:	no.	1,312,694	1,320,321	1,170,517	3,803,532
high voltage (HV – 110 Kv)	no.	35	40	45	120
medium voltage (MV)	no.	4,292	4,325	2,937	11,554
low voltage (LV)	no.	1,308,367	1,315,956	1,167,535	3,791,858
Overhead power lines length, out of which:	km	53,115	59,382	45,746	158,243
high voltage (HV – 110 Kv)	km	2,196	2,146	3,149	7,491
medium voltage (MV)	km	11,897	12,641	10,507	35,045

	UM	TN	MN	TS	Total
low voltage (LV)	km	39,022	44,595	32,090	115,707
out of which connections	km	18,265	24,262	17,352	59,879
Underground power lines length, out of which:	km	17,245	12,191	12,467	41,903
high voltage (HV – 110 Kv)	km	30	17	63	110
medium voltage (MV)	km	4,135	3,510	3,583	11,228
low voltage (LV)	km	13,080	8,664	8,821	30,565
out of which connections	km	7,697	2,292	2,846	12,835
Cumulative power of transformers/power AT	MVA	6,257	8,778	7,003	22,038
in power stations(HV/MV + MV/MV)	MVA	3,760	5,786	4,158	13,704
in HV/MV power stations	MVA	3,712	5,437	4,104	13,253
in MV/MV power stations	MVA	48	349	54	451
Switching stations/Transformer stations	pcs	2,497	2,992	2,845	8,334
No. of substations, out of which:	pcs	121	212	105	438
HV/MT power stations	pcs	92	124	101	317
MT/MT power stations	pcs	29	88	4	121
Number of switching stations and transformer stations	pcs	9,187	10,598	9,427	29,212

Source: Electrica

Most of the distribution installations currently in the patrimony of the electricity distribution companies within Electrica Group, about 70% of the total volume, was built in the period 1960-1990, in the successive stages of development of the National Energy System. This has led to a wide variety of equipment currently in operation. These represent installations made with Romanian technology in the period 1960 - 1990, where there is a high degree of physical and moral wear and tear. It should be noted that the installations put into operation between 1980 - 1990 (approximately 10%) gradually exceed the normal operating time.

A relatively small category, representing about 30% of the total installations, is represented by the new installations, put into operation after 1990 and which are made to technical standards that meet the current requirements.

Depending on the voltage level, categories of installations, the year of commissioning, and the specific operating conditions, the degree of wear and tear of the installations can be assessed as follows:

		TN	MN	TS
High voltage power lines (110 kV)	Underground power lines	25%	45%	50%
	Overhead power lines	74%	65%	75%
Medium voltage power lines	Underground power lines	48%	65%	65%
	Overhead power lines	59%	60%	60%
Low voltage power lines	Underground power lines	52%	70%	75%
	Overhead power lines	57%	65%	68%
Substations		70%	75%	60%

		TN	MN	TS
Transformers	Pole - mounted	44%	50%	50%
	Concrete enclosure	50%	65%	75%
	Pad - mounted	69%	75%	20%
	Underground	15%	95%	85%
	Concrete base	10%	9%	12%

Source: Electrica

Investments

The investments at the Electrica Group level have been prioritized considering especially the distribution companies' assets degree of wear, and with a particular focus on the improvement of the distribution service quality, the safety in operations, as well as the increase in efficiency.

The Group will continue to modernize and to develop the smart distribution network by installing smart network infrastructure systems, such as SCADA, SAD, electricity measurement systems, etc., in order to improve the energy and operational efficiency, to improve the network flexibility, the distribution service quality and to ensure the continuity in the electricity supply and the networks' safety.

In the investments' program implementation, the Group's strategy and in particular the following criteria are ensured:

- tracking the inclusion of regulated investments in the RAB;
- non-regulated investments of the Group must provide an internal rate of return higher than the weighted average cost of capital;
- the proposed investment program must follow the Group's financial strategy of maintaining a solid capital structure.

Thus, those categories of capital expenses that contribute to the development of a profitable and sustainable distribution activity, as well as to the creation of the conditions of access to the electricity distribution network for the consumers and electricity producers, in accordance with market requirements, are prioritized, based in particular on:

- distribution automation by integrating of the installation in SCADA, SAD, DMS, etc.;
- modernizing the equipment from the transformer substations and the medium voltage network;
- introducing equipment with reduced technological losses, higher operating efficiencies and environmentally friendly;
- modernizing of the medium and low voltage distribution network and the connections;
- expansion of modern systems for measuring electricity consumption and transmitting consumption data.

At the same time, the Group is considering investments in the upgrade of IT infrastructure and IT systems, taking into account both the legal requirements regarding data protection and the positive effect on the quality of the services provided.

The following table presents the investment program approved by ANRE for the distribution area within Electrica Group for the period 2019 - 2023 (in 2018 real terms):

Commissioning program approved by ANRE for the period 2019 - 2023 (RON mn)						
	2019	2020	2021	2022	2023	Total
SDTN	190	175	170	160	160	855
SDTS	200	190	170	170	160	890
SDMN	200	190	160	160	165	875
Total	590	555	500	490	485	2,620

Source: ANRE

In 2020, Electrica Group companies realized the following investments, compared to the planned values:

Electrica Group subsidiary (RON mn)	Planned 2020	Planned revised 2020	Achieved 2020
SDTN	200.0	200.0	200.0
SDTS	177.0	197.1	185.6
SDMN	220.0	220.0	188.5
EFSA	25.3	25.3	4.6
SERV	9.1	9.1	1.0
SEM ⁹	4.9	4.9	-
ELSA	41.8	41.8	35.0
Total	678.2	698.3	614.7

Source: Electrica

At Electrica Group level, in 2020, the consolidated CAPEX plan was achieved at a rate of 88% compared to the revised plan approved by the Board of Directors of ELSA in August 2020, and for the distribution subsidiaries, the average degree of achievement is 93% compared to the revised plan.

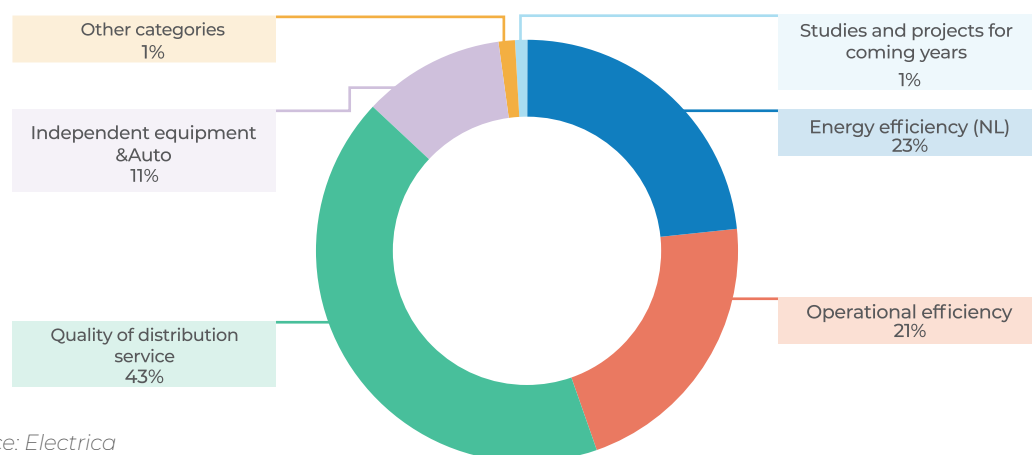
The synthetic structure of investments achieved (CAPEX) by the distribution subsidiaries in 2020 is presented in the table below (for details of the most important investments see Appendix 2):

Category of works (RON mn)	Total
Efficiency, out of which:	256
Energy efficiency/NL	134
Operational efficiency	122
Quality of distribution service	246
Other categories	61
Independent equipment	7
Studies and projects for the coming years	4
Total	574

Source: Electrica

The main investments of the Electrica Group were focused in 2020 on improving the quality of the distribution service, as well as on increasing the energy and operational efficiency.

Figure 22: The structure of CAPEX achievements for distribution operators within the Group, in 2020 (mn RON)



Source: Electrica

⁹ Following the merger between SERV and SEM, the CAPEX realized by SEM until 30 November 2020 is included in the CAPEX presented for SERV.

The **approved plan of investments to be commissioned** for 2020 was in the total amount of RON 606.2 mn, this value also including investments carried forward, for the year 2019 (RON 12.7 mn).

Thus, from the investment plan for 2020, of RON 593.5 mn, the three distribution companies of Electrica group realized and commissioned investments of RON 596.2 mn, representing an average percentage of achievement of 100.5%.

In addition, investments related to 2019 of RON 13 mn were realized, representing a percentage of achievement of 102% of the total investments carried forward.

Electrica Group subsidiary (RON mn)	Total 2020 plan	Total achieved 2020	Total percentage of achievement %
SDMN	215.8	214.7	99.5%
SDTS	203.2	204.3	100.5%
SDTN	187.1	190.2	101.7%
Total	606.2	609.2	100.5%

Source: Electrica

As a result of investments made during 2014-2020, the value of the Regulated Assets Base of the Group's distribution operators has progressively changed, with an increasing evolution, and is as follows:

RAB (RON mn)	2014 ¹⁰	2015	2016	2017	2018	2019 ¹¹	2020 ¹²
SDTN	1,331	1,420	1,519	1,624	1,728	1,856	1,952
SDTS	1,333	1,377	1,388	1,475	1,521	1,691	1,778
SDMN	1,486	1,543	1,581	1,679	1,769	1,913	2,035
Total	4,150	4,340	4,488	4,779	5,019	5,460	5,764

Source: Electrica

5.3 Procurement

The procurement activity is carried out in accordance with the legal provisions in force, as well as in accordance with own procedures and regulations, as appropriate, aiming to cover the needs of goods, services, and works, in order to carry out in good conditions the Group's activities. In some cases, purchases are carried out centralized, by delegating the purchase' coordination to a Group company, with the primary goal of reducing costs, optimizing the procurement, and ensuring a unified policy within the Group.

5.4 Sales activity

Electrica Group's revenues are influenced mainly by the distribution and supply segments. The contribution of the distribution segment to the total revenues was of 22.9% in 2020 (2019: 24.2%), while the contribution of the supply segment was of 76.6% in 2020 (2019: 75.4%).

The Group's distribution operators (one operator from 1 January 2021) are natural monopolies in their respective markets and as such, they hold a dominant position. In addition, the Group's distribution operators have a legal monopoly in their relevant regions; hence, other entities cannot set up a competing electricity distribution business.

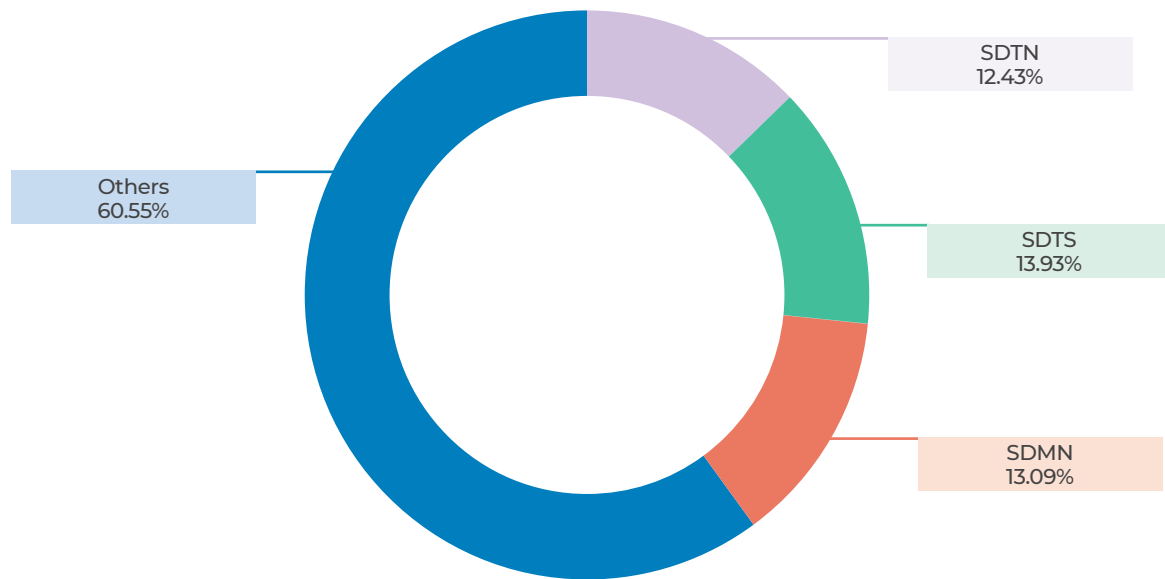
The following figure shows the national market share (based on the quantities of distributed electricity) held by the Group's subsidiaries in the electricity distribution segment, according to the 2019 ANRE report for performance indicators' monitoring.

¹⁰ In 2018, ANRE communicated the final value of the investments recognised for 2014, due to this reason starting with 2014 the RAB values have been modified.

¹¹ The values estimated as of 31 December 2019 may suffer corrections/changes, following ANRE's analysis process.

¹² The values estimated as of 31 December 2020 may suffer corrections/changes following ANRE's analysis process.

Figure 23: Market share of distribution segment in 2019



Source: ANRE Report for performance indicators' monitoring 2019

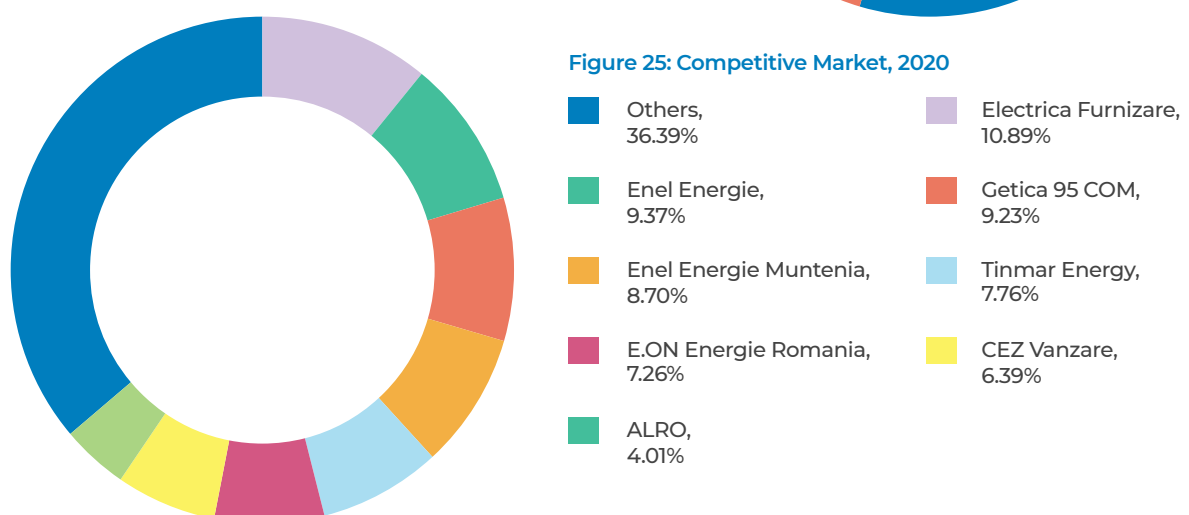
Regarding the supply segment, although it holds a strong position on in the electricity supply market, EFSA is facing growing competition on in its market.

The figures below shows Electrica market shares for the supply activity as of 30 November 2020 (based on the quantities supplied):

Figure 24: Regulated Market, 2020



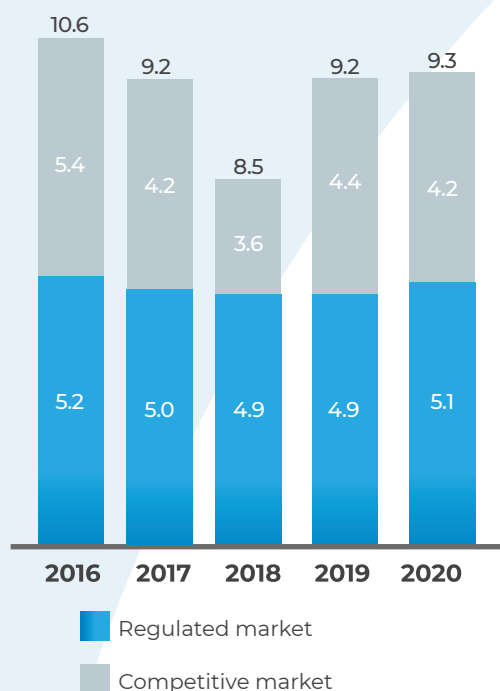
Source: ANRE monthly report (November 2020)



Source: ANRE monthly report, November 2020

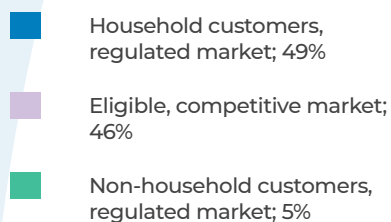
Note: "Others" category includes suppliers whose individual market shares are below 4%

Figure 26: Volume of electricity supplied on the retail market (TWh)



Source: Electrica

Figure 28: Customers by electricity supplied volume, 2020



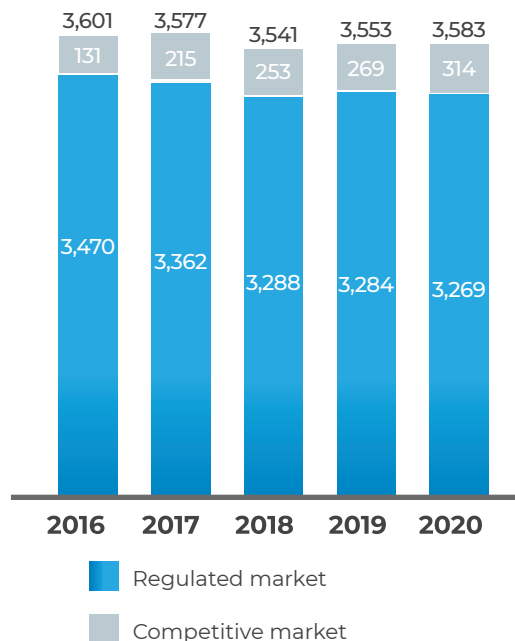
Source: Electrica

Major customers exposure

EFSA does not have significant exposure to a particular customer or group of customers that could have a major influence on its business.

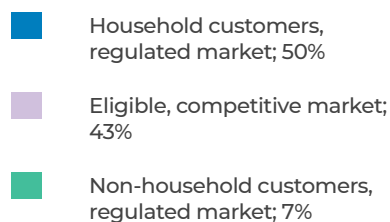
However, vulnerable consumers, regardless of the reason for falling into this category (low income or health reasons) cannot be disconnected by the electricity supplier. In addition, customers who fall under

Figure 27: Evolution in the number of customers (th)



Source: Electrica

Figure 29: Customers by revenues, 2020



Source: Electrica

the insolvency law can benefit from its protection against its creditors, and therefore possibly also from electricity suppliers. As a result, electricity must be supplied to them by EFSA, even if they are unable to pay. At the same time, during the state of alert that entered into force on 18 May 2020, it is mandatory to ensure the continuity of service provision: in case there are reasons for disconnection, these operations are postponed until the state of alert ends.

BRP Electrica - Balance Responsible Party

In 2020, all market participants (cca. 920) were established as Balance Responsible Parties at Transelectrica S.A., out of which 65 participants assumed the responsibility of balancing in their own name as well as for other licensees.

Based on the EU Regulation no. 943/2019 of the European Parliament and of the Council of 5 June 2019 on the internal electricity market, ANRE approved several orders, which have been detailed in *subchapter 1.2*.

Starting with 1 September 2020, when ANRE Order no. 61/2020 entered into force, 2 imbalance prices (surplus and deficit) are kept, but the price limits in the Balancing Market are eliminated and the technical price limits for offers are mentioned, being represented by a minimum price of EUR -99999/MWh and a maximum price of EUR +99999/MWh. Until 1 September 2020, the price limits were between RON 0.1/MWh and DAM closing price RON +450/MWh (according to ANRE Order no. 31/2018). This change in price limits was reflected in surplus and deficit prices, respectively in the case of surplus prices by a decrease, and in the case of deficit prices by an increase.

Thus, in the case of surplus prices, there were also intervals with negative prices, for instance, between September and December 2020, when the average surplus price was negative only in September and October 2020 (September 2020: RON -18.18/MWh and October 2020: RON -13.84/MWh), in the last 2 months of 2020, the average surplus price being a positive one (November 2020: RON 4.22/MWh and December 2020: RON 13.85/MWh) (source: Transelectrica).

At the end of 2020, about 98 licensed participants (8 suppliers, 6 distribution operators, and 84 producers) had transferred responsibility to BRP EFSA, compared to the end of 2019, when about 107 licensed participants were registered.

In 2020, the average number of customers was about 97, meaning 1% lower than the average of 2019 and an average number of over 300 bilateral contracts, respectively exchanges with OPCOM, were notified.

5.5 Reorganization and disposal of assets

In 2020, two mergers by absorption took place, namely one of the distribution operators (SDTN, SDMN, and SDTS, the absorbing entity being SDTN), and the merger of the energy service companies (SERV and SEM, the absorbing entity being SERV). Details on these two mergers were presented in *subchapter 1.2*.

5.6 Personnel

On 31 December 2020, Electrica Group had 8,126 employees. The table below provides an overview of the employment in the Group, by business segments, at the end of the specified years. Starting with 2020, the figures include also the mandate contracts.

	2020*	2019	2018
Electricity distribution segment	7,213	6,972	6,697
MN	2,184	2,191	2,166
TN	2,248	2,233	2,160
TS	2,087	2,085	2,024
SERV	694	463	347
Supply segment – EFSA	793	896	872
Services related to other distribution networks – SEM (included in SERV starting December 2020)	0	296	303
ELSA	120	128	123
Total	8,126	8,292	7,995

Source: Electrica

*According to the modified reporting methodology to INS, the employees' number from 31.12.2020 also includes 24 persons who worked based on a mandate contract.

In addition to the traditional areas of interest, new ones appeared, such as the development of new activities, based on innovative technology, the development of a closer relationship with customers, based on the development of competencies, but also on an offer of products and services aligned with their needs, which led to an increase in the number of employees within the Group.

Also, ensuring the necessary human resources (from internal resources or through specific recruitment) for key business areas and training staff and capitalizing on its potential, expertise, and skills, in order to increase labor productivity and individual performance, are treated as priority topics.

As of 31 December 2020, approximately 53% of the Group's employees represent directly productive staff, and 47% represent indirectly productive staff, including technical, economic, social, and administrative personnel.

The table below presents the Group's employment by age, as follows:

Age category	31 December 2020	31 December 2019
under 18	0.01%	0%
18-30	4.60%	4.40%
31-40	16.32%	17.05%
41-50	36.99%	38.63%
51-60	39.26%	37.66%
over 60 years old	2.82%	2.26%
Total	100%	100%

Source: *Elctrica*

As of 31 December 2020, about 98% of the Group's employees are union members and their employment conditions are governed by the Collective Labor Agreement, which will expire on 2 April 2022 for ELSA and on 31 December 2021 for the Group's subsidiaries. Electrica Group did not face any union actions in 2020.

On 27 March 2020, the Board of Directors approved the modification of the organizational structure and ELSA's headcount, starting with 1 April 2020, the targeted structure being implemented in stages, throughout 2020.

In 2020, the voluntary leave program with compensatory payments was implemented in ELSA during two short time periods, in order to support the implementation stages of the new approved organizational structure. This program was also carried out within the transformation projects of EFSA and SERV subsidiaries.

In the same context of transformations, in 2020, the distribution subsidiaries did not run a voluntary leave program with compensatory payments, these entering the recruitment phase in order to cope with the new projects launched, respectively to ensure the performance and efficiency of the activities at the level required by the regulatory authorities and the energy market.

ELSA has successfully concluded negotiations on a new collective labor agreement, valid for 2 years starting from 3 April 2020.

An extensive professional training project was launched last year within the Group, in the area of Project Management, AGILE transformation, PMO, and Business Case guides, which has the role of preparing the organization for the future period. There were more than 40 days dedicated to the training program on these topics and more than 100 participants were involved in these courses.

Both ELSA and its subsidiaries prepared and updated policies, procedures, and internal regulations that contain provisions regarding employment, non-discrimination, occupational health and safety, employer and employees' rights and obligations, the procedure for solving the employees' complaints, the labor discipline, disciplinary sanctions and deviations, rules regarding the disciplinary procedure, criteria and procedures for the professional evaluation of employees and final provisions.

Achieving the best possible correlation between the future needs of the organization and the competencies, experience, and career aspirations of its members, led to the definition of the guidelines of the succession in the company concept.

Also, the improvement and continuous development of the performance management system contributes to the achievement of Electrica Group key objectives, set for the 2019-2023 period (*Improving operational*

performance to continuously increase the quality of customer service and Increasing performance, and strengthening the sustainability of economic results).

By adopting the human resources strategy, the Group aims to ensure the qualified resources necessary to support the initiatives for the next period, in the conditions of an accentuated dynamics of the labor market.

One of the strategic objectives is the education and training to ensure the necessary qualified human resources, with the expected result of creating an internal training system, which addresses the main skills needed by the employees, to increase and maintain organizational capabilities, and to support performance. Thus, the training program in the dual education system was implemented, which takes place in all three distribution regions, TN, MN, and TS. The classes are organized in high schools with energy profile, and thus, the Group is involved in the life of the communities in which it operates, supporting children of families with modest material possibilities to remain in the education system, and at the same time, forming a solid base of young electricians who will be able in the future to join the distribution company, depending on the workforce need.

Another desideratum, established by the strategic objective regarding modernization, is the increase of the employees' trust in the employer and the creation of a suitable working environment for collaboration and obtaining the envisaged performances. Thus, in order to improve the interactions of the Electrica Group employees with the human resources departments, to increase the employee retention, and to improve the perception of the organizational culture, a project was launched in 2020, to improve the employee experience in the Electrica Group.

Also, in order to improve the employer's image and in the pandemic context traversed during 2020, the "work from home" system was successfully implemented within the Electrica Group. This working system type still continues, following the authorities' recommendations in the state of alert context and complying with the new internally defined processes, regarding workplace safety and human resources activity management.

The organizational culture modernization, having as central elements "excellence" and "safety", is one of the strategic objectives, and one of the projects in this area is represented by the program „Change agents" in the distribution regions, with the role of supporting organizational change that occurred following the merger of the distribution companies. This program aims to promote opening to the new challenges and to encourage employees to propose solutions to solve the problems they face at work. Change agents are employees who not only accept the change, but seek solutions and support its implementation.

Another objective of major interest is performance management, as a coherent system that evaluates as objectively as possible the activity of the employees, in close correlation with the system of compensations and benefits and the professional development one.

Thus, the Group's Key Performance Indicators Catalogue was elaborated, as a tool that ensures the objective and professional evaluation of Electrica's strategic objectives achievement on each main area of activity. Additionally, a framework methodology for the application of the KPIs Catalogue and performance management according to best practices has been developed, which is to be adapted to each company. The project also included a series of applied workshops, training sessions on setting and evaluating performance indicators, as well as other discussions aimed at transferring knowledge for methodological alignment at all hierarchical levels and expressing expectations to strengthen internal teams.

Additionally, in 2020, the methodological and conceptual framework for the application of international best practices was developed in order to increase the maturity of the performance management system within Electrica, which considers the continuous improvement of the employee evaluation process and the development of the necessary tools to build a solid performance-based system.

The training programs carried out at the Electrica Group level took into account both the constant evolution and the improvement of the Group employees' skills.

The company's management supports the principle of development through continuous training by involving employees in these programs, thus supporting them to effectively address their professional challenges.

Health and safety at work

The Integrated Quality-Environment-SSO Management System, implemented, certified, and supervised at the level of each company within the Electrica Group by the SRAC Cert certification body, ensures the companies' compliance with the legal requirements in the field of occupational safety and health, those of the SR ISO reference standard. 45001: 2018 and enhances the provision of services and the conduct of business processes in safe conditions for the staff of the organization and the contractor, but also for customers.

The situation of work accidents and specific indicators for Electrica Group

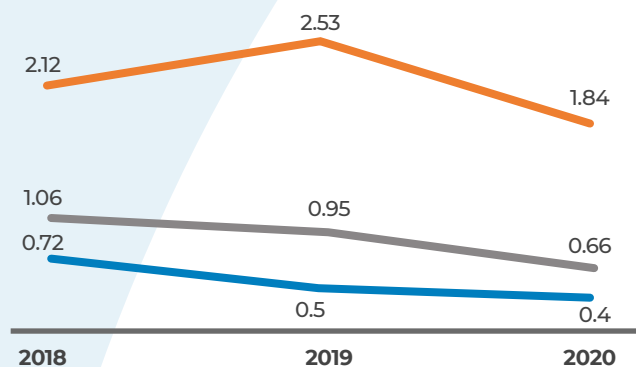
In 2020 was recorded one fatal work accident at the level of the Electrica Group, compared to two fatal work accidents registered in 2019.

However, the total number of work accidents at the Group level increased by one compared to the previous

year, recording five work accidents compared to four accidents recorded in 2019, but their number remained below the level recorded in 2018, of six accidents for work. As a result, an electrician from SDTN died, three other employees within Electrica Group companies (from SDMN, SDTN, and SDTS) needed hospitalization, and an employee (from SERV) suffered a fracture.

The complex of complementary causes and contributing factors that determined the occurrence of each of these accidents were analyzed either by the Territorial Labor Inspectorates or by the companies where the accidents occurred, by the legally constituted commissions, and the research files include measures that must be implemented by each company to prevent similar situations. Three of the five work accidents recorded at the Group level occurred due to the materialization of the risk of falling from a height, for one of the accidents the electrical risk generated fatal consequences, and the other accidents occurred by stumbling and falling from the same level.

Figure 30: Work Accident Frequency Index %)



Sursa: Electrica

The frequency index (FI), expressed as the number of injured people per 1000 employees is 0.4 ‰ for Electrica Group in 2020, decreasing compared to 2019 when it had the value of 0.5 ‰ and 2018 when it recorded the value of 0.72 ‰.

FI is a statistical indicator recommended by the International Labor Organization (ILO) through the *Resolution on Workplace Accident Statistics* adopted in October 1998, as it that correlates the number of accidents with the number of workers, increasing the comparability of HSS organizations' performance and eliminating the distortions generated by the size of these organizations (the numbers of staff in each organization).

Based on the background of the organizational

transformations initiated, starting with 2018 and continuing in the following years, the IF for Electrica Group registered decreases and was constantly below the national value of the indicator and well below the level registered by the industry in which it operates. Its downward trend continued in 2020, even in the case of a slight increase in the number of accidents, in the context of an increase in the numbers of staff, as seen in the graph above.

Aspects regarding the health status of employees

At the Electrica Group level, no occupational illnesses were recorded neither in the reference year, nor in the previous years.

The prevention, monitoring, and assurance of occupational health for Electrica Group was performed by physicians specialized in occupational medicine, based on dedicated services contracts and was followed up by ELSA through half-year reports and the OHS Committee with coordinating role, formed in 2018, which brings together trade unions representatives, the management with OHS responsibilities and the executive management of the Group companies.

Actions to improve the health and safety at work climate for employees

A sustained effort by the HSS teams of each Group company, coordinated at the level of IMSD & HSS ELSA, it was required throughout 2020 the preparation and implementation of company resilience plans in the context of the COVID-19 pandemic, the main actions defined and managed at the HSS level being:

- defining the regulatory framework necessary to prevent the spread of the new coronavirus at the level of Group companies (rules for collaboration and use of common areas, rules for sanitation of equipment and work devices, rules for travel in service interest, intervention protocols in self-isolation locations or quarantine, disease management protocols, direct/indirect contact, return from risk areas, etc.);
- internal communication of relevant aspects in the context of developments in the external and internal environment;
- ensuring staff awareness and training in order to reduce the risk of contamination at work (hygiene rules, legal obligations, use of medical devices dedicated to the prevention, new regulations, telework regime, etc.)
- operationalization of the concept of telework together with the Human Resources team, for the staff for which the nature of the activity allowed and reorganization of the activity to ensure the continuity of key processes where the telework it was not applicable
- ensuring the endowments and services necessary for the protection of the personnel (hygienic-sanitary materials and services, medical devices, markings and signals, testing services and kits, etc.).

As a result of the implementation of the training component on the Resilience Plans, in 2020 the total number of HSS training hours performed increased by over 10%, reaching 312,100 hours from 276,056 HSS training hours in 2019.

Given the traffic restrictions, initially imposed at the national level during the State of Emergency, and later to avoid a possible transmission from one area to another of the virus based on the differentiated developments at a regional level, the concept of cross-control on HSS line was abandoned in 2020, despite the proven effectiveness of the program implemented in 2019. The same reasons limited to 2,105 the total number of HSS controls performed by Electrica Group with its own staff, to identify deficiencies that could increase the risk level to work safety and health of employees, these controls being followed by the immediate treatment of risk factors or non-conformities identified.

Although during the reference period there was a higher number of controls of the Territorial Labor Inspectorates and Inspectorates for Emergency Situations compared to the previous year, some of them concerning the implementation and the degree of compliance with the new legal regulations intended to limit the spread of COVID - 19, in 2020 no sanctions, warnings or plans of preventive / corrective measures were imposed for any of the Group companies.

The year 2020 marked the completion of the migration of Integrated Environmental Quality Management Systems - SSO implemented at the level of Electrica Group companies to the new standard SR ISO 45001: 2018. During the year, all companies underwent external audits carried out by the certification body, either for the supervision of the system, maintaining their certifications behind them, or for the certification of the system, obtaining the certification.

5.7 Environmental considerations

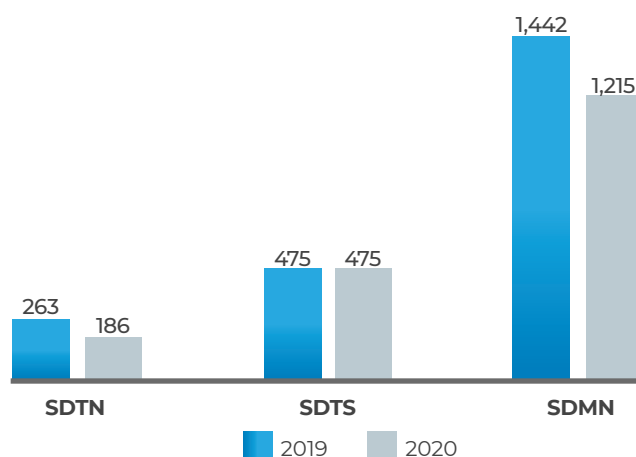
In 2020, Electrica Group invested in the field of environmental protection over RON 14.4 mn, the value recording an increase of almost 23% from the level of RON 11.7 mn recorded in 2019.

The consolidated non-financial statement is included in the Group's Sustainability Report, which is published within a maximum of 6 months from the date of the Directors' Report.

Continuing the practice of previous years in identifying and evaluating all real and potential environmental aspects with positive and negative effects, associated with specific processes, both in normal operating conditions, as well as in abnormal operating conditions and emergency situations at the level of each company, Electrica Group has defined and promoted its main concerns in order to increase environmental performance, as follows:

- reducing or limiting the impact of services and infrastructure on the environment;
- responsible waste management with safe disposal of generated waste, especially of those the highly polluting ones;
- conservation of biodiversity and resources.

Figure 31: PCB capacitors in operation at the end of 2020

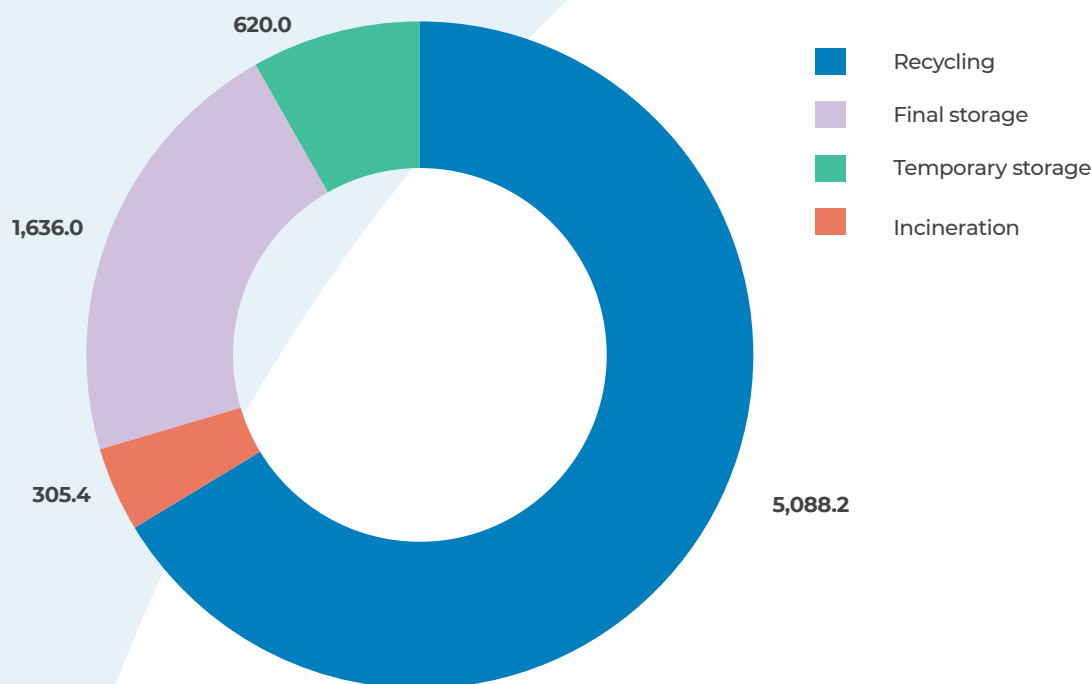


Source: Electrica

Subordinated to the concern for reducing or limiting the impact of services and infrastructure on the environment, at the level of distribution operators within the Group is carried out a program of elimination of PCBs (polychlorinated biphenyls) from electrical installations in operation that continued in 2020, with the results represented in the accompanying graph, implementation pace ensuring that companies are comfortable in implementing the national elimination programme with a deadline of 2028, according to GD no. 1497/2008.

For responsible waste management and the safe disposal of the generated waste, especially highly polluting waste, a unified process has been defined and implemented at the level of Electrica Group, governed by the principles of selective collection and recycling – when its requirements are met - or destruction with authorized operators.

Figure 32: Waste processing



Source: Electrica

In this regard, all Group's companies agreed to contracts with authorized providers for processing/storage of all categories of generated waste, the transport being carried out by these respective contractors as part of the contracted services. Based on these contracts, at Electrica Group level was selected and managed in 2020 a total amount of 7,648.5 tons of waste, most of them, of over 5,000 tons, being recycled.

The only environmental impact incident recorded during 2020 occurred at the SDTS level, consisting of accidental soil pollution with electro-insulating oil, at the superficial level, on a restricted and very well delimited area. This was generated by leaks that appeared as a consequence of inadequate storage of some transformers withdrawn from Zizin Station – Regional Operating Network Structure Brasov.

Following the incident, as a measure to reduce the risk of similar incidents, the deposit was partially released, the fully depreciated transformers being scrapped and capitalized by sale.

In order to eliminate the effects of accidental pollution, the soil which presented traces of oil was removed and deposited separately, suitable, in order to be handed over to an authorized economic operator for treatment, based on a contract. Measurements of soil quality indicators were not required, according to the regional environmental authority, the incident being considered minor.

The environmental authority applied to SDTS a fine of RON 3,750 for improper storage of equipment, according to GD no. 235/2007, fully paid by the company.

The measures implemented have ensured the fast and complete elimination of the effects of accidental pollution.

Protecting biodiversity and decreasing the effects of the Group's activities and assets on flora and fauna has also been maintained as a priority direction of action for 2020, the amount allocated by Electrica Group in this regard remaining at the same level, of approximately RON 3 mn, as in 2019.

Thus, during 2020, at the Electrica Group level continued the implementation of practices and solutions harmonized with the environmental protection norms and the principles of sustainable development.

For distribution and supply activities no environmental authorizations are required, and the energy services companies within Electrica Group, which merged at the end of 2020 (Serv and SEM) held at the time of the merger, 1 December 2020, the environmental authorisations needed for the operation of more than 95% of the locations and in the case of two locations for which the authorization had expired, the documentation for re-authorization already being submitted, in accordance with the legislation in force.

Following external supervisory/certification audits carried out by certification body SRAC Cert, companies within Electrica Group maintained in 2020 their own certifications for Integrated Quality-Management Systems – Environment – Occupational Health and Safety through which the environmental aspects specific to the activities performed are managed in a responsible and efficient manner, in accordance with the provision of the international standard SR EN ISO 14001:2015.

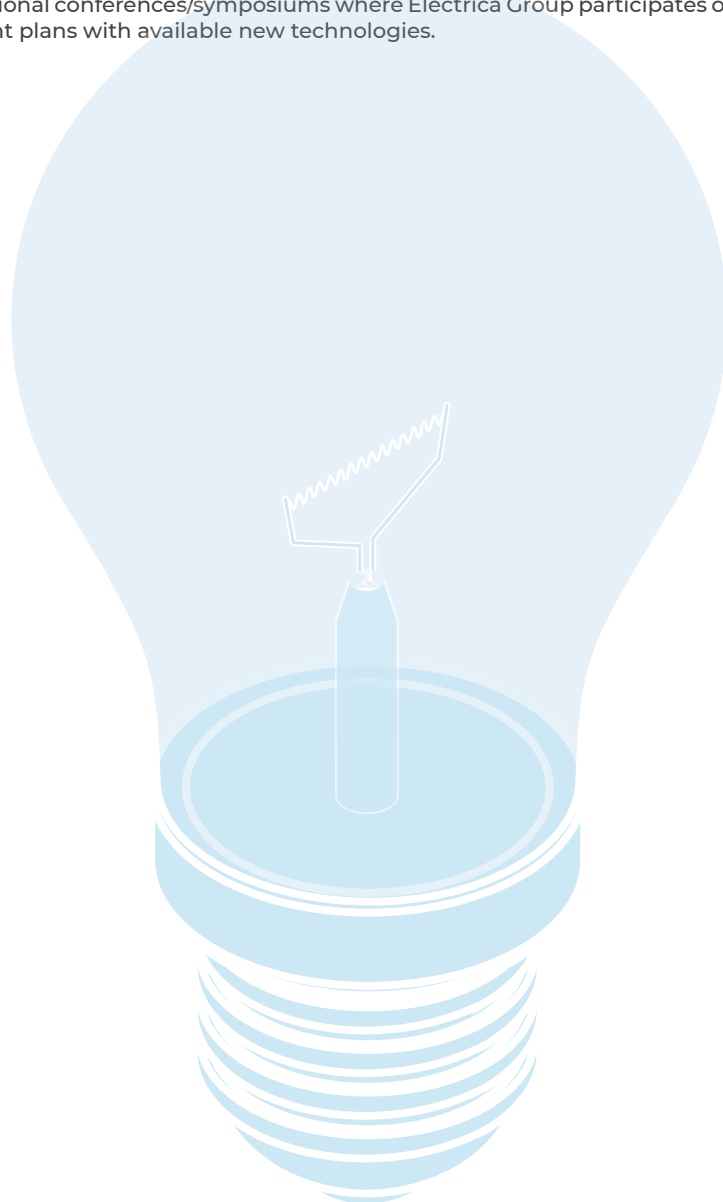
5.8 Research and development activities

Electrica Group is promoting technological innovation by participating in research and development projects financed/co-financed through European funds, having the possibility to test new technologies to manage and optimize energy efficiency. Also, the electricity distribution networks integrate a high level of distributed generation sources.

By participating in these research, development, and innovation projects with financing/co-financing through non-reimbursable funds, Electrica Group has the following benefits:

- having access to cutting-edge technologies in the field of optimizing the operating regimes of the electricity distribution network (EDN) in terms of network connection of renewable electricity production sources (distributed or concentrated);
- the improvement of the safety and reliability of isolated electrical systems, of the quality of electricity supplied by providing quick and low-cost reserves through flexible loads;
- the possibility of identifying certain criteria to promote smart grids and smart metering solutions in terms of the requirements of the new data protection measurement code and encryption methods;
- the use of opportunities to develop the self-financing business portfolio of group companies;
- developing new competencies through the transfer of know-how;
- compliance with the best practices of similar companies in Europe;
- creating new opportunities for the group companies to participate in projects funded by the European Union.

Another important endeavour of Electrica Group in promoting technological innovation is to disseminate the solutions of electricity networks' modernization using the smart grid concept. The communications take place at the international conferences/symposiums where Electrica Group participates or organizes internally to align development plans with available new technologies.





6. Electrica financial reporting for 2020

The overview of the company's consolidated financials is in accordance with the consolidated financial statements that have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union („IFRS-EU"). These consolidated financial statements are presented in RON, which is the functional currency of all companies within the Group.

6.1 Consolidated statement of the financial position

The following table presents the consolidated statement of the financial position (amounts in RON mn):

	31 December 2020	31 December 2019	Variation 2020/2019
ASSETS			
Non-current assets			
Intangible assets related to concession agreements	5,455.2	5,188.2	5.1%
Other intangible assets	7.2	13.4	-46.2%
Property, plant and equipment	508.1	544.1	-6.6%
Restricted cash	-	320.0	-100.0%
Deferred tax assets	19.7	19.9	-1.1%
Other non-current assets	1.2	1.8	-36.4%
Right of use assets	27.1	35.0	-22.7%
Total non-current assets	6,018.5	6,122.4	-1.7%
Current assets			
Trade receivables	1,029.8	890.0	15.7%
Other receivables	32.5	28.5	13.9%
Cash and cash equivalents	570.9	607.5	-6.0%
Restricted cash	320.0	-	-
Deposits with a maturity date of more than three months	-	66.5	-100.0%
Inventories	70	74.4	-5.9%
Prepayments	2.8	2.7	4.4%
Current income tax receivable	1.8	8.3	-77.8%
Assets held for sale	15.5	17.0	-9.1%
Total current assets	2,043.3	1,694.8	20.6%
Total assets	8,061.8	7,817.3	3.1%
EQUITY AND LIABILITIES			
Equity			
Share capital	3,464.4	3,464.4	-
Share premium	103.0	103.0	-
Treasury shares reserves	(75.4)	(75.4)	-

Equity			
Revaluation reserve	116.4	87.7	32.7%
Legal reserves	392.3	371.8	5.5%
Retained earnings	1.759.6	1.637.9	7.4%
Total equity attributable to shareholders of the Company	5,760.3	5,589.5	3.1%
Total equity	5.760,3	5.589,5	3,1%
Liabilities			
Non-current liabilities			
Lease liability – long term	16.9	9.6	75.7%
Deferred tax liabilities	177.7	168.1	5.7%
Employee benefits	143.9	126.4	13.8%
Other liabilities	33.9	36.8	-7.9%
Long-term bank borrowings	400.3	432.8	-7.5%
Total non-current liabilities	772.7	773.7	-0.1%
Current liabilities			
Financing for network construction related to concession arrangements	-	1.0	-100.0%
Lease liability – short term	10.7	26.9	-60.0%
Bank overdrafts	165.0	350.6	-53.0%
Trade payables	607.2	730.5	-16.9%
Other payables	241	218.3	10.4%
Deferred revenue	5.6	6.9	-18.6%
Employee benefits	92.3	87.9	5.0%
Provisions	19.2	19.6	-1.6%
Current income tax liability	9.2	4.9	88.1%
Current portion of long-term bank borrowings	378.6	7.5	4,940.1%
Total current liabilities	1,528.8	1,454.0	5.1%
Total liabilities	2,301.5	2,227.7	3.3%
Total equity and liabilities	8,061.8	7,817.3	3.1%

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Non-current assets

The non-current assets decreased by RON 104 mn in 2020, or 1.7%, to RON 6,018.5 mn as of 31 December 2020, from RON 6,122.4 mn at 31 December 2019, this variation being the cumulated effect of:

- network investments made by the distribution subsidiaries (the most relevant values of investments and commissioned assets are presented in Annex 2);
- decrease of property, plant, and equipment, mainly following the transfer of the AMR system from ELSA to the three distribution companies, in the form of a contribution in kind to their share capital; at a consolidated level, the Group has recognized the value of the AMR system under IFRIC 12 'Service

- Concession Agreements', thus increasing the value of intangible assets;
- reclassification of long-term restricted cash, since the loan to BRD that had this cash as a guarantee, will be repaid in less than 12 months, in October 2021.

Current assets

In 2020, current assets increased by RON 348.5 mn compared to 2019, or 20.6%, from RON 1,694.8 mn to RON 2,043.3 mn, this evolution being mainly the net effect of higher trade receivables, lower value of cash and cash equivalents and of the deposits with a maturity of more than three months and increase in short term restricted cash. Below is presented the evolution of current assets' elements that generate most of the variation.

Trade receivables

Trade receivables increased by RON 139.8 mn during 2020, or 15.7%, to RON 1,029.8 mn, from RON 890 mn at on 31 December 2019. This variation is generated by the impact of COVID-19 on the receivables collection, by the issuance of emergency certificates, but also by the increase in sales, especially in the supply segment.

Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits, and deposits with maturities of up to three months that have insignificant exposure to the fair value change risk, being used by the Group for the management of short-term commitments.

Their value decreased by RON 36.6 mn in 2020, or 6%, reaching RON 570.9 mn, from RON 607.5 mn in 2019, the reduction being generated mainly by the supply segment, through the acquisition of EEV1, the influence of the receivables' increase and the cash pooling structure.

(RON mn)	31 December 2020	31 December 2019
Bank current accounts	179.4	122.0
Call deposits	391.5	485.3
Cash in hand	0.1	0.1
Total cash and cash equivalents in the consolidated statement of financial position	570.9	607.5
Overdrafts used for cash management purposes	(165.0)	(350.6)
Total cash and cash equivalents in the consolidated statement of cash flows	406.0	256.9

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Deposits with a maturity date of more than three months

As of 31 December 2020, the value of the deposits with a maturity of more than three months is not significant – most of the deposits held by ELSA, of RON 66.5 mn, were closed during 2020, the cash being subsequently used mainly by the distribution companies for financing the investments and working capital, through cash pooling.

Restricted cash

As of 31 December 2020, the restricted cash balance previously presented as long-term, which represents a guarantee for the loan from BRD, was reclassified in the category of current assets, as the loan will be repaid in less than 12 months, respectively in October 2021.

Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares at on 31 December 2020 and 2019 with a nominal value of RON 10 per share.

The company recognizes the changes in its share capital only after their approval in the General Meeting of Shareholders and their registration with the Trade Register. Contributions made by the shareholder, which are not registered with the Trade Register at the end of the year, are recognized as "Pre-paid capital contributions in kind from shareholders".

There were no changes in the number of shares in 2020.

	Number of ordinary shares	
	2020	2019
Number of shares at 1 January	346,443,597	345,939,929
Shares issued during the year	-	503,668
Number of shares at 31 December	346,443,597	346,443,597

Source: Electrica

Revaluation reserves

The reconciliation between the opening balance and the closing balance of the revaluation reserve is presented below:

(RON mn)	2020	2019
Balance at 1 January	87.7	108.7
Revaluation surplus of land, land improvements, and buildings	43.8	-
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant, and equipment	(7.2)	(21.0)
Deferred tax liability arising on revaluation of land, land improvements, and buildings	(7.9)	-
Balance at 31 December	116.4	87.7

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Legal reserves

The legal reserves are established as 5% of the profit before tax according to the individual statutory financial statements of companies within the Group, until the total legal reserves reach 20% of the paid-up share capital of each company, according to legal provisions. These reserves are deductible for income tax purposes and are not distributable.

(RON mn)	Legal reserves
Balance at 1 January 2019	352.0
Set-up of legal reserves	19.8
Balance at 31 December 2019	371.8
Set-up of legal reserves	20.4
Balance at 31 December 2020	392.3

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Non-current liabilities

The non-current liabilities stand at approximately the same level as in 2019, their value as of 31 December 2020 being RON 772.7 mn (2019: RON 773,7 mn).

This evolution is a net effect of the main non-current liabilities categories variation, of which the most significant relates to long-term borrowings, which decreased by RON 32.5 mn, from the cumulated effect of the reclassification of the loan from BRD into current liabilities, and the increase of long-term borrowings, mainly to finance the investments in the distribution network.

Current liabilities

In 2020, the current liabilities increased by RON 74.8 mn, to RON 1,528.8 mn, from RON 1,454 mn at the end of 2019, mainly as a result of the changes in the categories listed below.

Current portion of long-term bank borrowings

The current portion of long-term bank borrowings increased by RON 371.1 mn, following the reclassification

of the loan to BRD, which will be repaid in less than 12 months, respectively in October 2021.

Overdrafts

The overdrafts decreased in 2020 by RON 185.7 mn, reaching RON 165 mn, from RON 350.6 mn at the end of 2019, as the Group has streamlined its working capital financing methods, including the implementation of a cash pooling structure.

Trade payables

As of 31 December 2020, the trade payables decreased by approx. RON 123.3 mn, to RON 607.2 mn, from RON 730.5 mn at on 31 December 2019, due to lower balances related to suppliers of non-current assets, as well as to suppliers from the electricity market.

6.2 Consolidated statement of profit or loss

The following table presents the consolidated statement of profit or loss of Electrica Group for 2020 and 2019 (amounts in RON mn):

	2020	2019	Variation 2020/2019
Revenue	6,501.1	6,279.8	3.5%
Other income	165.4	160.0	3.4%
Electricity and natural gas purchased	(3,905.7)	(3,859.6)	1.2%
Construction costs related to concession arrangements	(676.0)	(759.2)	-11.0%
Employee benefits	(774.5)	(620.2)	24.9%
Repairs, maintenance and materials	(104.6)	(100.4)	4.2%
Depreciation and amortization	(490.9)	(480.3)	2.2%
Reversal of impairment/(Impairment) for trade and other receivables, net	62.2	(4.9)	-
Other operating expenses	(325.1)	(381.0)	-14.7%
Operating profit	451.9	234.2	92.9%
Gain from bargain purchase of subsidiaries*	7.5	-	-
Finance income	9.7	14.1	-31.6%
Finance costs	(26.8)	(22.3)	20.2%
Net finance cost	(17.1)	(8.2)	108.9%
Profit before tax	442.3	226.0	95.7%
Income tax expense	(54.8)	(19.4)	183.0%
Profit for the year	387.5	206.7	87.5%
Earnings per share			
Basic and diluted earnings per share (RON)	1.14	0.61	86.9%

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

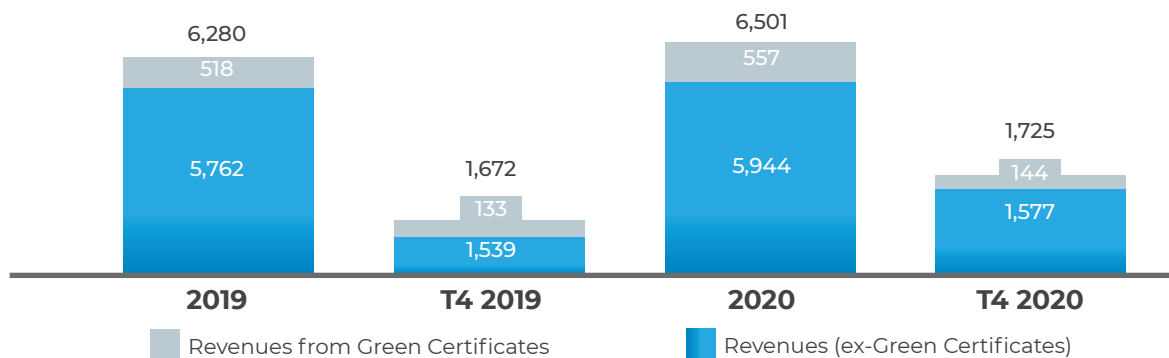
*the value is included in EBIT, is separated only for disclosure purposes

Key financial indicators for 2020 and their y-o-y evolution:

- **Revenues:** RON 6.5 bn, an increase of RON 221.3 mn, or 3.5%;
- **EBITDA:** RON 953.1 mn, a RON 234.8 mn increase, or 32.7%;
- **EBIT:** RON 459.4 mn, higher by RON 225.2 mn, or 96.1%;
- **EBT:** RON 442.3 mn, an increase of RON 216.3 mn, or 95.7%;
- **Net result:** profit of **RON 387.5 mn**, higher by RON 180.8 mn, or 87.5%.

Revenues and other income

In 2020, Electrica recorded total revenues (including other income) of RON 6,666.5 mn, increasing by RON 226.6 mn or 3.5%, from RON 6,439.9 mn in 2019; the variation is generated mainly by the revenues' evolution, the other operating income recording only a slight increase of RON 5.4 mn.

Revenues**Figure 33: Revenue for 2020/Q4 2020 and comparative information (RON mn)**

Source: Electrica

The revenues increased by RON 221.3 mn, or 3.5%, being the net effect of the following main factors:

- increase of RON 246.5 mn on the supply segment;
- RON 9.7 mn increase of the distribution segment's revenues;
- external revenue (outside the Group): the Group's revenues from third parties decreased by RON 36.8 mn, having an unfavorable impact.

Electricity and natural gas purchased

In 2020, the expense for electricity purchased increased by RON 46.1 mn, or 1.2%, to RON 3,905.7 mn, from RON 3,859.6 mn in the comparative period.

This variation is mainly generated by the reduction of electricity costs on the supply segment, a positive effect slightly alleviated by the increase in electricity costs needed to cover NL, as well as of green certificates cost (pass-through cost).

The table below presents the structure of the electricity purchased expenses for the indicated periods:

(RON mn)	2020	2019	VAR %
Electricity purchased to cover network losses	694.0	666.1	4.2%
Electricity and natural gas purchased for supply	2,377.2	2,406.5	-1.2%
Transmission and system services related to supply activities	277.3	268.6	3.2%
Green certificates	557.2	518.4	7.5%
Total electricity and natural gas purchased	3,905.7	3,859.6	1.2%

Source: Electrica

Construction costs

In 2020, the network construction costs related to concession arrangements decreased by RON 83.2 mn or 11%, to RON 676 mn, from RON 759.2 mn recorded in 2019, being correlated with the evolution of the investments recognizable in RAB realized in 2020, which were at a lower level compared to 2019.

Employee benefits

The expenses for salaries and employee benefits increased by RON 154.3 mn, or 24.9%, reaching RON 774.5 mn in 2020, from RON 620.2 mn in the same period of the previous year, being mainly the cumulated effect of:

- the changes in the structure of the benefits granted to the Group's employees, following the implementation of the new collective labour agreement; significant variations were recorded in the distribution segment, following the salary increases granted during 2020, but also in the supply segment;
- additional costs generated related to the compensatory payments for the voluntary leave program within the supply company;
- the employee benefits provision variation, resulting from the actuarial calculation, which generated a negative impact of approx. RON 14 mn.

Repairs, maintenance, and materials

In 2020, the expenses with repairs, maintenance, and materials recorded only a slight increase of RON 4.2 mn, or 4.2%, reaching RON 104.6 mn.

Reversal of impairment/(impairment) for trade and other receivables, net

In 2020, the impairment adjustments for the depreciation of trade receivables had a net positive effect of RON 67.1 mn, reaching the value of RON 62.2 mn, from RON a negative impact of 4.9 mn, in 2019. This evolution is generated mainly by:

- impairment adjustments for the depreciation of trade receivables, with a negative impact of approx. RON 42.8 mn, recognized as a result of the receivables' recoverability assessment, considering, among others, also the impact of COVID-19 on the customers' payment behaviour;
- the positive impact of approx. RON 105 mn, following the reversal of the impairment adjustments for uncollected VAT related to the uncertain receivables from Oltchim; in the previous years, the Group recognized impairment adjustments for the total amount of receivables from Oltchim, and based on the decision to start its bankruptcy proceedings and on the provisions of the Fiscal Code, reversed the impairment adjustments related to uncollected VAT, simultaneously with the VAT adjustment.

Gain from bargain purchase of subsidiaries

In 2020, a gain from bargain purchase of subsidiaries of RON 7.5 mn was recognized. This gain relates to the acquisition of EEV1 (former Long Bridge Milenium S.R.L. or LBM) shares, which owns a photovoltaic park in Stanesti, Giurgiu county; the completion of the transaction and the transfer of ownership of the shares to EFSA was made on 31 August 2020. The recognized gain represents the difference between the value paid at the transaction date and the assets and liabilities of EEV1.

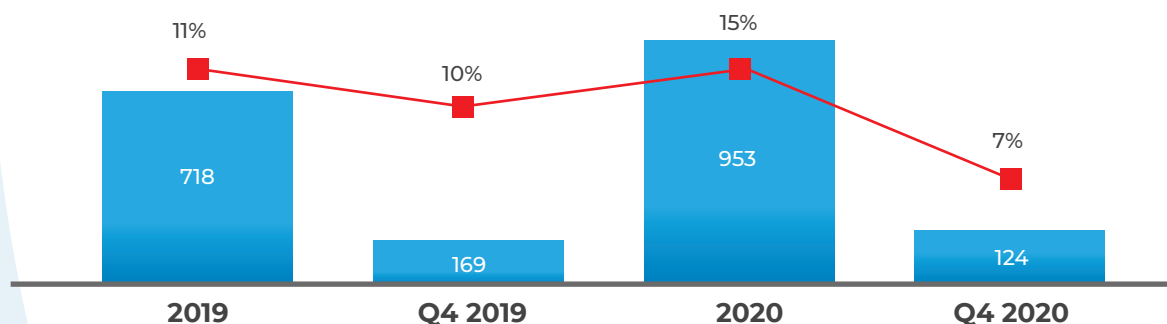
Other operating expenses

The other operating expenses decreased in 2020 by RON 55.9 mn, or 14.7%, to RON 325.1 mn, from RON 381 mn in 2019, mainly from:

- lower operating expenses by RON 64.1 mn, especially on the distribution segment;
- the unfavorable impact of the net movement in provisions, of approx. RON 9.2 mn, since a revenue from the reversal of previously recorded provisions for potential fiscal obligations of the group was recognized in 2019; in 2020 there is no impact from this transaction.

EBITDA and EBITDA margin

Figure 34: EBITDA and EBITDA margin for 2020/Q4 2020 and comparative information (RON mn and %)

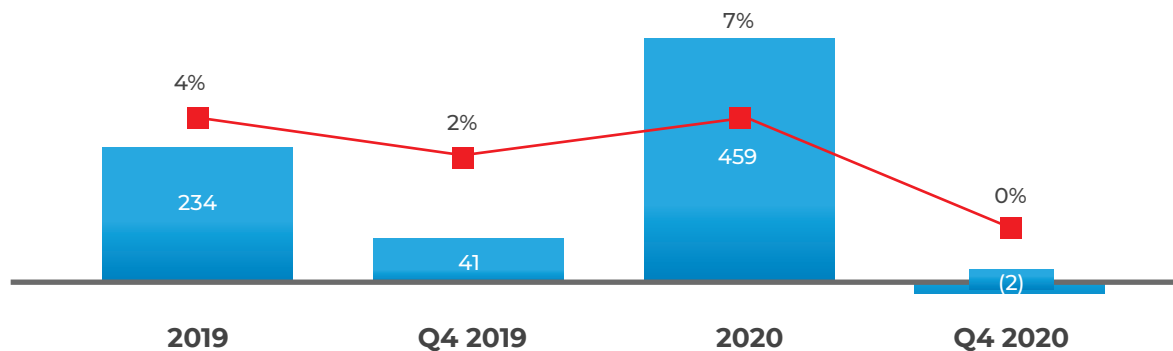


Source: Electrica

Operating profit

The Group EBIT increased by approx. RON 225.2 mn y-o-y, adding to the EBITDA evolution mainly the impact of the depreciation and amortization, an increase of RON 10.6 mn, or 2.2%.

Figure 35: EBIT and EBIT margin for 2020/Q4 2020 and comparative information (RON mn and %)



Source: Electrica

Net finance cost

The net finance cost at the group level increased by RON 8.9 mn in 2020 compared to 2019, as a result of the increase in external financing, but also from the reduction in finance income, following the deposits' decrease.

Profit before tax

The profit before tax increased by RON 216.3 mn in 2020, to RON 442.3 mn, from RON 226 mn in 2019.

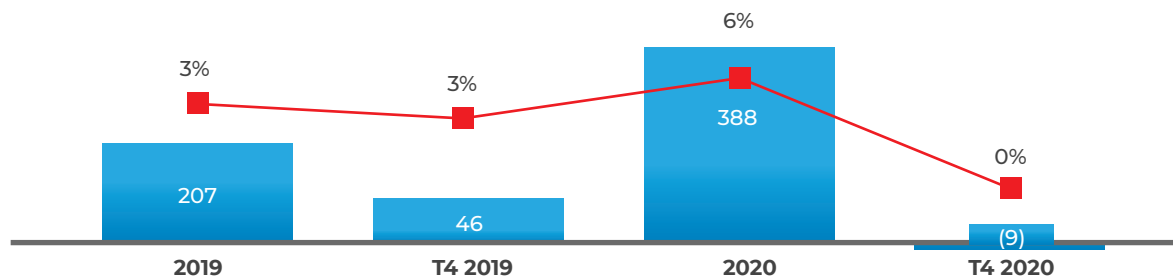
Income tax expense

The profit tax increased by RON 35.4 mn, reaching RON 54.8 mn, variation in line with the gross profit, but also as a result of a higher effective tax rate compared to 2019.

Profit for the year

As a result of the above-described factors, in 2020, the net profit increased by RON 180.8 mn, to RON 387.5 mn, from RON 206.7 mn in 2019.

Figure 36: Net profit and Net profit margin for 2020/Q4 2020 and comparative information (RON mn and %)



Source: Electrica

SEGMENT REPORTING - DISTRIBUTION

Key indicators - The distribution segment

Figure 37: Revenues w/o conso adjustments (RON mn)

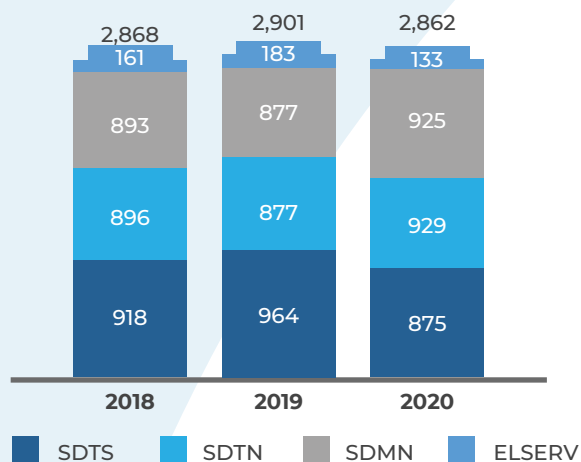


Figure 38: EBITDA w/o conso adjustments (RON mn)

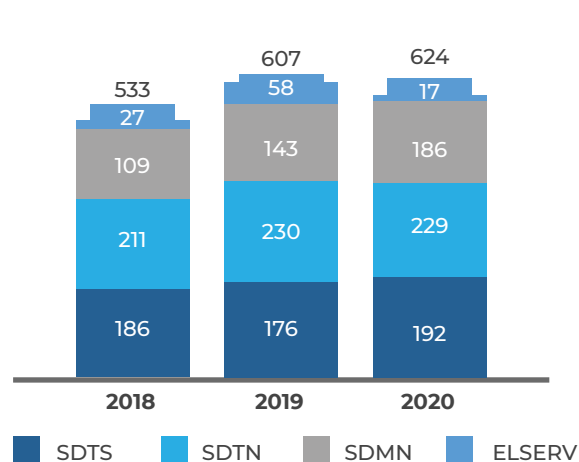


Figure 39: Net result - w/o conso adjustments (RON mn)

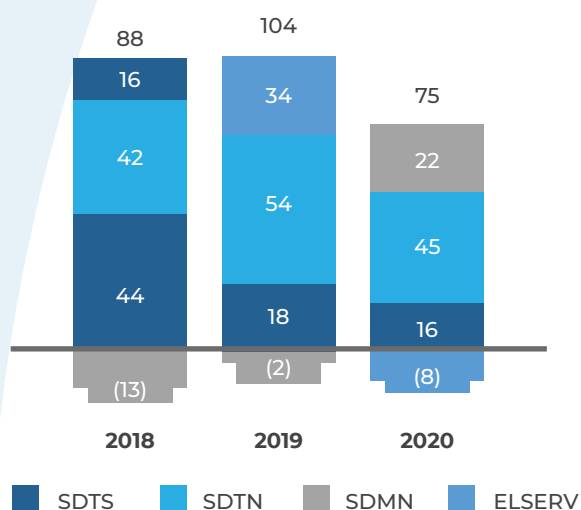
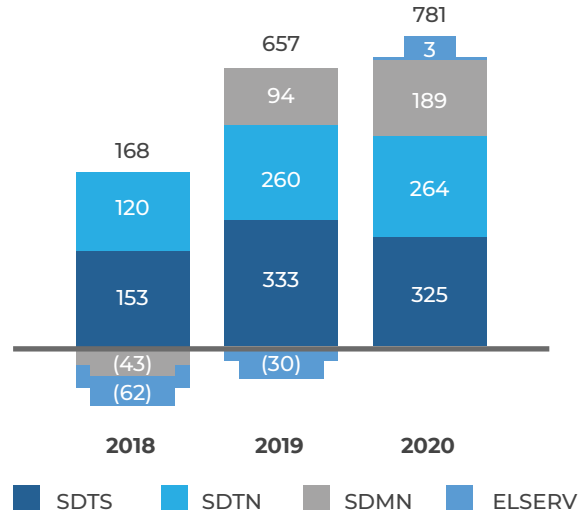


Figure 40: Net debt/(cash) (RON mn)



The following table presents elements from the reporting of the statement of profit or loss of the Group's distribution segment, for the period 2020 – 2019:

(RON mn)	2020	2019
External revenues	1,486.6	1,519.1
Inter-segment revenue	1,264.2	1,222.1
Segment revenue	2,750.8	2,741.2
Segment profit/(loss) before tax	95.1	102.7
Net finance (cost)/income	(65.1)	(59.0)
Depreciation, amortization and impairment, net	(465.8)	(441.8)
EBITDA	624.0	607.4
Net profit/(loss) of the segment	77.1	106.4

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Revenues

In 2020, the revenues from the electricity distribution segment increased by approx. RON 9.7 mn, or 0.4%, to RON 2,750.8 mn, from RON 2,741.2 mn in 2019, as a result of the following factors:

- the favorable impact of approx. RON 89.4 mn, from the increase of distribution tariffs, compared to 2019, which covers the negative effect generated by the reduction of the distributed electricity volumes by approx. 1.4%;
- the negative impact from the evolution of revenues from the construction of assets recognized following IFRIC 12, since the revenues from the electricity distribution segment are influenced by the recognition of investments into the network under concession agreements, these revenues decreasing in 2020 by RON 78.1 mn, compared to 2019.

Electricity purchased

In 2020, the cost of the electricity purchased to cover network losses increased by RON 27.9 mn, or 4.2%, to RON 694.0 mn, from RON 666.1 mn, the evolution being mainly generated by the increase in the electricity purchase prices (negative effect of RON 33.6 mn), effect alleviated by the decrease in the quantity of electricity needed to cover network losses (positive impact of RON 5.7 mn).

Employee benefits

The expenses with employee benefits increased by RON 119.5 mn, or 24.3%, to RON 612.3 mn in 2020, from RON 492.8 mn in 2019, being the cumulative effect of:

- salary increases granted during 2020, following the implementation of the new collective labor agreement;
- the negative effect generated by the variation compared to 2019, when the employee benefits expenses were favorably influenced by the income recognized following the changes in the actuarial calculation (following the elimination from the Collective Labor Agreement of the benefit in the form of free electricity granted to certain categories of pensioners and employees who would retire from the Group in the future), while in 2020, the impact from the actuarial calculation was negative, regarding the long-term obligations of the employees.

Other operating expenses

The operating expenses on the distribution segment decreased significantly, by approx. RON 80 mn, being the cumulated effect of the decrease of certain categories of costs, such as transport expenses, the contribution due to ANRE, following the reduction of the percentage applied to the turnover from 2% to 0.2%, expenses with other taxes, and other costs, as well as the implementation of other cost efficiency measures.

EBITDA

The increased revenues and especially the favorable variation of the operating expenses were the main elements that positively influenced EBITDA, canceling the negative evolution of other expenses, such as the electricity purchased cost and the employee benefits, leading to an EBITDA increase of RON 16.6 mn, or 2.7%.

Net finance cost

The net finance cost recorded an increase in 2020 of approx. RON 6.1 mn compared to the previous year, the main factor being the growth of the external financing through loans at the level of the three distribution companies, mainly for the investment works realized in 2020.

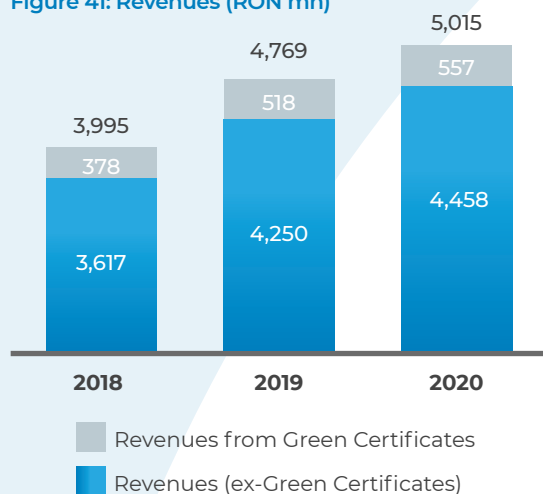
Net profit of the segment

The net profit recorded a fall of RON 29.3 mn, or 27.5%, compared to 2019, being negatively influenced by the evolution of the net finance cost and of the impairment adjustments for the depreciation of tangible and intangible assets.

SEGMENT REPORTING – SUPPLY

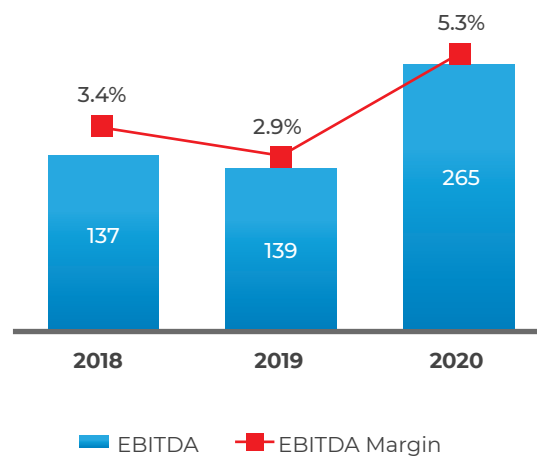
Key indicators - the supply segment

Figure 41: Revenues (RON mn)



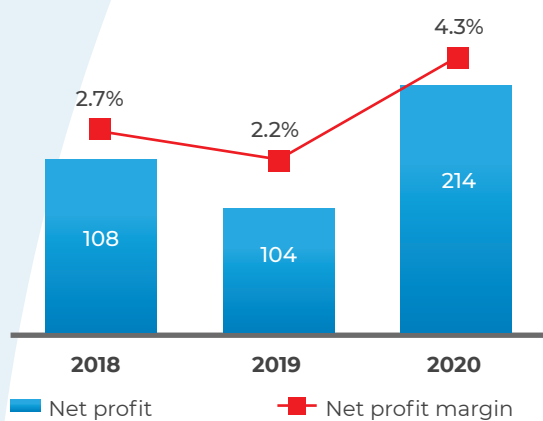
Source: Electrica

Figure 42: EBITDA (RON mn)



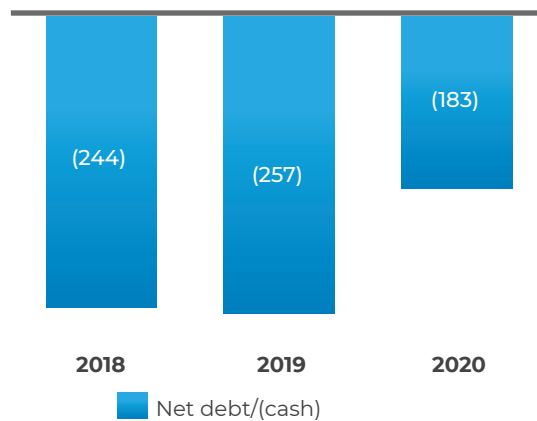
Source: Electrica

Figure 43: Net profit (RON mn)



Source: Electrica

Figure 44: Net debt/(cash) (RON mn)



Source: Electrica

The following table presents the elements from the reporting of the statement of profit or loss of the Group's supply segment for 2020 and 2019:

(RON mn)	2020	2019
External revenues	4,980.6	4,734.1
Inter-segment revenues	34.5	34.6
Segment revenue	5,015.1	4,768.7
Segment profit/(loss) before tax	255.9	127.1
Net finance (cost)/income	4.2	3.2
Depreciation, amortization and impairment, net	(12.8)	(15.1)
EBITDA	265.5	139.1
Net Profit/(loss) of the segment	214.2	104

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Revenues

The revenues from the electricity and natural gas supply activity increased by approx. RON 246.5 mn, or 5.2%, to RON 5,015.1 mn, from RON 4,768.7 mn in 2019. The variation of the supply segment revenue is mainly driven by:

- the increase of the retail sale prices by 2.7% and of the volume of electricity supplied on the retail market by 0.6%;
- the increase of the revenues from green certificates by RON 38.8 mn (these revenues do not influence the segment's result, since a cost with the green certificates of the same value is recognized).

The green certificates value included in the final consumer invoice, set by ANRE, increased from RON 59.4/MWh in 2019 to RON 62.88/MWh in 2020.

Electricity and natural gas purchased

The cost of electricity and natural gas purchased for the supply segment increased by RON 18.2 mn, or 0.6%, to RON 3,211.7 mn in 2020, from RON 3,193.5 mn recorded in 2019.

The evolution is mainly determined by:

- the reduction of the cost of the electricity purchased for supply (including transmission and system services) by RON 20.7 mn, mainly from the lower level of electricity purchase prices, especially on the regulated sector, reflecting the recovery in 2020, in the form of positive corrections, of some purchase losses from previous years, when the tariffs approved by ANRE were below the actual electricity purchase price;
- the increase in the costs with green certificates by RON 38.8 mn, detailed below.

Green certificates' (GC) cost is recognized in the statement of profit and loss based on the quantitative quota set by the regulatory authority and influenced by GC amount that the Group has to purchase for the current year and GC purchase price on the centralized market. The green certificates cost is a pass-through cost.

In 2020, the cost of GC increased by RON 38.8 mn, or 7.5%, to RON 557.2 mn, from RON 518.4 mn in 2019.

The increase was mainly influenced by:

- higher supplied volumes, for which there is an obligation to purchase green certificates, by 1.8% (negative impact of RON 9.2 mn);
- 1.7% increase in the GC average purchase price from RON 137.2/GC in 2019 to RON 139.5/GC in 2020, cumulated with the increase in GC average regulated quota imposed to electricity suppliers by ANRE at 0.451 GC/MWh supplied in 2020 from 0.433 GC/MWh in 2019 (negative impact of RON 33.1 mn);
- the regularization impact – positive variance of RON 3.5 mn, reflected in both revenue and expenses.

Impairment losses on trade and other receivables

The net impairment adjustments for trade receivables recorded a negative variation at the end of 2020 compared with 2019, of RON 37.9 mn, being mainly the effect of the impairment adjustments of approx. RON 32 mn, recognized as a result of the receivables' recoverability assessment, considering, among others, also the impact of COVID-19 on the customers' payment behaviour; in 2019, the impairment adjustments had a positive impact of RON 6 mn.

EBITDA

The above-presented factors led to an EBITDA increase of RON 126.4 mn, and a rise in the EBITDA margin from 2.9% in 2019 to 5.3% in 2020.

Segment net profit

The net profit increased by RON 110.1 mn compared to 2019, the evolution of EBITDA being mainly influenced by the increase of the corporate income tax by approx. RON 18.6 mn, the reduction of the depreciation charge and fixed assets' impairment adjustments by RON 1.3 mn and by the increase of the net financial income by RON 1 mn.

6.3 Consolidated cash flow statement

The following table presents the consolidated statement of cash flows of Electrica Group, for 2020 and 2019 (amounts in RON mn):

	2020	2019	Variation 2020/2019
Cash flows from operating activities			
Profit for the year	387.5	206.7	87.5%
Adjustments for:			
Depreciation	27.9	37.7	-26.2%
Amortization	463.1	442.5	4.6%
Impairment of property, plant, and equipment and intangible assets, net	3.0	3.4	-12.1%
Gain on disposal of property, plant, and equipment and intangible assets	(0.3)	(2.3)	-87.4%
(Reversal of impairment)/Impairment of trade and other receivables, net	(62.2)	4.9	-
(Reversal of impairment)/Impairment of assets held for sale	(0.2)	0.4	-
Change in provisions, net	(0.3)	(9.5)	-96.6%
Net finance cost	17.1	8.2	108.9%
Changes in employee benefits obligations	-	(54.5)	-100.0%
Gain from bargain acquisition of subsidiaries	(7.5)	-	-
Corporate income tax expense	54.8	19.4	182.8%
	882.9	656.9	34.4%
Changes in:			
Trade receivables	(87.2)	(136.0)	-35.8%
Other receivables	3.8	27.2	-85.9%
Prepayments	0.6	-	-
Inventories	4.3	(10.8)	-
Trade payables	(76.0)	177.0	-
Other payables	(2.3)	3.4	-
Employee benefits	14.7	4.8	208.6%
Deferred revenue	(1.3)	1.9	-
Cash generated from operating activities	739.5	724.4	2.1%
Interest paid	(19.9)	(12.9)	54.8%
Income tax paid	(51.7)	(13.9)	271.7%
Net cash from operating activities	667.9	697.6	-4.3%
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	(6.7)	(16.0)	-57.8%
Payments for network construction related to concession agreements	(638.0)	(887.4)	-28.1%
Payments for purchase of other intangible assets	(2.2)	(2.2)	-0.8%

	2020	2019	Variation 2020/2019
Proceeds from the sale of property, plant, and equipment	5.0	8.4	-40.2%
Payments for deposits with a maturity of 3 months or longer	-	(368.0)	-100.0%
Proceeds from deposits with a maturity of 3 months or longer	66.4	438.0	-84.8%
Interest received	9.0	15.8	-43.4%
Net cash effect from the gain of control over the acquired subsidiary	5.6	-	-
Payment for acquisition of subsidiaries	(8.0)	-	-
Net cash used in investing activities	(568.9)	(811.4)	-29.9%
Cash flows from financing activities			
Proceeds from issue of share capital, net	-	1.1	-100.0%
Proceeds from long term bank borrowings	354.3	120.3	194.7%
Repayment of long term bank loans	(29.1)	-	-
Payment of lease liabilities	(29.3)	(38.3)	-23.5%
Dividends paid	(245.8)	(247.2)	-0.6%
Repayment of financing for network construction related to concession agreements	-	(11.9)	-100.0%
Net cash from/(used in) financing activities	50.1	(176.1)	-128.5%
Net (decrease)/increase in cash and cash equivalents	149.1	(289.9)	-
Cash and cash equivalents at 1 January	256.9	546.8	-53.0%
Cash and cash equivalents at 31 December	406.0	256.9	58.0%

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

In 2020, the net increase in cash and cash equivalents amounted to RON 149.1 mn.

The net cash generated by the operating activity was RON 667.9 mn. The net profit of the period was RON 387.5 mn; the main net profit's adjustments for non-monetary elements were: adding the depreciation and amortization of RON 490.9 mn, eliminating the impact of the impairment of trade receivables of RON 62.2 mn, adding the income tax of RON 54.8 mn and the net finance cost of RON 17.1 mn.

Changes in working capital had an unfavorable effect, of RON 143.4 mn, the most significant impact being generated by the negative change in trade and other receivables, in the amount of RON 83.4 mn, and in trade and other payables of RON 63.6 mn (out of which, the change in employee benefits of RON 14.7 mn, having a positive impact). Income tax paid and interest paid amounted to RON 71.6 mn.

For the investment activity, the cash used was RON 568.9 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements of RON 638.0 mn, these being reduced y-o-y, but also to the proceeds from deposits with a maturity of 3 months or longer, of RON 66.4 mn.

The financing activity generated an increase in cash and cash equivalents of RON 50.1 mn, the main factors being the proceeds from long-term bank borrowings of RON 354.3 mn, and the dividends paid to the shareholders, of RON 245.8 mn.

In 2019, the net decrease in cash and cash equivalents amounted to RON 289.9 mn.

The net cash generated by the operating activity was of RON 697.6 mn. The net profit of the period was RON 206.7 mn; the main net profit's adjustments for non-monetary elements were: adding the depreciation and amortization of RON 480.3 mn, adding the income tax of RON 19.4 mn, and deducting the impact of the change in employee benefits obligations of RON 54.5 mn.

Changes in working capital had a favorable effect, of RON 67.4 mn, the most significant impact being generated by the change in trade and other receivables, having a negative impact, in the amount of RON 108.8 mn, and the positive change in trade and other payables of RON 185.2 mn (out of which, the change in employee benefits of RON 4.8 mn). Income tax paid and interest paid amounted to RON 26.8 mn.

For the investment activity, the cash used was of RON 811.4 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements, of RON 887.4 mn; these have recorded a slight increase y-o-y.

The financing activity generated a decrease in cash and cash equivalents of RON 176.1 mn, the main factors being the dividends paid to the shareholders, of RON 247.2 mn, and the payments related to leasing contracts, as a result of the IFRS 16 application.

6.4 Separate statement of the financial position

Financial information selected from the company's separate statement of financial position (amounts in RON mn):

	31 December 2020	31 December 2019	Variation 2020/2019
ASSETS			
Non-current assets			
Property, plant and equipment	96.9	161.6	-40%
Intangible assets	0.3	4.2	-93.6%
Investments in subsidiaries	2,284.9	2,217.2	3.1%
Restricted cash	-	320	-100%
Loans granted to subsidiaries – long term	1,030	1,030	-
Right of use assets	1.4	1.8	-22.2%
Total non-current assets	3,413.5	3,734.8	-8.6%
Current assets			
Cash and cash equivalents	193.5	180.3	7.3%
Deposits with a maturity date of more than three months	-	66.5	-100%
Restricted cash	320.0	-	-
Trade receivables	0.4	5	-92%
Other receivables	180.8	15.1	1,095.5%
Inventories	-	0.1	-100%
Prepayments	0.4	0.2	112.8%
Loans granted to subsidiaries – short term	-	5.5	-100%
Total current assets	695.1	272.7	-154.9%
Total assets	4,108.6	4,007.5	2.5%
Equity			
Share capital	3,464.4	3,464.4	-
Share premium	103.1	103.1	-
Treasury shares reserve	(75.4)	(75.4)	-
Revaluation reserves	12.6	5.9	115.4%

	31 decembrie 2020	31 decembrie 2019	Variatie 2020/2019
Legal reserves	212	197.1	7.6%
Other reserves	35.6	35.6	-
Retained earnings	297	256.2	15.9%
Gains referring to share issue	-	2.2	-100.0%
Losses referring to share issue	-	(1)	-100.0%
Total equity	4,049.3	3,988.1	1.5%
Liabilities			
Non-current liabilities			
Lease liability – long term	0,5	1	-52%
Employee benefits	1,5	2	-26,5%
Total non-current liabilities	2,0	3	-33,3%
Current liabilities			
Lease liability – short term	1	0,8	21,8%
Trade payables	7,2	4,9	47,4%
Other payables	36	1,6	2.133,7%
Deferred revenue	0,2	0,6	-72,5%
Employee benefits	7,1	5,2	36,5%
Provisions	5,8	3,3	75,9%
Total current liabilities	57,3	16,4	249,5%
Total liabilities	59,3	19,4	205,6%
Total equity and liabilities	4.108,6	4.007,5	2,5%

Source: Separate financial statements of ELSA as of 31 December 2020

Non-current assets

On 31 December 2020, as compared to 31 December 2019, fixed assets decreased by RON 321.3 mn or 8.6%, to RON 3,413.5 mn from RON 3,734.8 mn.

At the end of 2020, the land and buildings include the administrative headquarter of the company and the corresponding land, the plots of land over which the company has obtained title deeds, and the land and buildings acquired in 2020 from the subsidiary SEM.

On 28 May 2020, the company acquired a plot of land and several buildings from SEM in total amount of RON 33.8 mn, of which land in the amount of RON 31.9 mn and buildings in the amount of RON 1.9 mn. The sale price was settled as follows:

- the settlement of the loan granted to the subsidiary in the amount of RON 5.5 mn;
- the settlement of the receivable in the amount of RON 24.9 mn generated by the decrease in the share capital of the subsidiary with the same amount, having no effect on the ownership of the Company;
- cash payment in the amount of RON 3.4 mn.

An additional amount of RON 0.4 mn. representing taxes paid for the acquisition of the land was capitalized in the value of the land.

The sale price represents the market value established through a valuation report prepared by an independent valuer.

The plot of land received according to the payment agreement is in surface of 15,844 sqm and the buildings are represented by 22 constructions in various stages of degradation, constructions for which the Company

has recognized an impairment amounting to RON 1.9 mn.

Disposals from property, plant, and equipment in the net amount of RON 90.5 mn refer mainly to the AMR system (Automatic Meter Reading) equipment consisting of electricity measuring equipment and 7 plots of land that were contributed in kind by ELSA to the share capital of its subsidiaries (SDTN, SDTS, SDMN, and SERV), as follows:

Month	Subsidiary	Active transferate	Book value (RON mn)
June 2020	SDMN	AMR equipment	16.5
June 2020	SDMN	2 plots of land in surface of 28,696.79 sqm	1.5
June 2020	SDTN	AMR equipment	37
		AMR license intangibles (see Note 21)	2.9
		AMR construction in progress	0.8
June 2020	SDTS	AMR equipment	27.4
		AMR construction in progress	1.8
May 2020	SERV	5 plots of land in surface of 23,474.07 sqm	5.1
Total			93.0

Source: *Electrica*

The contribution value for the AMR system was determined at the date of the contribution in kind through a valuation report prepared by an independent valuer, the difference between the contribution value and the net book value of the system, in the amount of RON 9.4 mn, being recognized as loss from disposal of assets.

Also in 2020, ELSA reversed the impairment loss for the AMR system assets, in the amount of RON 1.2 mn.

As of 31 December 2020, the land and the buildings were revalued at fair value by an independent valuer. Following the revaluation performed, the gain from the increase in value on the land and buildings was charged to other comprehensive income in the amount of RON 11.9 mn and in statement of profit or loss in the amount of RON 0.2 mn.

During 2020, ELSA increased investments in its subsidiaries, SDMN, SDTN, and SDTS, through the contribution in kind of the AMR system to their share capital. The investment in SERV was also increased, following the merger between SERV and SEM, ELSA's investment in SEM was transferred to SERV, as well as the contribution in kind to the share capital with the land.

During 2019, ELSA increased its investments in its subsidiaries, SDMN, SDTN, SDTS, SERV, SEM, by contribution in kind to their share capital with land.

Trade receivables

As of 31 December 2020, the company's trade receivables decreased by RON 4.6 mn, or 92%, to RON 0.4 mn, from RON 5 mn on 31 December 2019, mainly because the revenues from AMR services are no longer obtained.

Cash, restricted cash, and short-term investments

As of 31 December 2020, the cash and cash equivalents increased by RON 13.2 mn or 7.3%, to RON 193.5 mn from RON 180.3 mn on 31 December 2019.

(RON mn)	31 December 2020	31 December 2019
Bank current accounts	18.4	3
Call deposits	175.1	177.3
Total cash and cash equivalents in the separate statement of financial position and in the separate statement of cash flow	193.5	180.3

Source: *Separate financial statements of ELSA as of 31 December 2020*

As of 31 December 2020, ELSA has collateral deposits at BRD - Groupe Societe Generale set up as guarantees for the long-term borrowings received from BRD by SDTS, SDTN, and SDMN. The amount of the collateral deposits as of 31 December 2020 is RON 320 mn (31 December 2019: RON 320 mn). These collateral deposits are presented in the individual statement of the financial position as short-term restricted cash as they will be reimbursed in less than 12 months, respectively in October 2021.

Deposits with a maturity date of more than three months

(RON mn)	31 December 2020	31 December 2019
Deposits with a maturity date of more than three months	-	66.5

Source: Separate financial statements of ELSA as of 31 December 2020

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

Loans granted to subsidiaries

(RON mn)	31 December 2020	31 December 2019
DEER (long term loan granted) *	1,030	-
SDTN (long term loan granted)	-	360
SDMN (long term loan granted)	-	380
SDTS (long term loan granted)	-	290
SEM (short term loan granted)	-	5.5
Total loans granted to subsidiaries	1,030	1,035.5

Source: Separate financial statements of ELSA as of 31 December 2020

(*)Starting with 31 December 2020 the three distribution companies merged into one single distribution company named Distribuție Energie Electrică România S.A. („DEER”)

The closing balance of the loans granted to subsidiaries are related to intragroup loans granted in 2017 and 2018 as follows:

- Intragroup loan agreement concluded with SDMN in April 2018. The main provisions are: the maximum amount of the loan: RON 230 mn; the purpose of the loan: financing the investment program of 2018; interest rate: 4.7% per year; maturity: 84 months; period allowed for disbursements: 12 months; full repayment at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2020, the loan balance is RON 230 mn (31 December 2019: RON 230 mn);
- Intragroup loan agreement concluded with SDTN in April 2018. The main provisions are: the maximum amount of the loan: RON 160 mn; the purpose of the loan: financing the investment program of 2018; interest rate: 4.7% per year; maturity: 84 months; period allowed for disbursements: 12 months; full repayment at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2020, the loan balance is RON 160 mn (31 December 2019: RON 160 mn);
- Intragroup loan agreement concluded with SDTS in April 2018. The main provisions are: the maximum amount of the loan: RON 130 mn; the purpose of the loan: financing the investment program of 2018; interest rate: 4.7% per year; maturity: 84 months; period allowed for disbursements: 12 months; full repayment at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2020, the loan balance is RON 130 mn (31 December 2019: RON 130 mn);
- In May 2018, the company concluded a loan agreement with SEM. The main provisions were: the maximum amount of the loan: RON 5.5 mn, granted in two installments; the purpose of the loan: the first installment in the amount of RON 1.5 mn for financing the payment of the last installment due to the two creditors enrolled at the creditors' table, the second installment in the amount of RON 4 mn to finance working capital needs; interest rate: 4.5% per year; withdrawal period: 1 to 12 months from the date of granting, 2 to 24 months from the date of granting; reimbursement: first installment – within maximum 12 months from the date of granting; second installment – at any time during the term of the loan, but not later than the final maturity of the entire installment, i.e. 2 years from the date of signing the loan agreement. On 30 April 2020, the loan was repaid;
- Intragroup loan agreement with SDMN concluded in November 2017. The main provisions are: the maximum loan amount: RON 150 mn; the purpose of the loan: financing the investment program of 2017, Interest rate: 2.79% per year, maturity: 84 months, period allowed for disbursements: 12 months.

Repayment in full at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 150 mn (31 December 2019: RON 150 mn);

- Intragroup loan agreement with SDTN concluded in November 2017. The main provisions are: the maximum loan amount: RON 200 mn; the purpose of the loan: financing the investment program of 2017; interest rate: 2.79% per year, maturity: 84 months; period allowed for disbursements: 12 months. Full repayment at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2020, the outstanding balance is of RON 200 mn (31 December 2019: RON 200 mn);
- Intragroup loan agreement with SDTS concluded in November 2017. The main provisions are: the maximum loan amount: RON 160 mn. Purpose of the loan: financing the investment program of 2017; interest rate: 2.79% per year, maturity: 84 months; period allowed for disbursements: 12 months. Repayment in full at maturity; reimbursement in advance allowed, but not earlier than the 12 months of the period of use. As of 31 December 2020, the outstanding balance is of RON 160 mn (31 December 2019: RON 160 mn).

Multi-borrower credit agreements

On 1 April 2019, between Banca Comerciala Romana, as lender and ELSA, as guarantor and borrower, together with its distribution subsidiaries (SDMN, SDTN, and SDTS), as borrowers, was concluded a contract for a multi-product revolving facility, as follows: maximum loan amount: RON 125 mn; the purpose of the loan: financing the current activity; interest rate: 0.77% + ROBOR 1M p.a.; maturity: 31 March 2021. Repayment: in full, at maturity. As at 31 December 2020, the outstanding balance of the facility for the Company is nil.

On 16 April 2019, between BNP PARIBAS, as the lender, and ELSA, as guarantor and borrower, together with its subsidiaries, EFSA and SERV, as borrowers, was concluded a contract for a credit facility in the form of a credit line from the current accounts opened by the borrowers to the lender, as follows: maximum loan amount: RON 160 mn (maximum amount for ELSA is RON 10 mn); the purpose of the loan: financing the current activity; interest rate: 0.60% + ROBOR 1M p.a.; maturity: 16 March 2021. Repayment: in full, at maturity. As of 31 December 2020, the outstanding balance of the facility for the Company is nil.

Cash pooling system at Group level

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

- **a first system** involving ELSA, as cash pool leader, and its distribution subsidiaries (SDMN, SDTN, and SDTS), as participants.
The credit facility offered by the pool leader to each participant is up to the amount of RON 180 mn, and the credit facility offered by each participant to the pool leader is up to the amount of RON 50 mn. The interest rate is ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the internal liquidity of ELSA, and by drawing from the credit line granted to ELSA, the amount of interest due by the participants to ELSA will be calculated using a weighted interest rate, calculated based on the ROBOR internal rate 1M + 0.07% p.a. and the ROBOR bank rate 1M + 0.8% p.a. The initial due date was 20 December 2020, the convention being automatically extended for a period of 1 year.
- **a second system** involving ELSA, as cash pool leader and its subsidiaries, EFSA, SERV, and SEM, as participants.
The credit facility offered by the participants to the pool leader is up to the amount of RON 180 mn for EFSA, RON 50 mn for SERV, and RON 2 mn for SEM. The credit facility offered by the pool leader to the participants is up to the amount of RON 30 mn in the case of EFSA, RON 10 mn in the case of SERV, and RON 2 mn in the case of SEM. The interest rate is ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the internal liquidity of ELSA, and by drawing from the credit line granted to ELSA, the amount of interest due by the participants to ELSA will be calculated using a weighted interest rate, calculated based on the ROBOR internal rate 1M + 0.07% p.a. and the ROBOR bank rate 1M + 0.8% p.a. The initial due date was 20 December 2020, the convention being automatically extended for a period of 1 year.

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

On 30 December 2020, Electrica Energie Verde 1 (EEV1), entered the second cash pooling system.

The credit facility that can be borrowed by EEV1 under the agreement is up to RON 15 mn and the amount that can be borrowed by ELSA under the convention is up to RON 10 mn. The interest rate is ROBOR 1M + 0.07% p.a. However, if the amounts drawn by EEV1 are covered both by the internal liquidity of ELSA, and by drawing from the credit line granted to ELSA, the amount of interest due to ELSA will be calculated using

a weighted interest rate, calculated based on the ROBOR internal rate 1M +0.07% p.a. and the ROBOR bank rate 1M + 0.8% p.a. The agreement has as due date 28 January 2022, with the option of automatic renewal for successive periods of 1 (one) year.

Share Capital

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at of 31 December 2020 (346,443,597 ordinary shares as of 31 December 2019) with a nominal value of RON 10 per share. Ordinary shares offer the right to dividends and the right to one vote per share in the company's shareholder meetings, except for the 6,890,593 shares redeemed by the Company in July 2014, for the purpose of prices stabilization. All shares confer equal rights in the company's net assets, except for the 6,890,593 shares redeemed by the company, in July 2014.

ELSA recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration in the Trade Register.

Dividends

The company may distribute dividends from the statutory profit, according to the audited individual financial statements prepared in accordance with Romanian accounting regulations.

The dividends distributed by the Company in the years 2020 and 2019 (from previous years' profits) were as follows:

(RON mn)	2020	2019
Dividends distributed	246.1	247.5

Source: Separate financial statements of ELSA as of 31 December 2020

On 29 April 2020, the General Meeting of Shareholders of ELSA approved the distribution of dividends in the amount of RON 244.9 mn and other reserves in the amount of RON 1.2 mn. The value of dividends per share distributed to the shareholders of the Company were: RON 0.7248 per share (2019: RON 0.73 per share).

Out of the dividends distributed by the Company of RON 246.1 mn (2019: RON 247.5 mn) the dividends paid were RON 245.8 mn (2019: RON 247.2 mn), the difference representing dividends uncollected by the shareholders.

Provisions

(mil. RON)	Litigations and other risks
Balance at 1 January 2020	3.3
Provisions made	2.5
Provisions utilized	-
Provisions reversed	-
Balance at 31 December 2020	5.8

Source: Separate financial statements of ELSA as of 31 December

The provisions in the amount of RON 5.8 mn as of 31 December 2020 (31 December 2019: RON 3.3 mn) refer mainly to the benefits granted upon the termination of executive managers' contracts.

6.5 Separate statement of profit or loss

Financial information selected from the company's separate statement of profit or loss (RON mn):

Indicator	2020	2019	Variation 2020/2019
Revenues	3.3	19	-82.9%
Other income	14.5	2.3	523.2%
Employee benefits	(31.8)	(29.5)	7.9%
Depreciation and amortization	(13.1)	(22.1)	-41.0%
Reversal of impairment of trade and other receivables, net	98.6	1.6	5,904.5%
Impairment of property, plant and equipment, net	(10)	(3.9)	155.5%
Change in provisions for legal cases and non-compete clauses, net	(2.5)	0.4	-
Other operating expenses	(23.9)	(20.7)	14.7%
Profit/(loss) before financing result	35.1	(52.9)	-
Finance income	260.3	310.9	-16.3%
Finance costs	(0.1)	(0.2)	-38.8%
Net finance income	260.2	310.7	-16.3%
Profit before tax	295.3	257.8	14.6%
Income tax benefit/(expense)	3.1	0	-
Profit for the year	298.4	257.8	15.8%
Earnings per share			
Basic and diluted earnings per share (RON)	0.88	0.76	15.8%

Source: Separate financial statements of ELSA as of 31 December 2020

Revenues

During the year 2020, ELSA recorded revenues of RON 3.3 mn, compared to RON 19 mn in 2019. The revenues obtained by the Company are represented by revenues from service agreements related to the AMR system concluded with the distribution subsidiaries that include automatic meter reading services, communications, and monitoring of the quality parameters of electricity services. Starting with 1 July 2020, the company no longer registered this type of revenues, as a result of the AMR system assets transfer to the distribution subsidiaries by contribution to their share capital.

Other income

During the financial year ended 31 December 2020, the other income mainly includes income from compensations/refunds of certain amounts as a result of favorable court sentences, to which rent revenue and proceeds from the disposal of assets are added.

Revenues from compensations consist mainly of the amount of RON 12.8 mn collected in 2020 by ELSA from the National Agency for Fiscal Administration ("NAFA") as a result of the final civil sentence obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions.

During the financial year ended 31 December 2019, the other income mainly includes rent revenue and proceeds from the disposal of assets.

Depreciation and amortization of tangible and intangible assets

The depreciation and amortization expense is RON 13.1 mn in 2020, compared to RON 22.1 mn in 2019,

as a result of the assets related to the AMR system transfer to the distribution subsidiaries in June 2020, representing the assets for which it was recorded the most significant part of the depreciation expense at the company level.

Employee benefits

In 2020, employee benefits increased by RON 2.3 mn to RON 31.8 mn from RON 29.5 mn in 2019. The variation is the result of several factors, mainly changes in the structure of benefits granted to employees, as a result of the provisions of the Collective Labor Agreement entered into force on 1 April 2020, the payments related to the project to streamline the staff structure of the company, the plan to change the organizational structure by transforming business structures with specialized staff.

Impairment of trade receivables and other receivables

Impairment adjustments for other receivables recognized during 2020 are in the amount of RON 98.6 mn and mainly represent the reversal of the impairment adjustments for uncollected VAT related to the uncertain receivables from Oltchim; in the previous years, ELSA recognized impairment adjustments for the total amount of receivables from Oltchim, and based on the sentence opening for the bankruptcy proceedings and on the provisions of the Fiscal Code, reversed the impairment adjustments related to uncollected VAT, simultaneously with the VAT adjustment.

Impairment adjustments for other receivables recognized during 2019 are in the amount of RON 1.6 mn and represent the reversal of the provision recognized during 2018, related to the legal penalty interest for late payment of dividends by the SDTN subsidiary and related court costs.

Impairment of property, plant, and equipment

Impairment adjustments recorded during 2020 for property, plant, and equipment are in the amount of RON 10 mn, compared to the amount of RON 3.9 mn in 2019. These mainly refer to the RON 9.4 mn impairment adjustment recorded following the evaluation of the AMR system assets, in view of representing a contribution in kind to the share capital of the distribution subsidiaries.

Other operating expenses

In 2020, ELSA recorded other operating expenses in the amount of RON 23.9 mn, compared to the amount of RON 20.7 mn in 2019. The evolution was mainly determined by the increase of consulting services expenses related to the projects carried out at the company level.

Profit/(loss) before financing result

As a result of the above-mentioned factors, ELSA recorded in 2020 a profit before financing result in the amount of RON 35.1 mn, while in 2019 it recorded a loss amounting to RON 52.9 mn.

Net finance income

ELSA's main financial income is provided by the dividends distributed by its subsidiaries.

During the financial year ended 31 December 2020, ELSA recorded dividend income from its subsidiaries in the amount of RON 215 mn (2019: RON 264.4 mn), structured as follows:

(RON mn)	2020	2019
SDMN	2.7	-
SDTS	6.9	45.7
SDTN	54.1	66.7
EFSA	124.0	140.5
SERV	27.3	11.5
Total	215.0	264.4

Source: Separate financial statements of ELSA as of 31 December 2020

Another category of financial income related to its subsidiaries is represented by interest income related to the loans granted, which slightly decreased to RON 39.4 mn in 2020 compared to RON 40.4 mn in 2019, according to the detail:

(RON mn)	2020	2019
SDMN	15.2	15.2
SDTN	13.3	14.4
SDTS	10.8	10.6
SEM	0.1	0.2
Total	39.4	40.4

Source: Separate financial statements of ELSA as of 31 December 2020

In 2020 the liquidity concentration structure (cash pooling) was implemented within the Electrica Group, which ensures that the current liquidity needs of the Group's subsidiaries are covered. By implementing the cash pooling scheme, the following financial revenues and expenses were recorded by ELSA:

(RON mn)	2020	2019
SDMN	0.6	-
SDTS	2.1	-
SDTN	1.3	-
EFSA	(1.3)	-
SERV	(0.7)	-
Total	2	-

Source: Separate financial statements of ELSA as of 31 December 2020

Profit before tax

In 2020, profit before tax increased by RON 37.5 mn or 14.6% to RON 295.3 mn from RON 257.8 mn in 2019.

Income tax benefit/(expense)

In 2020, the company recorded an income tax benefit of RON 3.1 mn (2019: the expense of RON 0.02 mn), mainly due to the registration of deferred income tax revenues.

Net profit for the year

As a result of the factors presented above, the 2020 net profit recorded an increase of 15.8% compared to 2019, to RON 298.4 mn from RON 257.8 mn.

6.6 Separate cash flow statement

Financial information selected from the cash flow statement of the company (RON mn):

Indicator	2020	2019	Variatie 2020/2019
Cash flows from operating activities			
Profit for the year	298.4	257.8	15.8%
Adjustments for:			
Depreciation	11.2	20.2	-45.1%
Amortization	1.9	1.9	-
Impairment of property, plant and equipment, net	10	3.9	155.5%
Loss/(Gain) from the disposal of tangible assets	0.6	(1.4)	-
Reversal of impairment of trade and other receivables, net	(98.6)	(1.6)	5,904.5%
Net finance income	(260.2)	(310.7)	-16.3%
Changes in employee benefits obligations	(0.4)	-	-
Changes in provisions, net	2.5	(0.4)	-
Income tax expense/(benefit)	(3.1)	0	-
	(37.7)	(30.3)	24.3%
Changes in:			
Trade receivables	103.2	5.6	1,746.2%
Other receivables	4.3	4.3	0.3%
Trade payables	1.8	1.3	41.2%
Other payables	(0.4)	(2.5)	-83.4%
Employee benefits	1.9	(1.3)	-
Cash generated/(used in) from operating activities	73.1	(22.9)	-
Interest paid	0	(0.1)	-
Net cash from/(used in) operating activities	73.1	(23.0)	-
Cash flows from investing activities			
Payments for purchases of property, plant, and equipment	(4)	(2.2)	78.9%
Payments for purchase of intangible assets	-	(0.3)	-
Proceeds from the sale of property, plant, and equipment	0.2	1.8	-89.2%
Payments for deposits with a maturity of 3 months or longer	-	(368)	-
Proceeds from deposits with a maturity of 3 months or longer	66.4	403	-83.5%
Cash pooling net position	(132.2)	-	-
Loans granted to subsidiaries	-	(62.2)	-
Interest received	41.4	43.7	-5.4%
Dividends received	215	264.4	-18.7%
Net cash from investing activities	186.8	280.2	33.3%

Indicator	2020	2019	Variation 2020/2019
Cash flow from financing activities			
Proceeds from issue of share capital, net	-	1.1	-
Dividends paid	(245.8)	(247.2)	-0.6%
Payment of lease liabilities	(0.9)	(0.8)	12.4%
Net cash used in financing activities	(246.7)	(246.9)	-0.1%
Net increase in cash and cash equivalents	13.2	10.3	28.1%
Cash and cash equivalents at 1 January	180.3	170	6.1%
Cash and cash equivalents at 31 December	193.5	180.3	7.3%

Source: Separate financial statements of ELSA as of 31 December 2020

In **2020**, the net increase in cash and cash equivalents amounted to RON 13.2 mn.

The net cash generated by the operating activity was of RON 73.1 mn. The net profit of the period was RON 298.4 mn; the main non-monetary elements adjustments for the net profit were: adding the amortization and depreciation of tangible and intangible assets in the amount of RON 13.1 mn, adding the impact of tangible assets disposal in the net amount of RON 10.6 mn, adding the variation of the change in provisions of RON 2.5 mn, eliminating the impact of the impairment of trade receivables of RON 98.6 mn, deduction of the income tax benefit of RON 3.1 mn and deduction of the net financial result of RON 260.2 mn.

Changes in working capital had a favorable effect, of RON 110.8 mn, the most significant impact being generated by the positive change in trade and other receivables, in the amount of RON 107.5 mn, and in trade and other payables of RON 3.3 mn (out of which, a RON 1.9 mn positive impact from the change in employee benefits).

For the investment activity, the cash generated was of RON 186.8 mn, the most significant values being related to the dividends received in the amount of RON 215 mn, to the proceeds from deposits with a maturity of 3 months or longer, of RON 66.4 mn, to interest received in the amount of RON 41.4 mn, but also to the payments for purchases of property, plant, and equipment in the amount of RON 4 mn, and the amounts paid within the cash pooling scheme, implemented at the Group level, amounting to RON 132.2 mn.

The financing activity generated a decrease in cash and cash equivalents of RON 246.7 mn, mainly from the dividends paid to the shareholders - RON 245.8 mn.

In **2019**, the net increase in cash and cash equivalents amounted to RON 10.3 mn.

The net cash generated by the operating activity was of RON 23 mn. The net profit of the period was RON 257.8 mn; the main non-monetary elements adjustments for the net profit were: adding the amortization and depreciation of tangible and intangible assets in the amount of RON 22.1 mn, impairment adjustments for tangible assets of RON 2.5 mil. RON, eliminating the impact of the impairment of trade and other receivables of RON 1.6 mn and deduction of a net financial result of RON 310.7 mn.

Changes in working capital had a favorable effect, of RON 7.3 mn, the most significant impact being generated by the positive change in trade and other receivables, in the amount of RON 9.9 mn, positive effect reduced by the change on payable and other payables with a negative effect of RON 2.6 mn (out of which, a RON 1.3 mn from the change in employee benefits). Interest paid was RON 0.1 mn.

For the investment activity, the cash used was of RON 280.2 mn, the most significant values being related to the dividends received in the amount of RON 264.4 mn, to interest received in the amount of RON 43.7 mn, to the proceeds from deposits with a maturity of 3 months or longer, of RON 35 mn, and to the loans granted to subsidiaries of RON 62.2 mn.

The financing activity generated a decrease in cash and cash equivalents of RON 246.9 mn, the main factors being the dividends paid to the shareholders, RON 247.2 mn.

6.7 Risk management

In 2020, Electrica continued to improve and develop the risk management system, based on best practices in the field.

At the Electrica Group level several specific initiatives can be mentioned that targeted the risk management activity in 2020:

- The Risk Management Department substantially contributed to **achieving and monitoring the implementation of resilience plan for management activities in the context of COVID-19 at the Group level;**
- **Updating the risk governance framework** by approving and implementing a new Risk Management Policy at the level of all companies within the group, by amending ELSA Corporate Governance Code, regarding the attributions related to risk management, and by approving the new Risk Management Procedure within ELSA;
- **The transition from a risk management approach based on three lines of defense to one based on five lines of defense:** the first line refers to business line coordinators, having an operational role in identifying, assessing, treating, and monitoring risks in their own fields of activity; **the second line** includes the functions with clearly defined roles in the control of certain types of specific risks; **the third line** provides for the aggregation, monitoring and reporting of relevant information on the identified risks and is represented by the risk management function; **the fourth line** is represented by the internal audit component, which has a role of validating the effectiveness and efficiency of the risk management system; and **the fifth line** is represented by the external audit;
- **Updating the specific taxonomy for risk management:** by establishing and defining new categories of risks specific to the group's activities, but also by redefining the quantitative and/or qualitative assessment scale that allows the framing and aggregation of identified risks;
- **Development of new punctual approaches regarding the management of market risk and credit risk,** associated with electricity and natural gas supply activities, as well as electricity production from renewable sources activity. In this respect, at the EFSA level, the project dedicated to market risk management has been completed, the guarantee manual was developed to cover the credit risk regarding all types of guarantees, as well as the procedures for analysis and evaluation of guarantees; procedures of economic-financial analysis and analysis of the counterparty risk, assessment of exposure to the credit risk, have been developed in order to ensure the preventive control of the credit risk.
- **Regular communication on risk management activities at the level of the entire group,** by organizing workshops, course sessions, online meetings, as well as the meetings of the Risk Supervision Committee at the level of the group companies;
- **Updating the plans of control/treatment measures for the identified and evaluated risks, and monitoring their implementation.**

Two other great challenges of 2020 consisted of the two major internal merger projects within the Electrica Group, respectively, the merger by absorption of the two energy services subsidiaries SERV with SEM, and the merger by absorption of the three companies of electricity distribution, SDTN, SDTS, and SDMN, resulting in Distribuție Energie Electrica România (DEER), which also involved the management of specific risks to such projects.

For the next year, we intend to further develop the risk management system at the level of the entire Electrica Group, by improving the risk governance framework, in order to develop a relevant database for risk analysis, taking into account particularly the new context created by the COVID-19 pandemic, national and European Union regulations, such as the provisions of European Regulation no. 941/2019 on risk preparedness in the electricity sector, the provisions of the European Green Deal to combat climate change, as well as other provisions that may have a significant impact on the Electrica Group in the future.

FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks resulting from the use of financial instruments: credit risk, liquidity risk, and market risk.

■ Credit risk

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

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

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

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

Trade receivables

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

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

Impairment

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

31 December 2020					
(RON mn)	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	812.9	(13.1)	799.8	No
Past due 1-30 days	1%	163.4	(2.3)	161.1	No
Past due 31-60 days	12%	49.0	(5.8)	43.2	No
Past due 61-90 days	33%	17.4	(5.7)	11.8	No
Past due more than 90 days	99%	936.6	(922.7)	13.9	Yes
Total		1,979.3	(949.6)	1,029.8	

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

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

31 December 2019					
(RON mn)	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	705.9	(10.8)	695.1	No
Past due 1-30 days	2%	154.5	(2.6)	151.9	No
Past due 31-60 days	12%	34.6	(4.2)	30.5	No
Past due 61-90 days	33%	6.3	(2.1)	4.3	No
Past due more than 90 days	99%	1,010.8	(1,002.6)	8.2	Yes
Total		1,912.1	(1,022.1)	890.0	

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

■ Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by transferring cash or another financial asset. The Group's liquidity management policy is to maintain, as far as possible, sufficient liquidity to meet its obligations when they are due, under both normal and stressed conditions, to avoid unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount above expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade

receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts facilities.

Exposure to liquidity risk

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

(RON mn)		Contractual cash flows				
Financial liabilities	Carrying amount	Total	less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2020						
Bank overdrafts	165.0	165.0	165.0	-	-	-
Lease liability	27.6	27.6	10.7	6.8	10.0	0.1
Long term bank borrowings	778.9	778.9	378.6	70.8	212.5	117.0
Trade payables	607.2	607.2	607.2	-	-	-
Total	1,578.7	1,578.7	1,161.5	77.6	222.5	117.1
31 December 2019						
Bank overdrafts	350.6	350.6	350.6	-	-	-
Financing for network construction related to concession agreements	1.0	1.0	1.0	-	-	-
Lease liability	36.5	36.5	26.9	7.2	1.3	1.1
Long-term bank borrowings	440.3	440.3	7.5	337.6	52.9	42.2
Trade payables	730.5	730.5	730.5	-	-	-
Total	1,558.9	1,558.9	1,116.5	344.9	54.2	43.3

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

■ Market risk

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

Currency risk

The Group has exposure to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

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

Exposure to currency risk

The summary of quantitative information on the Group's exposure to currency risk is given below:

(RON mn)	31 December 2020 EUR	31 December 2019 EUR
Cash and cash equivalents	3.4	0.3
Financing for network construction related to concession agreements	-	(1.0)
Lease liability	(24.5)	(35.4)
Net statement of financial position exposure	(21.1)	(36.1)

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

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

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

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Sensitivity analysis

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

(RON mn) <i>Effect</i>	Profit before tax	
	Strengthening	Weakening
31 December 2020 EUR (5% movement)	(1.1)	1.1
31 December 2019 EUR (5% movement)	(1.8)	1.8

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Exposure to interest rate risk

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

(RON mn)	31 December 2020	31 December 2019
Fixed-rate instruments		
Financial assets		
Call deposits	391.5	485.3
Deposits with a maturity date of more than three months	-	66.5
Financial liabilities		
Financing for network construction related to concession agreements	-	(1.0)
Long-term bank borrowings	(728.9)	(440.3)
Lease liability	(9.1)	(16.0)
Total	(346.5)	94.5

(RON mn)	31 December 2020	31 December 2019
Variable-rate instruments		
Financial liabilities		
Lease liability	(18.6)	(20.5)
Long-term bank borrowings	(49.9)	-
Bank overdrafts	(165.0)	(350.6)
Total	(233.5)	(371.1)

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Fair value sensitivity analysis for fixed-rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

(RON mn)	Profit before tax	
Effect	50 bp increase	50 bp decrease
31 December 2020		
Variable-rate instruments	(1.2)	1.2
31 December 2019		
Variable-rate instruments	(1.9)	1.9

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

6.8 Description of the main features of internal control and risk management systems in relation to the financial reporting process

The internal control represents all measures, procedures, and policies adopted by ELSA management and their implementation by the employees regarding the organizational structure, applied procedures, methods, techniques, and instruments, with the purpose of implementation of the Company's strategy and objectives. The internal control includes all control forms performed at the company level, such as preventive financial control, internal and managerial control, compliance control.

The internal control is a means of analyzing the ELSA's activities, of adopting and applying internal management, including the knowledge activity, which allows the company's management to coordinate the organization's activities efficiently.

In this sense, the internal control follows and verifies, in accordance with the legislation in force and the specific procedures, the compliance with the legal framework that regulates the activities carried out in the verified entities, according to the approved control objectives and themes.

Through internal control, the management ascertains the deviations from the established objectives, analyzes the causes, and orders the corrective or preventive measures that are required.

The internal control and the risk management systems have the following main goals:

- protecting organizational resources against losses due to waste, negligence, abuses, fraud, etc.;
- compliance with the applicable legislation and the internal regulations;
- the reliability of financial reporting (accuracy, completeness, and correctness of the information);
- ensuring an environment based on identifying, understanding, and controlling risks, environment which will contribute to achieving the organizational goals;
- efficient and effective business operations and use of resources;

- applying the Board of Directors' and executive management resolutions and follow-up.

Accomplishing these goals in 2020 was performed as follows:

- recruitment of personnel with an adequate level of competency, in accordance with the company's needs, accompanied by the development of a continuous training plan to allow an update of specific knowledge or supplementation of internal resources with external consultants, when appropriate.
In this context, in 2020, at the level of the specific department within ELSA were employed two persons with experience in performing internal control, as well as one for ensuring internal compliance with competition and state aid rules.
- clear definition and split of responsibilities of each person involved in the organizational process; segregation of duties regarding the carrying out of operations among personnel, so that the approval, control, and recording attributions are adequately assigned to different persons (according to the company's organizational chart);
- elaboration, update, and implementation of regulations, policies, procedures, forms, etc.; in August 2020, the Procedure for carrying out the control activity at the ELSA level was updated, through which the control activity for ELSA and for the companies in its portfolio was improved and adapted to the management requirements, in accordance with the Group's Strategy;
- the existence of a *Guide for Accounting Policies*, elaborated in accordance with the requirements of the legislation in force, approved by the Board of Directors;
- the existence of a calendar and a well-defined process regarding the elaboration of accounting and financial information in accordance with the reporting requirements (financial reports, including financial statements, annual and interim reports, budget, etc.) and their appropriate verification and approval by the Board of Directors, in order to be further published.

The framework of ELSA's internal control system consists of the following elements:

- ✓ **Control environment** – The existence of a control environment represents the basis of an efficient internal control system. It consists of the commitment towards integrity and ethical values (for this purpose, a series of policies on zero tolerance towards corruption, anti-fraud and anti-money-laundering, avoidance and fighting against conflicts of interest, policy for gifts and protocol expenses as well as forbidding facilitating payments, transparency and the involvement of stakeholders), as well as organizational measures (policies on the delegation of authority and responsibilities);
- ✓ **Evaluation of risks** – Generally, all processes are within the scope of the internal control system. An identification process is carried out regarding major or critical risks, related to particular activities for stimulating internal control methods;
- ✓ **Control activities meant to reduce the risks** – Control activities have different forms (managerial control, general control, preventive financial control, etc.) and are implemented and carried out with the purpose of reducing significant operational and compliance risks;
- ✓ **Information and communication** – Information helps all other components of the internal control system by means of communication to the employees of their responsibilities regarding the control and the provision of information in an adequate and timely manner, so that all employees may carry out their duties. Internal communication is performed by means of disseminating information to all levels, while the external one implies the dissemination of information to external parties, in accordance with the requirements and expectations;
- ✓ **Monitoring activities** – the Audit and Risk Committee and the Internal Audit Department assess the efficiency and the effective implementation of the internal control system.

The management monitors the functioning of internal controls by means of periodical analyzes; for instance, the budget execution, the security incidents monitoring, internal and external audit reports, and internal control reports.

Deficiencies in the implementation or functioning of internal controls are noted in the internal control reports, information notes, as well as internal audit reports, and are presented to the management, with the purpose of issuing the corrective actions.

The internal audit missions evaluate the internal control system, the risks and the implemented control strategies, and also suggest initiatives, proposals, solutions, and recommendations to mitigate the risks of fraud and to improve control strategies.

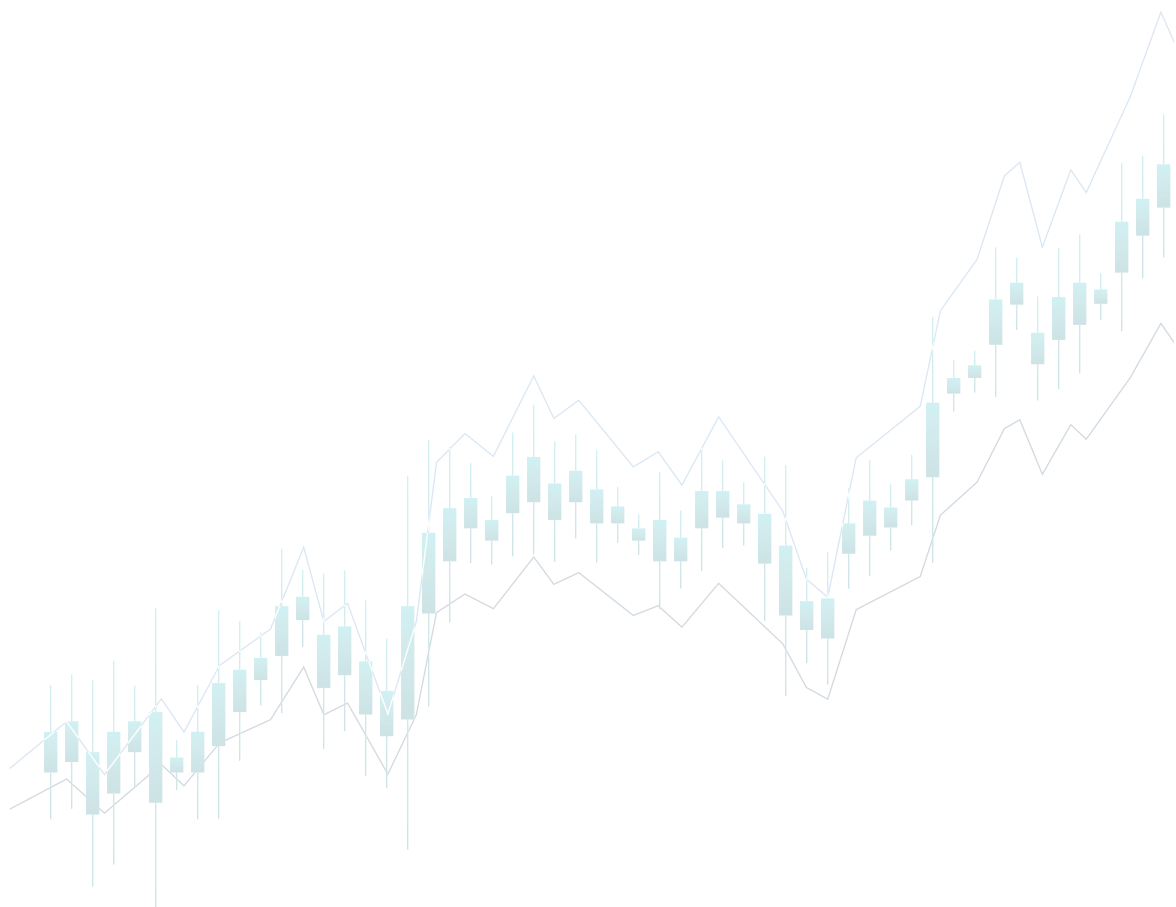
The internal audit includes, but is not limited to, the examination and evaluation of the adequate nature and the efficiency of the organization's corporate governance, risk management, and internal controls and of the quality performance in carrying out the assigned responsibilities, in order to achieve the assumed strategy and objectives of the organization.

The Guide for Accounting Policies is consistently applied in all companies within the Group, for the purpose of ensuring an accounting treatment consistently applied for the same business situations, for the preparation of annual and interim financial statements of the Group on a standalone and consolidated basis. This guide is subject to review based on the changes made to the International Financial Reporting Standards as adopted by EU, respectively by the changes in the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards.

From the perspective of the statutory regulations, the Group's subsidiaries apply their own accounting policy manuals, in accordance with the provisions of the Order of the Minister of Public Finance no. 1802/2014

regarding the individual and consolidated annual financial statements, with subsequent amendments. The statutory accounting policies are applied consistently to all subsidiaries of the Group, being aligned where possible, to ensure a uniform accounting treatment applied for similar operations. The accounting policy manuals are revised according to the changes in the legislation, as well as the operations carried out by each company.

The Group has appropriate systems in place for the collection, storage, protection, and processing of data in order to generate financial and managerial reports for both internal and external use, as well as proper systems and procedures for meeting the legal requirements and financial reports requirements in a timely manner and subject to control review.





Appendix 1

Litigations

Electrica Group litigations in 2020 (updated as of 4 March 2021):**1. Disputes with ANRE**

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1.	Plaintiff: ELSA Defendant: ANRE 192/2/2015	Cancellation of the ANRE Order no. 146/2014 regarding the establishment of the regulated rate of return considered to the approval of the tariffs for the electricity distribution service provided by concessionary DSOs starting with 1 January 2015 and the abrogation of Art. 122 of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – suspended until the settlement of case no. 7341/2/2014 (actual 4804/2/2020).
2.	Plaintiff: ELSA; Defendant: ANRE; 361/2/2015	Cancellation of ANRE Order no. 155/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTN.	High Court of Cassation and Justice	Suspended until the settlement of the case file no. 192/2/2015.
3.	Plaintiff: ELSA; Defendant: ANRE; 360/2/2015	Cancellation of ANRE Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTS.	High Court of Cassation and Justice	Suspended until the settlement of the case file no. 192/2/2015.
4.	Plaintiff: ELSA; Defendant: ANRE; 340/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order 171/2015.	High Court of Cassation and Justice	Appeal - Suspended until the settlement of the case file no. 192/2/2015.
5.	Plaintiff: ELSA; Defendant: ANRE; 342/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order. No. 172/2015.	High Court of Cassation and Justice	Appeal - Suspended until the settlement of the case file no. 192/2/2015.
6.	Plaintiff: ELSA; SDTN; SDTS; SDMN; Defendant: ANRE; 7614/2/2018	Action for partial annulment of ANRE Order no. 169/2018 regarding the approval of the Tariff Setting Methodology for the Electricity Distribution Service.	Bucharest Court of Appeal	In course of settlement.
7.	Plaintiff: ELSA; SDTN; SDTS; SDMN; Defendant: ANRE 7591/2/2018	Action for the annulment of the ANRE Order no. 168/2018 regarding the regulatory rate of return and obliging ANRE to issue a new order.	Bucharest Court of Appeal	In course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
8.	Plaintiff: Fondul Proprietatea Defendant: ANRE Intervient: ELSA; SDTN; SDTS; SDMN; 4804/2/2020 (former 7341/2/2014)	Legal action having as object the partial annulment of ANRE Order no. 112/2014 regarding the amendment and completion of the tariff setting methodology for the electricity distribution service, approved by the ANRE Order no. 72/2013.	Bucharest Court of Appeal	Retrial – the action was dismissed as unfounded. The decision is appealable within 15 days of its communication.
9.	Plaintiff: ELSA, SDMN Defendant: ANRE 434/2/2019	Legal action for annulment of ANRE Order 197/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDMN.	Bucharest Court of Appeal	In course of settlement.
10.	Plaintiff: ELSA, SDTS Defendant: ANRE 435/2/2019	Legal action for annulment of documents issued by the regulatory authorities - Order 199/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTS.	Bucharest Court of Appeal	On 09.06.2020, the court rejected the action as unfounded. The decision can be appealed within 15 days from the communication. The Decision has not been communicated.
11.	Plaintiff: ELSA, SDTN Defendant: ANRE 436/2/2019	Legal action for annulment of documents issued by the regulatory authorities - Order 198/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTN.	Bucharest Court of Appeal	In course of settlement.
12.	Plaintiff: SDMN Defendant: ANRE 184/2/2015	Administrative litigation – Cancellation of ANRE Order no. 146/2014 regarding the setting of the regulated rate of return applied at the approval of the tariffs for the electricity distribution service provided by the DSOs starting with 1 January 2015 and the abrogation of art. 122 of the tariff setting methodology for the electricity distribution service, approved by the ANRE order no. 72/2013.	High Court of Cassation and Justice	Suspended case file until the final settlement of the Bucharest Court of Appeal case 7341/2/2014 (actual 4804/2/2020).

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
13.	Plaintiff: SDMN Defendant: ANRE 164/2/2016	Cancellation of ANRE Order no. 165/2014 regarding the modification of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	The case file no. 1574/2/2016 has been linked to this case file. The action was definitively dismissed.
14.	Plaintiff: SDMN Defendant: ANRE 309/2/2020	Legal action on the cancellation of documents issued by regulatory authorities – Order no. 227/2019 regarding the approval of the tariffs for the electricity distribution service and the price for the reactive energy for SDMN.	Bucharest Court of Appeal	In course of settlement.
15.	Plaintiff: SDMN; SDTS Defendant: ANRE 8901/2/2018	Action in administrative litigation to oblige ANRE to issue an address of response to the request of DSOs within Electrica Group to issue a decision stating whether they have exclusive or special rights in accordance with the provisions of Law 99/2016.	Bucharest Court of Appeal	The action was admitted by the first instance. The decision is final by non-appeal.
16.	Plaintiff: SDMN; SDTS Defendant: ANRE 8901/2/201	Cancellation of the administrative act for the refusal to issue a favorable opinion regarding the transfer of the AMR system and requiring the issue of favorable administrative documents for the cession of the AMR system from ELSA to DSOs, also obliging ANRE to adjust the distribution tariffs of DSOs.	High Court of Cassation and Justice	In the appeal, the court admitted the appeal and annulled the appealed sentence. The court took note of the request to waive the trial of ELSA, SDMN, SDTN, and SDTS.
17.	Plaintiff: SDTN Defendant: ANRE 213/2/2015	Cancellation of ANRE Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by the DSOs from 1 January 2015 and the abrogation of Art. 122 of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – suspended.
18.	Plaintiff: SDTN Defendant: ANRE 305/2/2020	Cancellation of ANRE Order no. 228/2019 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTN.	Bucharest Court of Appeal	In course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
19.	Plaintiff: SDTS Defendant: ANRE 371/2/2015	Cancellation of ANRE Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTS.	Bucharest Court of Appeal	Suspended until the settlement of the case file no. 208/2/2015.
20.	Plaintiff: SDTS Defendant: ANRE 208/2/2015	Cancellation of the ANRE Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by DSOs from 1 January 2015 and the abrogation of Art. 122 of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Suspended. Waiver of the trial at the appeal regarding the suspension decision.
21.	Plaintiff: SDTS Defendant: ANRE 73/197/2019	Complaint against the contravention report no. 97341/18 December 2018.	Brasov Court	Action definitively rejected.
22.	Plaintiff: SDTS Defendant: ANRE 303/2/2020	Cancellation of ANRE Order no. 229/2019 regarding the approval of the of the specific tariffs for the electricity distribution service and the price for the reactive energy for SDTS.	Bucharest Court of Appeal	In course of settlement.

Source: *Electrica*

2. Fiscal matter disputes

Crt. no.	Parties/Case file number	Object	Court	Case status
1.	Plaintiff: ELSA Defendant: NAFA 17237/299/2017	1. Suspension of forced execution initiated by NAFA-DGAMC in the enforcement file no. 13267221 under the enforceable order no. 13725/3 May 2017 and of the no. 13739/03 May 2017; 2. Cancellation of the enforcement order no. 13725/3 May 2017, of the no. 61/90/1/2017/263129 (which also bears the No. 13739/3 May 2017) issued by NAFA-DGAMC for RON 39,248,818 and all subsequent execution orders issued in connection with the forced execution of the amount of RON 39,248,818 in the execution file no. 13267221.	District 1 Court	Suspended until the final settlement of case no. 9131/2/2017.

Crt. no.	Parties/Case file number	Object	Court	Case status
2.	Plaintiff: ELSA Defendant: NAFA 9131/2/2017	Annulment of the tax decisions issued by NAFA and communicated to the company by address no. 665/17 March 2017, new accessories amounting to RON 39,000,000.	High Court of Cassation and Justice	Action admitted in first court instance. - ANAF filed an appeal, in course of settlement.
3.	Plaintiff: ELSA Defendant: NAFA 6043/2/2018	1. Obligation of NAFA to correct the evidence of tax receivables, so that it reflects the decisions given by the courts in the disputes between the parties, through decisions that have come into the power of the judicial work. 2. In particular, in order to adjust the financial statement in the sense indicated in paragraph 1, the NAFA shall be obliged to draw up those corrective administrative acts or operations which: a) to reflect in the fiscal file the extinguishment by prescription of the amount of RON 16,915,950 representing the profit tax registered in Decision no. 3/2008 (the „Main Claim”) and the removal from its tax records, ' b) to reflect in the fiscal file the corresponding extinction of all the accessories calculated by NAFA in the Main Claim (extinguished by prescription) and the removal from their tax records (including the amount of RON 30,777,354 included in Decision no. 357/2008).	High Court of Cassation and Justice	In the first instance, Electrica's action was admitted. NAFA filed an appeal – in course of settlement.
4.	Plaintiff: ELSA Defendant: NAFA - DGAMC 25091/299/2018	Appeal to execution and suspension of forced execution - the cancellation of the enforcement order no. 13566/22 June 2018 and the notice 13567/22 June 2018, issued in the execution file no. 13267221/61/90/1/2018/278530, amounting to RON 10,024,825 (representing the partial fine from the Competition Council).	District 1 Court	Suspended until the settlement of case no. 3889/2/2018.

Crt. no.	Parties/Case file number	Object	Court	Case status
5.	Plaintiff: SDMN Defendant: NAFA - DGAMC 1018/2/2016*	Cancellation of administrative act – Decision no. 462/23 November 2015, litigation amount of RON 7,731,693 (RON 4,689,686 income tax + RON 3,042,007 VAT) and for the amount of RON 6,154,799 (RON 3,991,503 interests/penalties and late fees related to income tax + RON 2,163,296 interests/penalties and delay fees related to the VAT).	High Court of Cassation and Justice	The court of first instance rejected the action as unfounded. The plaintiff filed an appeal, admitted by the court, which quashes the contested decisions and re-judging, partially admits the action. Partially annuls Decision no. 462 / 23.11.2015 issued by A.N.A.F –DGSC, regarding point 3. Obliges the defendant A.N.A.F –DGSC to settle on the merits of the claim regarding the amount of RON 10,091,323. It sends for retrial to the same court the request regarding the other fiscal obligations retained by the fiscal body, amounting to RON 13,886,492. Final (file no. 1018/2/2016 *). DGAMG - ANAF rejected by Solution Decision no. 154 / 02.07.2020, the appeal regarding the amount of RON 10,091,323 (Point 3 of Decision no. 462/2015) reason for which an action for annulment was filed on 22.12.2020 (file no. 641/42 / 2020).
6.	Plaintiff: SDMN Defendant: DGAMC – NAFA 641/42/2020	Annulment of the administrative act of the Settlement Decision 154 / 02.07.2020 for the amount of RON 10,091,323 (point 3 of the Decision no. 462 / 23.11.2015)	Ploiesti Court of Appeal	In course of settlement.
7.	Plaintiff: SDMN Defendant: Galati City Hall - DITVL Galati 263/42/2020	Cancellation of administrative documents issued by the fiscal bodies within the Galati City Hall - DITVL Galati, respectively Fiscal inspection report, taxation decision, and decision to resolve the appeal. According to the Fiscal Inspection Report, the control team determined an additional tax on buildings, together with the related accessories, in a total amount of RON 24,831,293, for the 2012-2015 period.	Ploiesti Court of Appeal	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
8.	Plaintiff: SERV Defendant: NAFA 5786/2/2018	Cancellation of administrative act NAFA RIF 2017 and decision no. 305/30 May 2017, amounting to RON 46,260,952, the amount by which the financial loss of the Company was diminished; RON 7,563,561 established as additional VAT for payment by the refusal to deduct the VAT + related accessories.	High Court of Cassation and Justice	By decision 2145/2019 dated 03.07.2019, the court admits the request. Partially annuls Decision no. 22 / 18.01.2018 regarding the settlement of the appeal, Taxation Decision no. F-MC 305 / 30.05.2017, The provision regarding the measures established by the fiscal inspection bodies no. 115046 / 30.05.2017 and RIF no. F-MC 177 / 30.05.2017, regarding the amount of RON 7,264,463 VAT with the related accessories, illegally retained as non-deductible, respectively regarding the amount of RON 37,083,657 with which the financial loss was illegally diminished. In this case, an appeal was filed by both parties, currently in the filter procedure.
9.	Plaintiff: SERV Defendant: NAFA 31945/3/2018	Cancellation of the administrative decision no. 221/19 July 2017 - the cancellation of penalties related to decision no. 305/2017 from above, RON 118,215.	Bucharest Court	Suspended until the final settlement of case no. 5786/2/2018.
10.	Plaintiff: SDTN Defendant: MFP - NAFA - DGRFP Cluj - AJFP Maramures 371/33/2017	The appeal of tax decision no. F-MM-180/2016 regarding additional tax and VAT, as well as interest/late payment increases and late payment penalties. Preliminary administrative procedures were conducted in 2017 before the action was brought in court. Amount: RON 32,295,033.	High Court of Cassation and Justice	Appeal – in course of settlement.
11.	Plaintiff: EFSA Defendant: NAFA – DGAMC 8709/2/2018	Cancellation of: • DGSC Decision no. 325/26 June 2018 • Decision F-MC 678/28 December 2017 • Report F-MC 385/28 December 2017 • Decision no. 511/24 October 2018 • Decision no. 21095/24 July 2018 Amount: RON 11,483,652	Bucharest Court of Appeal	Suspended - until the settlement of case no. 2213/2/2017 – Court of Accounts (appeal at High Court of Cassation and Justice)

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3. Other significant litigations (with a value higher than EUR 500 th)

Crt. no.	Parties/Case file number	Object	Court	Case status
1.	Plaintiff: SPEEH Hidroelectrica S.A. Defendant: ELSA 13268/3/2015	The obligation of Electrica to pay to SPEEH Hidroelectrica SA the amount of RON 5,444,761 (the loss suffered by selling energy at an average price per MWh under the production cost of 1 MWh); partial obligation to pay the unrealized benefit of Hidroelectrica by selling the total amount of 398,300 MWh, calculated according to the ANRE regulations (RON 9,646,826, according to the written instructions dated 5 May 2015/RON 5,444,761 according to the applicant's conclusions mentioned in the Conclusion of 15 March 2017); ordering the defendant to pay the legal interest from the date of the decision until the effective payment, court costs.	High Court of Cassation and Justice	The court of the first instance rejects the exception of the prescription of the material right to the action as unreasonable and the action as unfounded. Both parties have appealed, dismissed it as unfounded. Both parties filed an appeal. Hidroelectrica's appeal was rejected. The ELSA appeal was admitted, the case being sent for retrial to the Bucharest Court of Appeal.
2.	Creditor: ELSA Debtor: Petprod S.A. 47478/3/2012/a1	Insolvency proceedings, registering to the list of creditors for the amount of RON 2,591,163	Bucharest Court	Ongoing procedure.
3.	Creditor: ELSA Debtor: CET Braila S.A. 2712/113/2013	Bankruptcy, registering to the list of creditors in the amount of RON 3,826,035	Braila Court	Ongoing procedure.
4.	Creditor: ELSA, AAAS, BCR SA, and others Debtor: Oltchim S.A. 887/90/2013	Bankruptcy, remaining amount to be recovered - RON 614,124,366.	Valcea Court	Ongoing procedure.
5.	Creditor: ELSA Debtor: Romenergy Industry SRL 2088/107/2016	Bankruptcy, registering to the list of creditors in amount of RON 2,917,266	Alba Court	Ongoing procedure.
6.	Creditor: ELSA Debtor: Transenergo Com S.A. 1372/3/2017	Insolvency proceedings. Amount RON 37,088,830.	Bucharest Court	Ongoing procedure. On 3 February 2021, the Debtor's reorganization plan was confirmed, according to which unsecured receivables do not participate in distributions. ELSA will appeal the sentence.
7.	Creditor: ELSA Debtor: Electra Management & Supply SRL 41095/3/2016	Bankruptcy. Amount: RON 6,027,537.	Bucharest Court	Ongoing procedure

Crt. no.	Parties/Case file number	Object	Court	Case status
8.	Creditor: ELSA Debtor: Fidelis Energy SRL 3052/99/2017	Insolvency proceedings. Amount: RON 11,354,912.	Iasi Court	Ongoing procedure
9.	Plaintiff: SAPE Defendant: ELSA 46365/3/2016	Action for damages – RON 3,629,529,920.	Bucharest Court	Action definitively dismissed against ELSA. SAPE was obliged to pay to ELSA the amount of RON 329,993.37 as judicial costs.
10.	Plaintiff: SEM Defendant: ELSA 5930/3/2016*	Obligation to increase the share capital of SEM, with the value of the lands located in Dobroiesti, str. Zorilor no. 71, Ilfov County („Deposits land and Fundeni thermal power station”), with an area of 6,480 sqm, CADP M03 no. 10982/2008, respectively from Bucharest, Timisoara Boulevard no. 104, district 6 („Land for energy equipment repair shop”, with an area of 8,745 sqm, CADP M03 no. 12917/2014 – amounting to RON 7,344,390.	Bucharest Court of Appeal	Re-trial: By the decision of 20.10.2020, the court dismissed SEM appeal, as unfounded, so that the sentence on merits was maintained by which the exception of prescription was admitted. With appeal within 30 days from the communication. Considering the EGMS SEM Decision no. 9 / 07.11.2019 by which the share capital of SEM was increased with these 2 lands, the request will remain without an object. Decision no. 1369/2020 21.10.2020 pronounced by the CAB by which the appeal formulated by SEM was rejected, the decision remained final by not exercising the appeal, considering the lack of interest of SEM (the share capital was increased with the 2 lands).
11.	Plaintiff: ELSA Defendant: Competition Council 3889/2/2018	Administrative litigation - annulment of Competition Council Decision no. 77/20 December 2017, by which an ELSA charge is set through a fine of RON 10,800,984 and, in the subsidiary, the reduction of the fine set up to the legal minimum of 0.5% of ELSA's turnover, by re-individualizing the alleged anticompetitive facts, with the retention and full use of all mitigating circumstances applicable to ELSA.	High Court of Cassation and Justice	The court dismissed ELSA's action as unfounded; ELSA filed an appeal – in course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
12.	Plaintiff: ELSA Defendant: SERV 39968/3/2018	Action for damages - request payment of penalty interest in the amount of RON 4,671,287, related to the amount of RON 10,327,442.	Bucharest Court of Appeal	The first court partly admitted the action and ordered the payment of the legal interest calculated for the period 20.11.2015-22.05.2018. On 22.05.2020 SERV filed an appeal, in course of settlement.
13.	Plaintiff: ELSA Defendant: Elite Insurance Company 44380/3/2018	Claims - request for the equivalent value of the insurance policy issued to guarantee the obligations of Transenergo Com S.A., in the amount of RON 4,000,000.	Bucharest Court	Suspended based on art. 307 Civil Procedure Code.
14.	Plaintiff: ELSA Defendant: Zurich Broker de Asigurare Reasigurare SRL 3310/3/2020	Claims - RON 4,000,000 - regarding the insurance policy issued to guarantee the payment obligations of Transenergo Com	Bucharest Court	In course of settlement.
15.	Plaintiff: Transenergo Defendant: Zurich Broker de Asigurare Reasigurare SRL Intervient: ELSA 3474/299/2020	Claims of Transenergo Com against Zurich Broker, in which ELSA is intervening, formulating its own claims (RON 4,000,000)	Bucharest, District 1 Court	Connected to case no. 3310/3/2020.
16.	Plaintiff: ELSA Defendant: former directors and administrators of ELSA 35729/3/2019	Claims - claim for damages calculated as a result of the control of the Court of Accounts, amounting to RON 322,835,121	Bucharest Court	In course of settlement.
17.	Plaintiff: EFSA Defendant: ELSA 2869/3/2019	Claims: request of payment of invoices paid without justificative documents, as it has been stated by the Court of Accounts, in the amount of RON 17,274,162.	High Court of Cassation and Justice	Action definitively dismissed.
18.	Plaintiff: VIR Company International S.R.L. Defendant: SDMN 7507/105/2017	Claims - the amount requested by VIR Company International SRL consists of: - EUR 5,000,000, damage caused by delayed issuance of the connection certificate for the photovoltaic plant located in Valea Calugareasca commune, Darvari village; - EUR 155,000, equivalent of the amount of electricity produced by the plant during the technological tests period; - EUR 145,000, green cer	Prahova Court	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
18.	Plaintiff: VIR Company International S.R.L. Defendant: SDMN 7507/105/2017	tificates related to the amount of energy produced by the photovoltaic plant during the technological tests period. In addition, it requires to SDMN to pay the penalty interest of 5.75%/year for all the amounts of money claimed and court costs.	Prahova Court	In course of settlement.
19.	Creditor: SDMN Debtor: Transenergo Com S.A. 1372/3/2017	Insolvency proceedings. Amount: RON 8,418,833.	Bucharest Court	Ongoing proceedings. On 3 February 2021, the Debtor's reorganization plan was confirmed, according to which unsecured receivables do not participate in distributions.
20.	Plaintiff: SDMN Debtor: ELSA (18976/3/2020) 33763/3/2019	Claims, according to the Court of Accounts Decision, representing payments not owed of RON 20.350.189 made by SDMN.	Bucharest Court	Suspended until the final settlement of case not. 1677/105/2017.
21.	Plaintiff: Tutu Daniel and Tudori Ionel Defendant: SDMN 180/233/2020	Claims - the equivalent value of land related to the Galati Center Transformation Station - RON 2,500,000.	Galati Court	In course of settlement.
22.	Plaintiff: Sinaia City Hall Defendant: SDMN 3719/105/2020	„Obligation to do” administrative litigation. Sinaia City Hall requests: -mainly: obliging MN to comply with LCD 113/2015 in the sense of executing the works regarding the underground location of the technical-municipal networks for the project „Energy efficiency and lighting extension of the historic area - Sinaia” - in the alternative: in case MN will not execute the works in due time and the City Hall will execute the works in our name and on our behalf, MN will be obliged to pay RON 7,659,402.72 + VAT (RON 9,101,192); - updating the amount requested in the subsidiary with the inflation rate and legal interest.	Prahova Court	In course of settlement.
23.	Plaintiff: SDTN Defendant: Romenergy Industry S.A. 2088/107/2016	Bankruptcy - amount: RON 5,439,537.	Alba Court	Ongoing proceedings.

Crt. no.	Parties/Case file number	Object	Court	Case status
24.	Plaintiff: Asirom Vienna Insurance Group S.A. Defendant: SDTN 439/111/2017	Recourse claims – for the amount of RON 2,842,347, representing the compensation paid by the plaintiff to the insured company SC Ciocorom SRL following a fire that occurred on 7 March 2013. SDTN fault is invoked for the over-voltage after a power outage.	Bihor Court	In course of settlement.
25.	Plaintiff: Energo Proiect SRL Defendant: SDTN 374/1285/2018	Claims of RON 2,387,357.	Cluj Commercial Court	In the first court, the case was dismissed. Appeal – in regularization proceedings.
26.	Plaintiff: SDTS Defendant: Romenergy Industry S.A. 2088/107/2016	Bankruptcy - amount: RON 3,987,508.	Alba Court	Ongoing proceedings.
27.	Plaintiff: SDTS Defendant: Romenergy Industry S.A. 3086/62/2016	Payment ordinance - amount: RON 2,806,318.	Brasov Court	Suspended case file until the settlement of the case file regarding the bankruptcy of Romenergy Industry S.A. (file no. 2088/107/2016).
28.	Plaintiff: SDTS Defendant: ELSA 4469/62/2018	Claims according to the Courts of Account findings – RON 8,951,811	Brasov Court	First instance. The High Court of Cassation and Justice solved the negative competence conflict between Brasov Court and Bucharest Court, the case being in course of settlement at Brasov Court.
29.	Plaintiff: SDTS Defendant: directors and managers 342/62/2020	Claims against the former general managers of the company, as a result of the non-fulfillment of some measures ordered by the Court of Accounts for the amount of RON 8,951,812.	Brasov Court	In course of settlement.
30.	Plaintiff: SERV Defendant: Best Recuperare Creante SRL 2253/3/2011 (former 58348/3/2010)	Insolvency – amount to be recovered: RON 3,938,811.	Bucharest Court	Ongoing proceedings.
31.	Plaintiff: SERV Defendant: National Leasing IFN S.A. 18711/3/2010	Insolvency – remaining amount to be recovered: RON 12,204,221.	Bucharest Court	Ongoing proceedings.
32.	Plaintiff: SERV Defendant: Servicii Energetice Banat S.A. 8776/30/2013 (joint with 2982/30/2014)	Bankruptcy - amount RON 73,453,299.	Timis Court	Ongoing proceedings.

Crt. no.	Parties/Case file number	Object	Court	Case status
33.	Plaintiff: SERV Defendant: SEO 2570/63/2014	Bankruptcy - amount RON 26,448,134.	Dolj Court	Ongoing proceedings.
34.	Plaintiff: SERV Defendant: SED 8785/118/2014	Bankruptcy - amount RON 12,297,491.	Constanta Court	Ongoing proceedings.
35.	Plaintiff: SERV Defendant: SE Moldova 4435/110/2015	Bankruptcy - amount: RON 73,708,083.	Bacau Court	Ongoing proceedings.
36.	Plaintiff: SERV Defendant: New Koppel Romania 20376/3/2016	Claims – EUR 655,164, equivalent of RON 2,948,240.	Bucharest Court	Ongoing proceedings.
37.	Plaintiff: Integrator S.A. Defendant: EL SERV, SAP Romania 34479/3/2016**	Claims – RON 17,677,309	Bucharest Court of Appeal	The case was suspended on 12.06.2019 until the jurisdiction was established in case 30 266/2017 registered with the Karlsruhe Court and declined in favor of the Mannheim Court.
38.	Plaintiff: SERV Defendant: SED 8785/118/2014/a1	Bankruptcy – opposition to the preliminary table - amount RON 3,025,622.	Constanta Court	Appeal partly admitted, the court ordering the registration of the appellant in the preliminary table of the debtor's obligations with the amount of RON 18,807.37, representing leasing rates and maintenance services.
39.	Plaintiff: SERV Defendant: directors and administrators 2013-2014 35815/3/2019	Action in attracting the liability of directors and administrators - measure II.7 of Decision no. 13/27.12.2016 issued by the Court of Accounts of Romania – RON 7,165,549.	Bucharest Court	The court dismissed the action as prescribed, ordering the plaintiff to pay the judicial costs. The sentence can be appealed.
40.	Plaintiff: SERV Defendant: directors and administrators 2010-2014 35828/3/2019	Action in attracting the liability of directors and administrators - measure II.8 of Decision no.13/27.12.2016 issued by the Court of Accounts of Romania for the amount of RON 19,611,812.	Bucharest Court	The court dismissed the action as it has been modified and specified, as prescribed. Orders the plaintiff to pay the judicial costs. The sentence can be appealed within 30 days of its communication.

Crt. no.	Parties/Case file number	Object	Court	Case status
41.	Creditor: EFSA Debtor: Apaterm S.A. Galati 4783/121/2011*	Bankruptcy – registering to the list of creditors for the amount of RON 2,547,551.	Galati Court	Ongoing proceedings.
42.	Creditor: EFSA Debtor: Vegetal Trading SRL Braila 1653/113/2014	Insolvency proceedings - registering to the list of creditors for the amount of RON 1,851,392.	Braila Court	Ongoing proceedings.
43.	Creditor: EFSA Debtor: Ariesmin S.A. Branch 7375/107/2008	Bankruptcy - registering to the list of creditors for the amount of RON 20,711,588.	Alba Court	Ongoing proceedings.
44.	Creditor: EFSA Debtor: Zlatmin S.A. Branch 6/107/2003	Bankruptcy - registering to the list of creditors for the amount of RON 9,314,176.	Alba Court	Ongoing proceedings.
45.	Creditor: EFSA Debtor: Hidromecanica S.A. 3836/62/2009	Bankruptcy - registering to the list of creditors for the amount of RON 4,792,026.	Brasov Court	Ongoing proceedings.
46.	Creditor: EFSA Debtor: Nitramonia S.A. 1183/62/2004	Bankruptcy - registering to the list of creditors for the amount of RON 2,321,847	Brasov Court	Ongoing proceedings.
47.	Creditor: EFSA Debtor: Remin S.A. 32/100/2009	Insolvency proceedings - registering to the list of creditors for the amount of RON 71,443,402.	Timisoara Court	Ongoing proceedings.
48.	Creditor: EFSA Debtor: Oltchim S.A. 887/90/2013	Bankruptcy - registering to the list of creditors for the amount of RON 56,533,826.	Valcea Court	Ongoing proceedings.
49.	Creditor: EFSA Debtor: Energon Power and Gas S.R.L. 53/1285/2017	Insolvency proceedings - registering to the list of creditors for the amount of RON 2,421,236.	Cluj Specialized Court	Ongoing proceedings.
50.	Creditor: EFSA Debtor: CUG S.A. 2145/1285/2005	Bankruptcy - registering to the list of creditors for the amount of RON 7,880,857.	Cluj Specialized Court	Ongoing proceedings.
51.	Plaintiff: EFSA Defendant: ELSA 6665/3/2019	Claims: request of payment of invoices paid without justificative documents, as it has been stated by the Court of Account – RON 7,025,632.	Bucharest Court	Suspended until the settlement of case no. 2213/2/2017 (Court of Accounts – High Court of Cassation and Justice – appeal)

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
52.	Plaintiff: EFSA Defendant: natural persons 35647/3/2019	Claims according to art. 155 of Companies Law no. 31/1990 for the amount of RON 7,128,509.	Bucharest Court	Dismisses as prescribed the action filed by the plaintiff Societatea Electrica Furnizare SA. EFSA is to appeal
53.	Plaintiff: EFSA Defendant: natural persons Called in guarantee: ELSA 35647/3/2019	Claims regarding the call in guarantee action of ELSA, filed Mr. Mircea Patrascoiu, Mrs. Anca Dobrica, and Mrs. Victoria Lupu – RON 6,232,398	Bucharest Court	Dismisses as prescribed the action filed by the plaintiff Societatea Electrica Furnizare SA. and dismisses as objectless the warranty claims issued by the defendants Pătrășcoiu Mircea, Dobrică Anca, and Lupu Victoria against Societatea Energetica Electrica S.A. The Decision is not final.
54.	Plaintiff: Servicii Energetice Muntenia Defendant: ENEL DISTRIBUTIE MUNTENIA S.A. 4233/2/2020 (former nr. 24088/3/2015)	Claims. Late penalties regarding the litigation with Autocourier S.R.L. in the amount of RON 3,068,930 according to the Agreement no. 1055/2002 as well as delay penalties for the main debt of RON 5,605,351 calculated after 30.06.2015 until the entire payment of the main debt.	Bucharest Court	The appeal filed by Enel against the decision favorable to SEM was dismissed, the solution is not final.
55.	Plaintiff: IVAN LAURA IONELA IVAN CONEL IONUT IVAN VLADIMIR MIHAI Defendant: Servicii Energetice Muntenia 34705/3/2015	Civil liability - work accident resulting in employee death (amount of compensation claims – EUR 3 million).	Bucharest Court	Case suspended according to art. 413 par. 1 par. 1 Civil Procedure Code. (criminal file ongoing).

Source: *Electrica*

4. Litigations against the Romanian Court of Accounts

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1.	Plaintiff: ELSA Defendant: Romanian Court of Accounts 2268/2/2014*	Suspension and cancellation of the administrative act: Decision no.3/14 January 2014 and the Resolution no. 23/17 March 2014.	High Court of Cassation and Justice	First court: the claim is partly admitted, partially cancels the Resolution no. 23 of 17 March 2014 regarding the items 1 and 5 and the Decision no. 3/14 January 2014 regarding the items 4 and 8. Dismisses, as ungrounded the claim regarding items 2, 3 and 4 in the Resolution no. 23/17 March 2014 and items 5, 6 and 7 in the Decision no 3/14 January 2014. Rejects the request to suspend the

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1.	Plaintiff: ELSA Defendant: Romanian Court of Accounts 2268/2/2014*	Suspension and cancellation of the administrative act: Decision no.3/14 January 2014 and the Resolution no. 23/17 March 2014.	High Court of Cassation and Justice	execution of Decision no. 3/14 January 2014, as unfounded. ELSA and CCR filed an appeal. The court partly admits ELSA's request and sent the case for retrial to the first instance, regarding the annulment of point 5 of the Decision no. 23/17 March 2014, related to point 8 of the Decision no. 3/14 January 2014. Retrial phase: On first instance, the court rejected the plaintiff's request for annulment of point 5 of the Resolution no. 23/17.03.2014, with correspondent in point 8 of the Decision no. 3/14.01.2014 issued by the defendant. ELSA has appealed the case, with term on 25.03.2022.
2.	Plaintiff: ELSA Defendant: Romanian Court of Accounts 2229/2/2017	Partial annulment of Decision no. 12/27 December 2016, issued by the director of the 2nd Direction from the IVth Department of the Court of Accounts, regarding the faults from point 1 to 8, with the consequence of dismissing the actions from point 1, 3 to 9 inclusive, imposed to ELSA by the disputed Decision; the partial annulment of the conclusion no. 12/27 February 2017 of the Court of Accounts, rejecting the objection raised by ELSA against Decision no. 12, regarding the faults and orders mentioned above. In subsidiary, the extension of the deadlines for carrying out all the measures ordered by ELSA through Decision no. 12/27 December 2016 with at least 12 months; the suspension of the enforceability of Decision no. 12 until final settlement of the present dispute.	Bucharest Court of Appeal	In course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
3.	Plaintiff: ELSA Defendant: Romanian Court of Accounts 7780/2/2018	Administrative litigation for annulment of Decision no. 38/9 October 2018, the annulment of the conclusion by which the appeal imposed by Decision no. 12/1 of 27 December 2016 was dismissed, the revocation of the Decision no. 12/1 and the cessation of any CCR control act.	High Court of Cassation and Justice	The court of first instance dismissed the action as inadmissible. ELSA filed an appeal, with term on 26.05.2022.
4.	Plaintiff: Romanian Court of Accounts Defendant: ELSA 36484/3/2019	Complaint for the settlement/non-referral solution - complaint against the Public Prosecutor's Order dated 06.09.2019, pronounced in the criminal file no. 208/P/2017, by which the closing of the case was ordered according to the aspect of committing the offense of abuse in service, in relation to the facts presented in the notification of the CCR no. IV/40.269/26.04.2017, recorded in the Control Report no. 9900/20307/29.11.2016 (CCR decision no. 12/27.12.2016)	Bucharest Court	The complaint filed by the Romanian Court of Accounts was rejected as unfounded. Final decision.
5.	Plaintiff: EFSA Defendant: Romanian Court of Accounts 2213/2/2017	Disputes with the Romanian Court of Accounts (Law no. 94/1992), action for the annulment of the Decision no. 11/2016, of the Decision no. 23/2017 and of the Control Report no. 5799/2016.	High Court of Cassation and Justice	The first instance rejected the request filed by EFSA as unfounded. EFSA filed an appeal, in course of settlement.
6.	Plaintiff: SERV Defendant: Romanian Court of Accounts 2098/2/2017	Disputes with the Romanian Court of Accounts for the annulment of the administrative act – Decision no. 11/27 February 2017, for RON 2,351,034.	Bucharest Court of Appeal	In course of settlement.
7.	Plaintiff: SDMN Defendant: Romanian Court of Accounts Intervenient: SERV 1677/105/2017	Suspension and annulment of the measures imposed by the Decision of Prahova Chamber of Accounts no. 45/2016, following the Control Report of the Prahova Chamber of Accounts no. 6618/11 November 2016.	Prahova Court	In course of settlement.

Source: Electrica

5. Other litigations with significant impact

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1.	Plaintiff: Niculescu Vladimir Defendant: SDMN, City Hall Valenii de Munte 1580/105/2008**	Claim under Law no. 10/2001 – for a land of 1,558 sqm and built area of 202 sqm, located in Valenii de Munte, N. Iorga str. no. 129 and being used by the Exploitation Center Valeni.	Prahova Court	In first instance, the plaintiff's action was partly admitted, it is acknowledged the right to reparative measures by equivalent for the land of 1,402 sqm located in Valenii de Munte, Blvd. Nicolae Iorga no. 129 (currently no. 131), Prahova County. The Plaintiff and Valenii de Munte Town Hall filed an appeal. The Plaintiff's appeal was admitted and the case was sent for retrial to the first instance – in course of settlement.
2.	Plaintiff: SDTN Defendant: Local Council of Oradea City, RCS&RDS 3340/111/2015	Cancellation of Oradea LCD no. 108/17 February 2014 regarding the organization of the public auction for the concession of the 100,000 sqm land area, in order to realize an underground sewerage for the placement of electronic and electrical communications networks.	Bihor Court	At the request of RCS-RDS, the case was suspended until the case file 2414/2/2016 was settled with Delalina SRL, a file that is in the role of the Bucharest Court of Appeal.
3.	Plaintiff: Delalina S.R.L. Defendant: SDTN 910/111/2016	The obligation to issue technical permit for connection in the favour of SC Delalina SRL.	Bihor Court	The case file was suspended until the settlement of the case file no. 2414/2/2016 with Delalina SRL, case file on the lawsuit of the Bucharest Court of Appeal.
4.	Plaintiff: Carei City and others Defendant: SDTN 15600/211/2016*	Claims - it is requested to grant compensation in the form of material and moral damages, caused, by interrupting the supply of electricity to the consumers, in the Carei municipality, during 31.12.2014-02.01.2015.	Cluj Napoca Court	Re-trial – in course of settlement.
5.	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: SDTN, ANRE, Romanian Government, Ministry of Economy, Commerce and Relationships with the Business Environment, Ministry of Energy, Banat	Cancellation of administrative acts (Order 73/2014, Concession agreements).	High Court of Cassation and Justice	First court has rejected the exceptions and the action filed by the plaintiffs, which have initiated an appeal; in course of settlement.

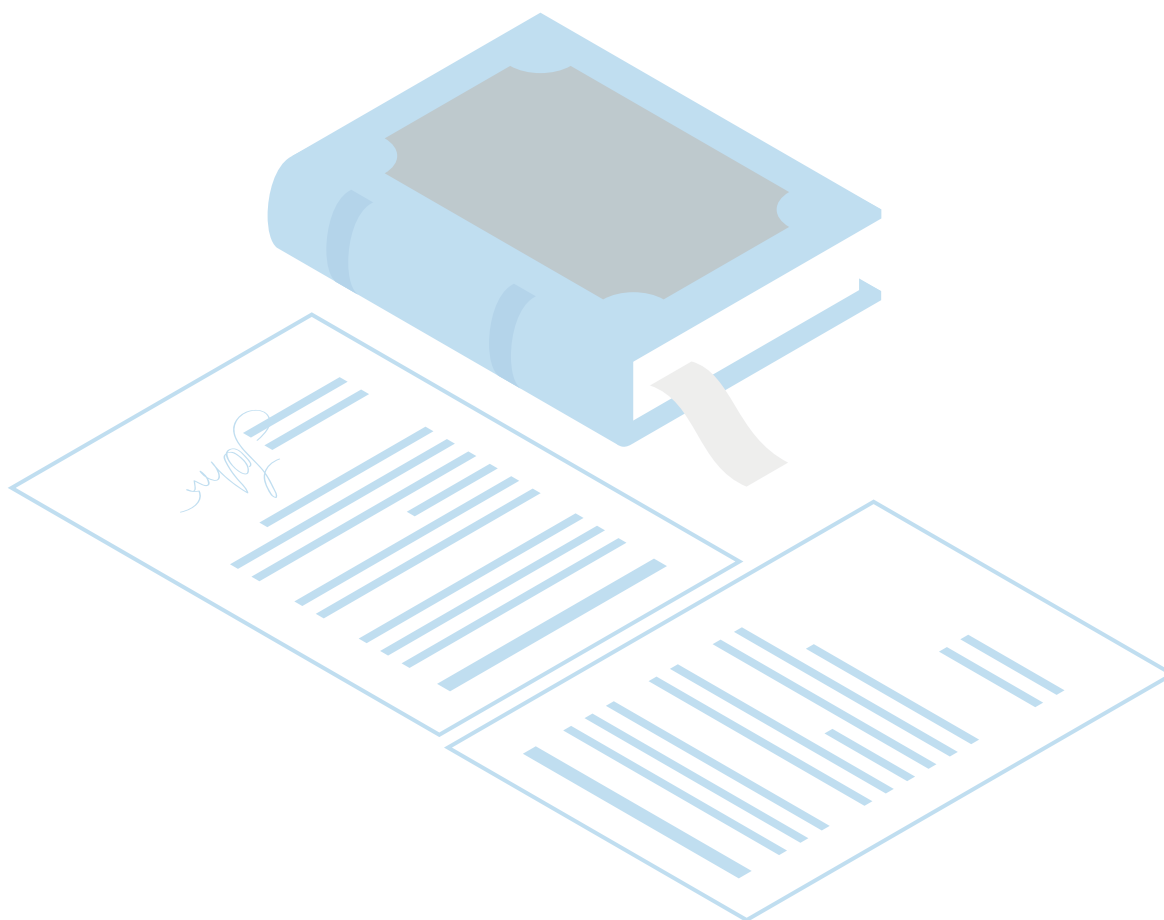
Crt. no.	Parties/Case file number	Subject matter	Court	Case status
5.	Enel Distribution, Muntenia Enel Distribution, Dobrogea Enel Distribution 2414/2/2016	Cancellation of administrative acts (Order 73/2014, Concession agreements).	High Court of Cassation and Justice	First court has rejected the exceptions and the action filed by the plaintiffs, which have initiated an appeal; in course of settlement.
6.	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: ANRE Intervener: SDTN 4013/2/2016	The cancellation of the ANRE decision on refusal to give licenses for electricity distribution.	Court of Appeal Bucharest	The file was suspended until the settlement of case file no. 2414/2/2016.
7.	Plaintiff: ELSA Defendant: E – Distributie Banat S.A. 30399/325/2018*	Obligation to do - Mainly obliging the defendant to hand over the documentation for the land in Bocsa. In subsidiary, the obligation to draw up the CADP documentation and payment of damages.	Timisoara Court of Appeal	Case rejected by first and second court. ELSA filed an appeal. In course of settlement.
8.	Plaintiff: ELSA Defendant: Baile Herculane City 4572/208/2018	Claim for land Lot 1-NC 32024 (area of 259 sqm) and lot 2 NC 31944 (with a surface of 1,394 sqm), both located in Baile Herculane, Uzinei str. 1 and FC rectification.	Timisoara Court of Appeal	The first court admits the exception of the lack of active procedural quality of ELSA and dismisses the action. ELSA filed an appeal, dismissed as unfounded. ELSA filled an appeal.
9.	Plaintiff: E-Distributie Banat Defendant: ELSA 12857/3/2019	(i) ELSA's compliance with the obligation of not to do regarding the share capital and the AoA of the EDB and the termination of abusive actions consisting of the requests addressed to the ONRC to change the structure of the share capital and the articles of association of the EDB by increasing the share capital with the value of the land in the Certificates of attestation of the property right held by ELSA on the land used by EDB in order to carry out the activity; (ii) Stating the fact that Electrica does not hold the quality of public authority involved in the privatization process and, consequently, acknowledging the absence of the right of ELSA to request ONRC to modify the constitutive act of the EDB by increasing the share capital with the value of the land owned by ELSA based on CADP on the used land from EDB; (iii) As against to the abusive actions taken in the EDB's opinion, ELSA's obligation	Bucharest Court	Suspended until the settlement of the file 1994/30/2019.

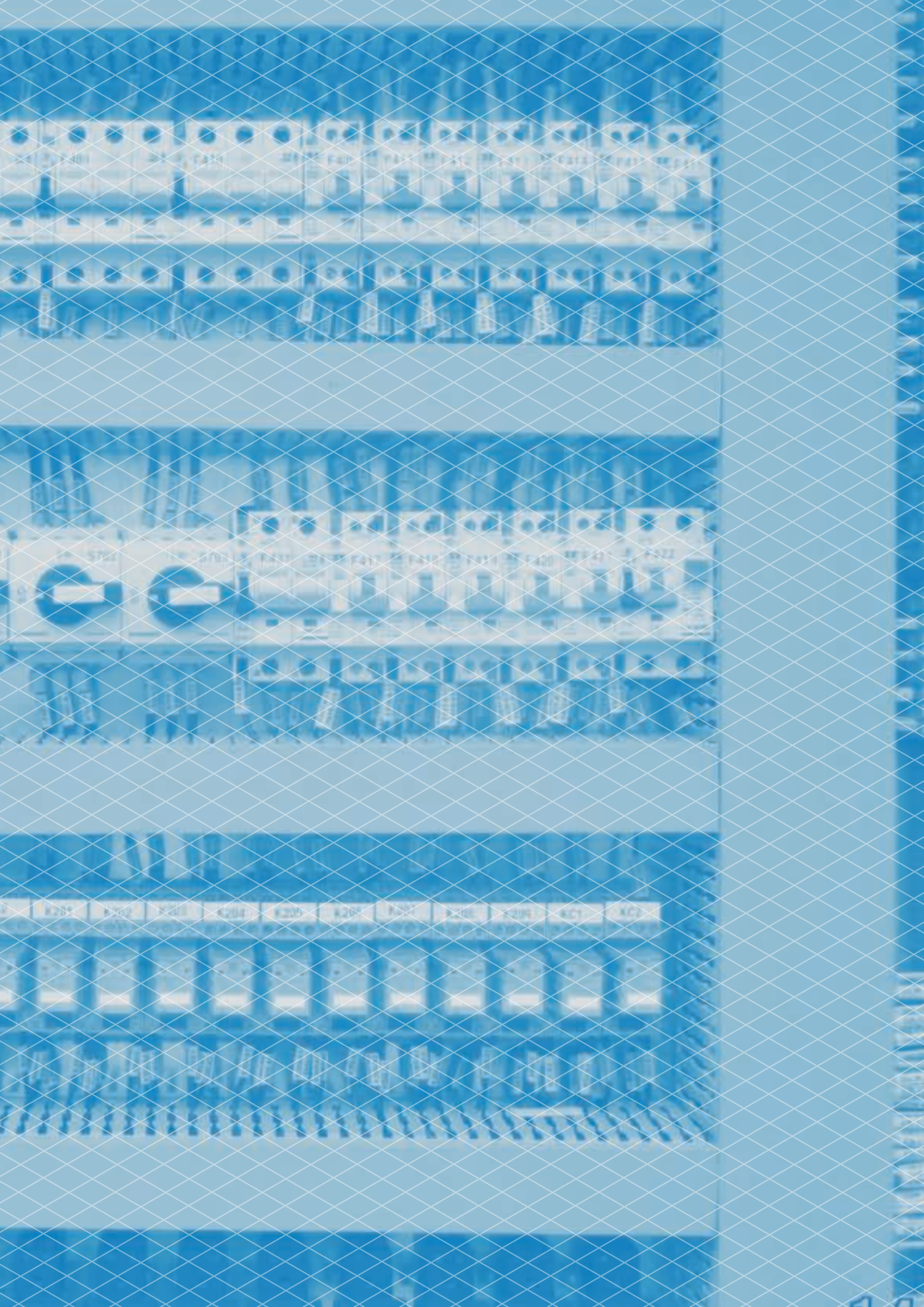
Crt. no.	Parties/Case file number	Subject matter	Court	Case status
9.	Plaintiff: E-Distributie Banat Defendant: ELSA 12857/3/2019	to pay the damages whose existence and amount will be proved by the deadline provided by law.	Tribunalul Bucuresti	Suspended until the settlement of the file 1994/30/2019.
10.	Plaintiff: ELSA Defendant: E-Distributie Banat Intervenient: SAPE 988/30/2019	Action for the annulment of Shareholders Decision 5/06.12.2018 (share capital increase for SAPE).	Timis Court	Connected to case no. 949/30/2019 (parties: SAPE and EDB).
11.	Plaintiff: ELSA, SAPE Defendant: E-Distributie Banat 949/39/2019	Action for the annulment of Shareholders Decision 5/06.12.2018 (share capital increase for SAPE).	Timis Court	In course of settlement.
12.	Plaintiff: E-Distributie Banat Defendant: ELSA 1994/30/2019	Complaint against the resolution of the ORC director.	Timisoara Court of Appeal	Suspended for amicable settlement.
13.	Plaintiff : Dana Dragan Defendant: ELSA 38532/3/2019	1. obligation of Electrica to pay to the plaintiff the non-competition commission provided by art. 5.2.3 of the Mandate Agreement no. 15 / 25.09.2017, in a total gross value of EUR 102,576, as well as updating these amounts with the inflation rate; 2. re-qualification of the activity carried out in Electrica, between 05.10.2016-30.08.2017, as being specific to a commercial mandate agreement and the obligation of Electrica to pay the difference between the remuneration provided by the mandate agreement and the salaries paid under the employment agreement during the period 05.10.2016-30.08.2017, estimated at a total gross value of RON 189,501, as well as updating these amounts with the inflation rate; 3. obligation of Electrica to recalculate and pay the gross annual variable remuneration due for 2017, according to the Mandate Agreement, by reference to the recognition of the activity carried out during the period 05.10.2016-30.08.2017 as being specific to a commercial mandate agreement, as well as to the recalculated value of the remuneration due for this period, in a total gross value of EUR 6,865.71, including updating these amounts with the inflation rate. 4. Obligation to pay the court costs.	Bucharest Court	The request was rejected as not being within the competence of the courts. Final by non-appealing.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
14.	Plaintiff: ELSA Defendant: UAT Targu Neamt 122/321/2020	1. obliging the defendant to leave us in full ownership and possession the land with an area of 3,389 sqm, located in Targu Neamt, 2. rectification of the entries from the land book no. 55409 of the City of Targu Neamt, in the sense of suppressing the inappropriate registrations made in it, in order to agree the tabular status with the real legal situation of the building, respectively the cancellation of the property right of the tabular owner Targu Neamt and the registration of the property right of the Energy Company Electrica SA 3. Order the defendant to pay the court costs.	Targu Neamt Court	The action was dismissed in first court. ELSA filed an appeal.
15.	Plaintiff: ELSA Defendant: UAT Bicaz 91/188/2020	1.obliging the defendant to leave us in full ownership and possession the land in the area of 10,524 sqm (from documents 22,265 sqm), located in Bicaz,, Jud. Neamt. 2. rectification of the entries from the land book no. 52954 of Bicaz City, in the sense of suppressing the inappropriate entries made in it, in order to agree on the tabular status with the real legal situation of the building, respectively the cancellation of the property right of the tabular owner Bicaz City and the registration of the property right of Societatea Energetice Electrice Electrica S.A. 3. Order the defendant to pay the court costs.	Bicaz Court	In course of settlement.
16.	Plaintiff: ELSA Defendant: Videle City, through Mayor 948/335/2020	1.obliging the defendants to leave us in full ownership and possession the land surfaces that overlap with the land located in Alea FRE street no. 1, Videle, Teleorman county, for which we hold CADP. 2. the delimitation of the above-mentioned properties, by establishing the boundary line according to the property deeds of the parties; 3. rectification of the entries in the land book and registration of the property right of the plaintiff ELSA on this area of land	Videle Court	In course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
17.	Plaintiff: SDTS, SDMN, SDTN; Defendant: ANARC (ANCOM) si Telekom Romania Communications SA 7407/2/2020	Appeal against Decision no. 1177 / 13.11.2020 of the ANARC President. It was requested the partial annulment of the ANCOM decision and the complete rejection of the Telekom Romania request.	Bucharest Court of Appeal	Regularization proceedings.
18.	Plaintiff: Valenii de Munte City Hall Defendant: SDMN 2848/105/2020	Valenii de Munte City Hall requests the obligation of SDEE Ploiesti to take over public lighting installations and to pay their equivalent value of RON 466,880.	Prahova Court	In course of settlement.

Source: *Electrica*





Appendix 2

Details of the main investments of Electrica Group during 2020

During 2020, the most significant investments of Electrica Group are the following:

DESCRIPTION	Value (RON mn)
MUNTENIA NORD	
Extension and modernization of 110/20/6 kV Tecuci Substation, Galati county	4.40
Upgrading protections for 110 kV and 6 kV cells, installation of the second neutral treatment group by resistor at 20 kV and SCADA system integration in 110/27,5/20/6 kV Ploiesti Nord Substation	4.15
Modernization and SCADA system integration of 110/20/6 kV Ramnicu Sarat Substation	4.63
Modernization and SCADA system integration of 110/6 kV SNG Substation	4.65
Modernization and SCADA system integration of 110/20 kV Ianca Substation	6.53
Modernization and SCADA system integration of 110/20 kV Mizil Substation	3.65
Voltage level improvements Tudor Vladimirescu, Galati county	3.71
Modernization of 110 kV OHL Focsani Vest - Tataranu, pillars 36-85	5.53
Increasing the network voltage from 6 kV to 20 kV in Tecuci city, stage III – neighborhoods N.Balcescu, Gh. Petrascu and Criviteni, Galati county	3.98
Modernization and SCADA system integration of 110/20 kV Valea Larga	6.54
Modernization of LV OHL and LV connection for users of Razvad village, streets Gimnaziului, Garii, Bisericii, Gatejesti, Scoala de Fete, Redeventa, Rezvedeanca, Luca, Campului, Valea Mare, Lunca	3.37
Modernization of transformer substations powered from 20 kV Independenta underground cable line, Unirii, 24 Ianuarie, Substatia Obor, Patinoar, in Buzau city	5.07
Voltage level improvements in Matca locality - area Matca 7 of Pole Mounted Transformer Substations Matca no. 13, 14 and 15, Galati county	2.45
Upgrading of 110kV protection system and SCADA system integration for Ploiesti Sud Substation	9.41
Modernization of 20kV OHL by replacing the insulation and conductors (20kV OHL Pisc – SPP 4, 20kV OHL Cuza Voda- Tufesti, 20kV OHL Maxeni Scortaru, 20kV OHL Romanu – Traianu)	4.78
Increasing energy efficiency of distribution network and improving technical conditions of power supply by increasing the transformer substations voltage to 20 kV in the Hipodrom, Obor, Victoriei neighborhoods of Braila city	3.50
Voltage level improvements for consumers powered from pole mounted transformer substations no. 4085, 4091, 4092, 4093, 4094, 4095, 9012 in Runcu locality, vol. II, Dambovitza county	3.05
Modernization of LV OHL and LV connections for consumers of locality Surdila Gaiseanca	2.43
Modernization and SCADA system integration of 110/20 kV Satuc Substation	5.74
Modernization of Pole Mounted Transformer Substations, LV OHL and LV connection of Corbii Mari, Petresti, Satu Nou, Baraceni localities	3.12
Modernization and SCADA system integration of 110/20/6 kV Azuga Substation	2.27
Voltage level improvements for users of Sotanga locality, Sotanga village, streets Campulet, Fagetel and Principala	2.38
Implementation of SMART Measurement System (SMS)	10.88
Extension of SMART Measurement System (SMS) in the localities Padureni, Cornetu, Slobozia Bradului, Olareni, Valea Beciului, Salcia Veche, Tataru, Maicaresti, Obreja, Slimnic, Vanatori, Dumbraveni, Garoafa, Sihlea, Golestii de Sus, Dumitresti, Dumitrestii Fata, Dumitrestu de Sus, Lupoaia, Gugesti, Rastoaca, Lamotesti, Vrancea county	2.80

DESCRIPTION	Value (RON mn)
TRANSILVANIA SUD	
Integration of substations from CEM 110 kV into the SCADA DMS system of SDTS	22.62
Integration in SCADA-DMS system of transformers substations prepared for MTCU installation (Monitoring and data Transmission Control Unit)	7.49
Increasing distribution capacity and supply reliability for the developing area adjacent to the new objective, Clinical Hospital BV: Realization of new 110/20 kV Substation, in the axle of 110 kV OHL Bartolomeu-FS Rasnov, common circuit with 110 kV OHL ICA Ghimbav in area of pillars no. 54-56.	7.74
Modernization, securing and systematization of LV connections in Brasov city (str. Minerva, Mercur, Cometei, Soarelui, Constelatiei, Neptun, Saturn, Apollo, b-dul Victoriei, Aleea Sanzienelor, Aleea Lacramioarelor, Mimozei, Cocorului, Stefan Mironescu, Aleea Petuniei, Zizinului nr.81-99, Gen Mociulschi, Colonia Metrom, Oltet, Aleea Constructorilor, Barbu Lautaru, b-dul Garii, Szemler Ferencz no.3, 5, 7, Infratii no. 6, 8, 9, 16, 21, 22, 23, 13 Decembrie no.86-88, Spicului, Bobului, Lacramioarelor, Garii Noua, Anghel Saligny, Calea Bucuresti), Brasov county - stages 1, 2, 3 and 5.	8.19
Increasing the supply reliability for the users connected to 110/20 kV Corunca Substation, Mures county	4.73
Modernization of transformer substations by MV cell replacement, indoor network distribution board replacement, integration in Distribution Automation System and repair of buildings of transformer substations in Codlea, Brasov county	3.84
Voltage level improvements and modernization of LV OHL and LV electrical connection in Sanraiu de Mures and Nazna, Mures county	3.04
Modernization of LV OHL and LV connections in Teius, Alba county	5.42
Modernization of wall cabin transformer substations no.28 Alba and LV OHL, str. Calea Mitorilor and Horea Boulevard, Alba Iulia city, Alba county	2.57
Modernization of electricity supply installations in Medias city – Vitrometan neighborhood, Sibiu county	2.62
Modernization of LV OHL of transformer substations no.37, Sebes locality, Alba county	3.14
Conductor replacements, securing and systematization of LV connections of LV OHL Soars, reconfiguration of 20 kV OHL Cincu, Brasov county	2.2
Voltage level improvements and LV network modernization (pole mounted transformer substations no. 1, 2, 4 and 5) in Cartisoara laocality, Sibiu county	3.00
Voltage level improvements and LV network modernization in Terezian neighborhood, apartment buildings on Str. Rusciorului, str. Lunga, Sibiu city, Sibiu county	2.29
Modernization of 6 kV network distribution on str. 13 Decembrie, Brasov city, area 4 between Str. Zaharia Stancu and Str. H. Coanda, Brasov county	3.27
Modernization of LV network distribution and LV connection on str. 8 Martie, Tg. Mures city, Mures county	2.91
Voltage level improvements in area of pole mounted transformer substations no. 27 Stupinii Harmanului – neighborhood Salcamilor, Izvor, in Tarlungeni locality, Brasov county	2.47
Voltage level improvements and modernization of LV OHL on str. Avram Iancu and Mitorilor in Aiud locality, Alba county	2.00
TRANSILVANIA NORD	
Integrated security, monitoring and intervention System for the substations of SDTN	3.33
Network Access Management Information System (SIMAR)	2.29

DESCRIPTION	Value (RON mn)
TRANSILVANIA NORD	
Increasing the network voltage to 20 kV: distributors L5, L6, L17 and L2SMA of Turda Substation, Cluj county area	2.7
Modernization of MV OHL Mihai Viteazu -Tv, Cluj county semi axles and relted connections	9.4
Modernization of Cluj Nord 110/10 kV Substation and introduction of 20 kV busbar	5.0
Modernization of 110/20 kV Baci Substation	6.95
Modernization of 110/20 kV Alesd Substation	4.61
Regulating 110 kV OHL of Oradea metropolitan area	9.57
Modernization of Baia Sprie 1 110/35/6kV Substation and introduction of 20kV busbar	3.99
Distribution Automation System 2018, Baia Mare branch	5.92
Increasing the quality of the distribution service vol.2A - modernization of 32 wall cabin transformation substations from Baia Mare, Somcuta Mare, Targu Lapus, Ulmeni localities, Maramures county	6.48
Increasing the quality of the distribution service vol.2B modernization of 31 built transformation substations from OC Sighet	6.78
Modernization of Baia Mare 2 110 kV Substation and introduction of 20kV busbar	5.24
Modernization of pole mounted transformer substations belonging to Bistrita branch	2.26
SMART Measurement System (SMS) 2020 in SDTN, Cluj Napoca branch	2.83
Modernization of 110/20/6 kV Prundu Bargaului Substation	4.39

Source: *Electrica*

During 2020, the largest transfers from tangible assets in progress to tangible assets, representing mainly commissioning of investments, are the following:

DESCRIPTION	Value (RON mn)
MUNTENIA NORD	
Extension and modernization of 110/20/6 kV Tecuci Substation, Galati county	4.64
Modernization and SCADA system integration of 110/20 kV Insuratei Substation	4.12
Increasing the network voltage from 6 kV to 20 kV in Tecuci city, stage III – neighborhoods N.Balcescu, Gh. Petrascu and Criviteni, Galati county	3.92
Modernization and SCADA system integration of 110/20 kV Ianca Substation	5.87
Modernization of 110 kV OHL Focsani Vest - Tataranu, pillars 36-85	5.95
Modernization and SCADA system integration of 110/20 kV Satuc Substation	8.19
Modernization of LV OHL and LV connections for consumers of locality Surdila Gaiseanca	2.54
Modernization and SCADA system integration of 110/20/6 kV Ramnivu Sarat Substation	8.57
Upgrading protections of 110 kV and 6 kV cells, installation of the second neutral earthing group by resistor at 20 kV and SCADA system integration in 110/27,5/20/6 kV Ploiesti Nord Substation	8.15
Voltage level improvements in Matca locality - area Matca 7 of Pole Mounted Transformer Substations Matca no. 13, 14 and 15, Galati county	2.56
Modernization and SCADA system integration of 110/20 kV Valea Larga	6.44
Mounting the second 110/20 kV power transformer in 110/20 kV Substations: Vidra, Jugureanu, Bujoru, Cudalbi, Galati Centru – Vol. 1 Vidra 110/20 kV Substation	2.44

DESCRIPTION	Value (RON mn)
MUNTENIA NORD	
Voltage level improvements for users of Sotanga locality, Sotanga village, streets Campulet, Fagetel and Principala.	2.53
Modernization of Pole Mounted Transformer Substations, LV OHL and LV connection of Corbii Mari, Petresti, Satu Nou, Baraceni localities	3.26
Voltage level improvements for consumers powered from pole mounted transformer substations no. 4085, 4091, 4092, 4093, 4094, 4095, 9012 in Runcu locality, vol. II, Dambovita county	3.49
Modernization of LV OHL and LV connection for users of Razvad village, streets Gimnaziului, Garii, Bisericii, Gatejesti, Scoala de Fete, Redeventa, Rezvedeanca, Luca, Campului, Valea Mare, Lunca	3.51
Voltage level improvements in Tudor Vladimirescu locality, Galati county	3.63
Modernization of 20kV OHL by replacing the insulation and conductors (20kV OHL Pisc – SPP 4, 20kV OHL Cuza Voda- Tufesti, 20kV OHL Maxeni Scortaru, 20kV OHL Romanu – Traianu)	4.25
Modernization of transformer substations powered from 20 kV Independenta underground cable line, Unirii, 24 Ianuarie, Substatia Obor, Patinoar, in Buzau city	4.67
Modernization and SCADA system integration of 110/20 kV Mizil Substation	7.42
Upgrading of 110kV protection system and SCADA system integration for Ploiesti Sud Substation	7.10
Modernization and SCADA system integration of 110/6 kV SNG Substation	5.71
Modernization and SCADA system integration of 110/20 kV Maneciu Substation	4.65
Extension of SMART Measurement System (SMS) in the localities Padureni, Cornetu, Slobozia Bradului, Olareni, Valea Beciului, Salcia Veche, Tataru, Maicanesti, Obrejita, Slimnic, Vanatori, Dumbraveni, Garoafa, Sihlea, Golestii de Sus, Dumitresti, Dumitrestii Fata, Dumitrestuui de Sus, Lupoiaia, Gugesti, Rastoaca, Lamotesti, Vrancea county	2.55
Increasing energy efficiency of distribution network and improving technical conditions of power supply by increasing the transformer substations voltage to 20 kV in the Hipodrom, Obor, Victoriei neighbourhoods of Braila city	4.70
Implementation of SMART Measurement System (SMS) in Braila, Focsani, Galati and Targoviste branches	10.93
Modernization of electrical networks in Tecici city, street Dacia corner with cu street Vrancei, Galati county	3.03
TRANSILVANIA SUD	
Integration of substations from CEM 110 kV into the SCADA DMS system of SDTS	24.2
Modernization of transformer substations by MV cell replacement, indoor network distribution board replacement, integration in Distribution Automation System and repair of buildings of transformer substations in Codlea, Brasov county	13.77
Modernization of 110/27.5/20/6kV Zizin Substation, Brasov county	5.43
Modernization, securing and systematization of LV connections in Brasov city (str. Minerva, Mercur, Cometei, Soarelui, Constelatiei, Neptun, Saturn, Apollo, b-dul Victoriei, Aleea Sanzienelor, Aleea Lacramioarelor, Mimozei, Cocorului, Stefan Mironescu, Aleea Petuniei, Zizinului nr.81-99, Gen Mociulschi, Colonia Metrom, Oltet, Aleea Constructorilor, Barbu Lautaru, b-dul Garii, Szemler Ferencz no.3, 5, 7, Infratii no.6, 8, 9, 16, 21, 22, 23, 13 Decembrie no. 86-88, Spicului, Bobului, Lacramioarelor, Garii Noua, Anghel Saligny, Calea Bucuresti), Brasov county stages 1, 2, 3 and 5	12.03
Increasing the supply reliability for the users connected to 110/6 kV Corunca Substation, Mures county	7.3
Increasing the supply reliability at the interconnection of 20 kV OHL Blaj 1, 20 kV OHL PT 51, 20 kV OHL Jidvei, in Blaj locality, Alba county	2.54

Descriere	Valoare (mil. RON)
Integration in SCADA-DMS system of transformer substations prepared for MTCU installation (Monitoring and data Transmission Control Unit)	8.61
Modernization of LV OHL and LV connections in Teius, Alba county	5.56
Modernization of wall cabin transformer substations no.28 Alba and LV OHL, str. Calea Motilor and Horea Boulevard, Alba Iulia city, Alba county	3.14
Modernization of LV OHL of transformer substations no.37, Sebes locality, Alba county	3.58
Increasing the supply reliability in area of transformer substations: Polico Imbent, no. 56 Agip, no. 49 and no.27, Sebes locality, Alba county	2.45
Decentralization of MV network, voltage level improvements - str. Poarta Campului, Mechenndorfer, Dealului, Sanpetru locality, Brasov county	3.01
Voltage level improvements and modernization of LV OHL and LV electrical connection in Sancaiu de Mures and Nazna, Mures county	3.06
Modernization of electricity supply installations in Medias city – Vitrometan neighborhood, Sibiu county	2.64
Modernization of LV network distribution and LV connection on str. 8 Martie, Tg. Mures city, Mures county	2.96
Modernization of 110 kV OHL Zizin - IABv - Metrom and 110 kV OHL Darste - IABv - Racadau by switching partly from overhead line to underground cable	2.31
Modernization of 6 kV network distribution on str. 13 Decembrie, Brasov city, area 4 between Str. Zaharia Stancu and Str. H. Coanda, Brasov county	3.31
Voltage level improvements and LV network modernization in Terezian neighborhood, apartment buildings on Str. Rusciorului, str. Lunga, Sibiu city, Sibiu county	2.47
Conductor replacements, securing and systematization of LV connections of LV OHL Soars, reconfiguration of 20 kV OHL Cincu, Brasov county	2.4
Voltage level improvements in area of pole mounted transformer substations no. 27 Stupinii Harmanului – neighborhood Salcamilor, Izvor, in Tarlungeni locality, Brasov county	2.05
Voltage level improvements by power injection with new built transformer substations, LV conductor replacement and LV connection replacement of pole mounted transformer substations no. 1, 2, 3 and 4 Tomesti, Harghita county	2.78
Voltage level improvements and LV network modernization (pole mounted transformer substations no. 1, 2, 4 and 5) in Cartisoara locality, Sibiu county	3.3
Increasing distribution capacity and supply reliability for the developing area adjacent to the new objective, Clinical Hospital BV: Realization of new 110/20 kV Substation, in the axle of 110 kV OHL Bartolomeu - FS Rasnov, common circuit with 110 kV OHL ICA Ghimbav in area of pillars no. 54-56	6.84
TRANSILVANIA NORD	
Integrated security, monitoring and intervention system for the substations of SDTN	3.29
Increasing the network voltage to 20 kV: distributors L5, L6, L17 and L2SMA of Turda Substation, Cluj county area	3.20
Modernization of MV OHL Mihai Viteazu -Tv, Cluj county semi axles and related connections	10.5
Modernization of Cluj Nord 110/10 kV Substation and introduction of 20 kV busbar	7.55
Modernization of 110/20 kV Marghita Substation – stage 2	3.18
Modernization of 110/20 kV Alesd Substation	7.90
Regulating 110 kV OHL of Oradea metropolitan area	3.53

Descriere	Valoare (mil. RON)
TRANSILVANIA NORD	
Increasing the power supply reliability in Alesd area, Lugasu de Jos, Tinaud, by construction of new MV underground cable, Bihor county	2.54
Modernization of Baia Sprie 110/35/6kV Substation and introduction of 20kV busbar	6.78
Distribution Automation System 2018, Baia Mare branch	6.79
Increasing the quality of the distribution service vol.2A - modernization of 32 wall cabin transformation substations from Baia Mare, Somcuta Mare, Targu Lapus, Ulmeni localities, Maramures county	4.20
Increasing the quality of the distribution service vol.2B modernization of 31 built transformation substations from OC Sighet	7.71
Modernization of Baia Mare 2 110 kV Substation and introduction of 20kV busbar	4.78
Increasing the network voltage to 20 kV within SDTN Satu Mare area – Distributor: SM1-PA 1001 CIR – PA 1002 Martirilor Deportati – PT 507 Aurora	2.74
Modernization of 110/20 kV Rodna Substation	5.82
Modernization of 110/20 kV Jibou Substation	3.60
Modernization of 110/20 kV Zalau Substation	3.56
Modernization of pole mounted transformer substations belonging to Bistrita branch	2.18
SMART Measurement System (SMS) 2020 in SDTN, Cluj Napoca branch	2.88

Source: Electrica



Consolidated Financial Statements

**as at and for the year
ended 31 December
2020**

**prepared in accordance with
International Financial Reporting
Standards as adopted by
the European Union**

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

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

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

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

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

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

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in THOUSAND RON, if not otherwise stated)

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in THOUSAND RON, if not otherwise stated)

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

1 Reporting entity and general information

(a) General information about the Group

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

The registered office of the Company is no. 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register registration number J40/7425/2000.

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

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

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

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2020
Distributie Energie Electrica Romania S.A. („DEER”)	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	100%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998409513906%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%
Electrica Energie Verde 1 SRL* („EEV1” – former Long Bridge Milenium SRL)	Electricity generation	19157481	Bucuresti	100%*

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

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

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2019
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. ("SDEE Muntenia Nord S.A.")	Electricity distribution in geographical area of Muntenia Nord	14506181	Ploiesti	99.9999719027621%
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. ("SDEE Transilvania Nord S.A.")	Electricity distribution in geographical area of Transilvania Nord	14476722	Cluj-Napoca	99.9999731116341%
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. ("SDEE Transilvania Sud S.A.")	Electricity distribution in geographical area of Transilvania Sud	14493260	Brasov	99.999977637%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998390431663%

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2019
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%
Servicii Energetice Muntenia S.A.	Services in the energy sector (maintenance, repairs, construction)	29384120	Bucuresti	100%

Changes in Group structure during 2020

Merger of the three distribution companies within the Group

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

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

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

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

Therefore, the merger produces its effects starting with the effective date, 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities ceased to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities were transferred through the effect of the merger by absorption to SDEE Transilvania Nord S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of SDEE Transilvania Nord S.A. in favour of the shareholder of the absorbed entities, namely Electrica SA.

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

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

Merger of the two energy services companies within the Group

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

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

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

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

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

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

Both mergers that took place within the Group during 2020 consist only in reorganization of the subsidiaries and have no impact on the consolidated financial statements, Electrica SA remaining the parent company with the same % of ownership.

Acquisition of a photovoltaic park

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

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

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

Group's main activities

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

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

Electrica Furnizare S.A. is active on both the competitive market and as the supplier of last resort for aprox. 3.1 million clients (defined as supplier designated by the regulatory authority to deliver the universal service of electricity supply under specific regulated conditions) in Muntenia Nord, Transilvania Nord and Transilvania Sud areas. According to the regulations issued by the National Authority for Energy Regulation ("ANRE"), the suppliers of last resort have the obligation to ensure electricity supply to final customers which have not exercised their eligibility right – the right to choose their electricity supplier (hereinafter named captive consu-

mers). Starting with 1 January 2021, as a result of the changes in the regulatory framework, Electrica Furnizare S.A. is designated as supplier of last resort (SoLR) at national level, continuing to supply the existing clients in the universal service regime, but also with the possibility to take over in the supply of last resort regime the clients who are left without a supplier from any network area on the Romanian territory.

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

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

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

(b) Regulations in the energy sector

Regulatory environment

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

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

Electricity distribution

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

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

Order 198,199,197/20.12.2018			
1 January-28 February 2019			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.16	60.00	158.67
SDEE Transilvania Sud S.A.	20.27	60.10	160.31
SDEE Muntenia Nord S.A.	15.21	48.29	162.46
Order 25,26,24/25.02.2019			
1 March-30 June 2019			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.58	61.40	162.38
SDEE Transilvania Sud S.A.	20.75	61.52	164.08
SDEE Muntenia Nord S.A.	15.56	49.40	166.20

Order 79,80,78/24.06.2019			
1 July-31 December 2019			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.03	62.88	166.27
SDEE Transilvania Sud S.A.	21.21	62.88	167.72
SDEE Muntenia Nord S.A.	15.93	50.58	170.16
Order 228,229,227/16.12.2019			
1 January-15 January 2020			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	19.11	65.48	171.98
SDEE Transilvania Sud S.A.	20.69	62.49	169.01
SDEE Muntenia Nord S.A.	16.97	54.09	180.15
Order 8,9,7/15.01.2020			
16 January-31 December 2020			
	High voltage	Medium voltage	Low voltage
SDEE Transilvania Nord S.A.	18.77	64.31	168.91
SDEE Transilvania Sud S.A.	20.31	61.34	165.90
SDEE Muntenia Nord S.A.	16.68	53.16	177.06

In 2019, a new regulatory period began, governed by the provisions of ANRE Order no. 169/2018 for the approval of the Methodology for establishing the tariffs for the electricity distribution service (IV regulatory period: 2019-2023).

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

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

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

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

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

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

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

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

- granting a 2% RRR incentive for investments in the electricity distribution network financed from own funds in projects in which European non-reimbursable funds are also attracted, if the investments are performed and put into function by operators after 1 February 2021;
- in cases where, for certain categories of tangible/intangible assets, the regulated legislation estab-

lishes other regulated useful lives than those provided by the Methodology or in the Catalogue on the classification and normal operating useful lives of fixed assets, approved by Government decision, the annual regulated depreciation of those assets is calculated on the basis of the regulated useful lives established by the primary legislation.

Regulatory asset base ("RAB")

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

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

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

Tariff adjustments

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

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

Electricity supply

Regulated market

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

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

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

Through ANRE Order no. 188/2020 for the approval of the Regulation for the designation of suppliers of last resort, the notion of obligatory SoLR and optional SoLR disappears. The designation of a supplier as SoLR is

made at national level and not on network areas, as previously provided. SoLRs are designated for an indefinite period, starting with 1 January 2021, and in the designation process the eligibility criterion based on serving a number of at least 2,000 consumption places at national level is no longer applied, so that any supplier can become SoLR.

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

Competitive market

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

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

Green certificates

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

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

Electricity generation

Green certificates

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

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

The trading value of green certificates on the markets in accordance with the provisions of Law no. 220/2008, republished, with subsequent amendments and additions from Order no 24/2017, falls between:

- (a) a minimum trading value of EUR 29.4/GC and
- (b) a maximum trading value of EUR 35/GC.

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

COVID-19 impact

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

In the fight against the COVID-19 pandemic, the Group has adopted all the necessary measures for the activity of the companies within the Group to continue to be carried out under normal conditions and issued

guidelines aimed at preventing and/or mitigating the effects of contagion at the workplace. Most important measures included strict adherence to hygiene and social distancing rules as well as working from home where possible. In addition, technicians who perform field work received special equipment in order to minimize the risk of infection. A resilience plan was developed for each company within the Group, identifying essential activities and critical roles through scenario analysis and ensuring staff backup. All the aforementioned resilience plans were integrated at Group level in order to ensure that actions taken were appropriate for each company individually as well as for the Group overall. As a result all key functions of the Group were maintained, enabling the Group to provide secure energy distribution and supply services while maintaining the safety of employees and customers.

The aforementioned difficult conditions led to an increase in the operating expenses, mainly for the purchase of protective equipment as well as sanitation services. However, despite the unstable economic environment, through a close monitoring of the financial performance on multiple tiers, the Group's financial performance maintained a positive trend as compared with the previous year, with improvements in profit, revenues and operating cash flows. Furthermore, the liquidity of the Group remained at a good level, with no significant difficulties in receivables collection and consequently payment of debts being noted. Therefore, based on the publicly available information and considering the actions already implemented, the Group does not anticipate a negative financial impact of the COVID-19 outbreak on its operations and no significant threat over the Group's ability to continue as a going concern over a period covering at least 12 months from the date of these consolidated financial statements has been identified. However, considering the recent developments of the market, the long term effects of the COVID-19 outbreak cannot be reliably estimated currently as the Group cannot preclude the possibility of further lock downs or an escalation in the severity of current measures.

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

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

2 Basis of accounting

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

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

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

3 Functional and presentation currency

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

4 Use of judgements and estimates

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

(a) Judgements

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

Revenue recognition

The Group assesses its revenue arrangements based on specific criteria to determine if it is acting as a principal or an agent. In applying IFRS 15, the Group has identified that it acts in the capacity of an agent in case

of transactions as Balancing Responsible Party ("BRP") and thus recognises revenue as the net amount of the commission earned by the Group. The Group concluded that it is acting as a principal in all other revenue arrangements.

Service Concession Arrangements

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

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

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

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

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

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

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

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

(b) Assumptions and estimation uncertainties

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

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

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

Measurement of fair values

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

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- Nota 31 – Instrumente financiare;
- Nota 24 – Imobilizari corporale.

5 Basis of measurement

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

6 Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Loss of control

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

(iii) Non-controlling interests

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

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

(iv) Transactions eliminated on consolidation

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

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same

way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

The Group recognize the revenues from contracts with customers in accordance with IFRS 15.

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

Supply and distribution of electricity

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

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

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

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

Generation and sale of electricity

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

Sale of green certificates

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

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

Rendering of services

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

Sales of goods

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

Service concession arrangement

Revenue related to construction or upgrade services under service concession arrangement is recognised

based on the stage of completion of the work performed, consistent with the accounting policy on recognising revenue on construction contracts, as follows:

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

(c) Commissions

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

(d) Finance income and finance costs

The Group's finance income and finance costs include:

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

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

(e) Foreign currency transactions

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

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

(f) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined benefit plans

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

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

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

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

(iii) *Other long-term employee benefits*

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

(iv) *Termination benefits*

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

(g) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

(i) *Current tax*

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

(ii) *Deferred tax*

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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

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

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

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

(h) Green certificates

Electricity supply

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

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

Electricity generation

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

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

(i) Inventories

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

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation. The other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Revaluations of land and buildings are made with sufficient regularity to ensure that the carrying amount does not differ materially from the one that would be determined using the fair value at the end of the reporting period.

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

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

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

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

(ii) Subsequent expenditure

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

(iii) *Depreciation*

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

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

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

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

(k) Intangible asset in a service concession arrangement

(i) *Recognition and measurement*

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

(ii) *Amortization*

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

(l) Connection fees

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

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

The Group collects cash from customers, which is used only to pay for the construction of the connection station, and the Group must then use this asset to connect customers to the network. According to ANRE Order no. 59/2013, with subsequent amendments, these assets remain in the ownership of the network operator. The Group recognizes the assets at nil value, net of the amount of the deferred income representing the contributions from customers. The assets financed from connection fees received from the new users of the distribution network are not included in the RAB. At the end of the concession contract, the assets built from the connection tariff will be transferred to the concessionaire free of charge together with the assets part of RAB.

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

(m) Other intangible assets

(i) *Recognition and measurement*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less

accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

(n) Assets held for sale

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

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

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

(o) Financial instruments

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

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

(i) Financial assets

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

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

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

Foreign exchange gains and losses

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

Loans and receivables

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

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

Trade receivables

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

Cash and cash equivalents

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

(ii) Financial liabilities

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

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

Other financial liabilities include bank borrowings, bank overdrafts, financing for network construction related to concession agreements and trade payables.

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

(iii) Share capital

Ordinary shares

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

Repurchase and reissue of ordinary shares (treasury shares)

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

(iv) Impairment

Impairment of financial assets

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

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

i) Significant increase in credit risk

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

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

(ii) Write-off policy

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

(iii) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

(p) Revaluation reserve

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

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

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

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

(q) Dividends

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

(r) Pre-paid capital contributions in kind from shareholders

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

(s) Provisions

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

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

(t) Contingent assets and liabilities

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events that is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

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

(u) Leases

(i) The Group as lessee

The Group applies IFRS 16 „Leases”.

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

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

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

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

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

(ii) Rental income

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

(v) Segment reporting

Segment results that are reported to the Company's Board of Directors (the chief operating decision maker)

include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly deferred taxes.

(w) Subsequent events

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

7 Adoption of new and revised standards and interpretations

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

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

- *Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material* - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- *Amendments to IFRS 3 "Business Combinations" - Definition of a Business* - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- *Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform* - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- *Amendments to IFRS 16 "Leases" - Covid-19 - Related Rent Concessions* - adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020;
- *Amendments to References to the Conceptual Framework in IFRS Standards* - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

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

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

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

- *Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"* - adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023);
- *Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform - Phase 2* adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021);

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

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

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

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);

- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

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

8 Operating segments

(a) Basis for segmentation

The following summary describes the operations of each reportable segment:

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

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

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

(b) Information about reportable segments

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

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

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

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

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

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

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

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

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

9 Revenue

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

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

10 Electricity and natural gas purchased

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

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

11 Other income and expenses

(a) Other income

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

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

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

(b) Other operating expenses

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

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

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

12 Net finance result

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

13 Earnings per share

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

Profit attributable to shareholders

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

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

	2020	2019
Issued ordinary shares at 1 January (Note 26)	339,553,004	339,049,336
Effect of shares issued in December	-	20,986
Weighted-average number of ordinary shares at 31 December	339,553,004	339,070,322

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

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

14 Short-term employee benefits

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

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

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

15 Post-employment and other long-term employee benefits

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

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

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

In the same time, in order to compensate for the exclusion of the benefit in the form of free of charge electricity, as per the new Collective Labour Contracts in force starting 1 January 2020, respectively 1 April 2020, the retirement bonus increased by 1 gross monthly base salary on all three levels of seniority.

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

	31 December 2020	31 December 2019
Defined benefit liability	68,101	59,698
Other long-term employee benefits	86,195	80,547
Total	154,296	140,245
- Current portion*	10,420	13,821
- Non-current portion	143,876	126,424

*included in Personnel payables in Note 14

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

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

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

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

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

(ii) Actuarial assumptions

The following were the main actuarial assumptions at each reporting date:

(a) Macroeconomic assumptions:

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

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

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 3.3% for the year 2020 (2019: 4.49%);
- the electricity price per KWh used for 2021 is RON 0.525110 and for future periods is adjusted with inflation (2019: RON/KWh 0.46506);
- the mortality rate published by the National Institute of Statistics was adjusted to 90% to approximate the mortality rates by generations;
- taxes and social charges are those in force as at the reporting date.

(b) Group specific assumptions:

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

Jubilee bonus based on years of service in the Group

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

Retirement bonus based on years of service in the Group

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

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

Termination benefits

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

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

Period of service	No of gross monthly base salaries
1 - 2 years	2
2 - 5 years	3
5 - 10 years	4
10 - 20 years	5
More than 20 years	8

(b) Termination benefits for collective lay-offs at the Group's initiative

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

Period of service	No of gross monthly base salaries
1 - 3 years	3
3 - 5 years	6
5 - 10 years	7
10 - 20 years	11
More than 20 years	16

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

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

(c) Termination benefits for voluntary redundancies

In accordance with the Agreements signed between the Group and the Unions and the Addendums to Collective Labour Contracts, in case the individual labour contract is terminated as voluntary redundancy from the employee, the Group pays termination benefits depending on the period to reach the standard retirement age, the period of service in the Group and the seniority. The number of gross monthly base salaries paid as termination benefits vary between 5 and 23.

(iii) Sensitivity analysis

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

	Increase by 1%		Decrease by 1%	
	2020	2019	2020	2019
Discount rate	(13,216)	(11,471)	13,216	11,471
Salary growth	13,561	11,784	(13,561)	(11,784)
	Increase by 1 year		Decrease by 1 year	
	2020	2019	2020	2019
Retirement age	3,367	3,101	(3,367)	(3,101)

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

16 Employee benefit expenses

	2020	2019
Average number of employees	8,053	8,043
Number of employees at 31 December	8,126	8,292
	2020	2019
Wages and salaries*	738,009	610,580
Social security contributions	17,133	14,782
Meal tickets	27,080	23,774
Termination benefits	25,751	2,277
Total employees benefits for the year	807,973	651,413
Capitalised employee benefit expenses	(33,472)	(31,221)
Total employees benefits in the statement of profit or loss	774,501	620,192

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

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

17 Income taxes

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

(i) Amounts recognised in profit or loss

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

(ii) Amounts recognised in other comprehensive income

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

(iii) Reconciliation of effective tax rate

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

(iv) Movement in deferred tax balances

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

*see Note 32

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

(v) Unrecognised deferred tax assets

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

	2020	2019
Tax losses	371,426	485,358

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

18 Trade receivables

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

Trade receivables from related parties are presented in Note 33.

Trade receivables, gross, comprise:

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

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

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

The aging of trade receivables is presented in Note 31.

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

A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Group will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. These receivables were treated separately in computing the allowance according to IFRS 9.

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

Oltchim (a state-controlled company) was an important customer of Electrica S.A. until January 2012, when the Company transferred the contract to Electrica Furnizare S.A.. In January 2013, Oltchim entered into insolvency procedures and subsequently in May 2019 started the bankruptcy procedures. Due to the uncertainties regarding the recoverability of the amounts owed by this customer, the Group recognized in prior years a bad debt allowance for the entire amount receivable. During 2020, the Group adjusted the uncollected VAT in amount of RON 105,042 thousand related to the doubtful receivables from Oltchim, based on the sentence of starting the bankruptcy procedures and the provisions of art. 287 of the Fiscal Code. As the entire amount was recovered during 2020, by offsetting the VAT positions to be recovered with the payment position at the level of the VAT group to which the companies in the Electrica Group belong, the bad debt allowance was reversed with the same amount.

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

19 Deposits with maturity date more than three months

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

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

20 Other receivables

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

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

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

Loss allowance	2020	2019
Balance as at 1 January	22,728	23,159
Loss allowance recognized	237	-
Decrease in loss allowance	(2,001)	(431)
Amounts written off	-	-
Balance as at 31 December	20,964	22,728

21 Cash and cash equivalents

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

As at 31 December 2020, Electrica SA has collateral deposits at BRD - Groupe Societe Generale as guarantees for the long term borrowings received from BRD – Groupe Societe Generale by Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. in amount of RON 320,000 thousand (31 December 2019: RON 320,000 thousand). As the long term borrowings are repayable on 16 October 2021 (see also Note 30), the amount of the collateral deposits as at 31 December 2020 of RON 320,000 thousand is presented in the consolidated statement of financial position as short-term restricted cash.

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

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

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

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

22 Assets held for sale

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

The assets held for sale comprise:

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

23 Inventories

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

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

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

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

24 Property, plant and equipment

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

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at 1 January 2019	258,327	190,655	268,734	90,443	45,966	854,125
Additions	251	70	6,390	1,559	4,551	12,821
Transfer from construction in progress	-	1,281	13,881	2,907	(18,069)	-
Transfer to intangible assets	-	-	-	-	(4,503)	(4,503)
Transfer to intangible assets related to concession agreements	(25,386)	-	-	-	-	(25,386)
Disposals	(2,467)	(3,512)	(1,831)	(1,485)	(203)	(9,498)
Reclassification from Assets held for sale (Note 22)	1,661	4,234	-	-	-	5,895
Balance at 31 December 2019	232,386	192,728	287,174	93,424	27,742	833,454
Additions	85	157	1,997	1,259	2,986	6,484
Transfer from construction in progress	-	1,269	-	622	(1,891)	-
Transfer to intangible assets related to concession agreements	(1,442)	-	(213,590)	-	(2,567)	(217,599)
Disposals	(920)	(1,471)	(11,419)	(1,048)	(45)	(14,903)
Revaluation recognized in other comprehensive income	15,834	27,989	-	-	-	43,823
Revaluation recognized in profit or loss	(126)	(2,294)	-	-	-	(2,420)

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross book value netted off against the accumulated depreciation at revaluation	-	(26,563)	-	-	-	(26,563)
Acquisition of subsidiary (Note 32)	258	5,333	34,734	1,079	-	41,404
Balance at 31 December 2020	246,075	197,148	98,896	95,336	26,225	663,680
Accumulated depreciation and impairment losses						
Balance at 1 January 2019	-	18,528	137,442	79,771	17,206	252,947
Depreciation	-	7,131	26,452	4,160	-	37,743
Accumulated depreciation of disposals	-	(1,636)	(1,783)	(1,485)	-	(4,904)
Impairment loss	-	-	1,772	-	2,134	3,906
Reversal of impairment loss	-	-	-	-	(465)	(465)
Reclassification to Assets held for sale (Note 22)	-	129	-	-	-	129
Balance at 31 December 2019	-	24,152	163,883	82,446	18,875	289,356
Depreciation	-	5,922	17,058	4,870	-	27,850
Accumulated depreciation of disposals	-	(403)	(11,321)	(766)	-	(12,490)
Impairment loss	-	1,905	-	-	-	1,905
Reversal of impairment loss	-	-	(1,196)	-	(104)	(1,300)
Accumulated depreciation netted off against gross book value at revaluation	-	(26,563)	-	-	-	(26,563)
Transfer to intangible assets related to concession agreements	-	-	(123,208)	-	-	(123,208)
Balance at 31 December 2020	-	5,013	45,216	86,550	18,771	155,550
Net carrying amounts						
At 1 January 2019	258,327	172,127	131,292	10,672	28,760	601,178
At 31 December 2019	232,386	168,576	123,291	10,978	8,867	544,098
At 31 December 2020	246,075	192,135	53,680	8,786	7,454	508,130

Tangible assets include mainly land, buildings and equipment.

Transfers to intangible assets related to concession agreements in the net amount of RON 94,391 thousand refer to:

- the AMR system (Automatic Meter Reading) equipment consisting of electricity measuring equipment in amount of RON 92,949 thousand;
- 2 plots of land in the total surface of 28,696.79 sqm in amount of RON 1,442 thousand

that were contributed in kind by Electrica SA to the share capital of its distribution subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A.), these assets being part of the distribution network (see Note 25).

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

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

Measurement of fair value

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

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

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

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land and land improvements	<i>Market approach</i>		
	The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties and best use). The market price is mainly based on recent transactions.	Adjustment for liquidity, location, size.	The estimated fair value would increase/(decrease) if: Adjustment for liquidity, location or size would be lower/(higher)
Buildings	<i>Market approach and discounted cash-flows (DCF) method</i>	Adjustment for liquidity, location, size.	
	Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information:		
	<i>Market approach</i>	- Occupancy rates (between 80% and 90%) - Yield rates (between 7% and 10%) - Annual rent per sqm (between 9 and 19 EUR/sqm), depending on location;	- Occupancy rates were higher/(lower) - Yield rates were lower/(higher) - Annual rent per sqm was higher/(lower)
	<i>The DCF method</i>	- Occupancy rates (between 85% and 90%) - Yield rates (between 7.25% and 11.5%) - Annual rent per sqm (between 10 and 60 EUR/sqm), depending on location;	

25 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Transfers from property, plant and equipment in the amount of RON 94,391 thousand refer to:

- the AMR system (Automatic Meter Reading) equipment consisting of electricity measuring equipment in amount of RON 92,949 thousand;
- 2 plots of land in the total surface of 28,696.79 sqm in amount of RON 1,442 RON

that were contributed in kind by Electrica SA to the share capital of its distribution subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A.), these assets being part of the distribution network (see Note 24).

26 Capital and reserves

(a) Share capital and share premium

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

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

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

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

The share premium resulted at IPO was RON 171,128 thousand. The transaction costs of RON 68,079 thousand were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in kind and in cash contribution, with the amount of RON 5,037 thousand, from the amount of RON 3,459,399 thousand to the amount of RON 3,464,436 thousand, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering were in amount of RON 964 thousand. Also, the Company recorded gains referring to share issue of RON 2,186 thousand, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

(b) Treasury shares reserve

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

(c) Revaluation reserve

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

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

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

(d) Legal reserves

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

Balance at 1 January 2019

Set-up of legal reserves

Balance at 31 December 2019

Set-up of legal reserves

Balance at 31 December 2020

Legal reserves

352,038

19,795

371,833

20,443

392,276

(e) Dividends

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

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

To the owners of the Company

Total

Distribution of dividends

2020

2019

246,108

247,506

246,108

247,506

On 29 April 2020 the General Shareholders Meeting of the Company approved dividend distribution of RON 246,108 thousand (2019: RON 247,506 thousand). The dividend per share distributed is RON 0.7248 per share (2019: RON 0.73 per share).

When calculating the dividend per share, the Company's repurchased own shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 246,108 thousand (2019: RON 247,506 thousand), the dividends paid were of RON 245,780 thousand (2019: RON 247,198 thousand) the remaining difference represents dividends uncollected by the shareholders.

27 Trade payables

Electricity suppliers

Capital expenditure suppliers

Other suppliers

Total

31 December 2020

31 December 2019

373,563

446,161

138,391

183,372

95,241

100,922

607,195

730,455

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

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

28 Other payables

VAT payable

Liabilities towards the State

Other liabilities

Total

31 December 2020

31 December 2019

Current

Non-current

Current

Non-current

128,450

-

107,546

-

6,820

-

10,478

-

105,676

33,873

100,261

36,775

240,946

33,873

218,285

36,775

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

29 Provisions

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

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

30 Long-term bank borrowings

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

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

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

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

a) *Investment loans granted by BRD – Groupe Societe Generale*

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

b) *Investment loan granted by Banca Transilvania*

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

c) *Investment loan granted by Unicredit Bank*

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

d) *Investment loan granted by BRD – Groupe Societe Generale*

On 29 October 2019, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan.

ding to the investment plan. Main provisions are: Maximum loan amount: RON 130,000 thousand; Interest rate: fixed, 3.99% per annum; Reimbursements: quarterly instalments until 28.10.2026; Grace period: 12 months. As at 31 December 2020, the outstanding balance is of RON 124,800 thousand (31 December 2019: RON 14,115 thousand).

e) Investment loan granted by BRD – Groupe Societe Generale

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

f) Investment loan granted by BRD – Groupe Societe Generale

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

g) Investment loan granted by Banca Comerciala Romana

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

h) Investment loan granted by Banca Comerciala Romana

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

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

31 Financial instruments - fair values and risk management

(a) Accounting classifications and fair values

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

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

(b) Financial risk management

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

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

These risks are further explained and detailed.

(i) Credit risk

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

and cash equivalents, restricted cash and bank deposits.

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

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

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

Trade receivables

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

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

Impairment

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

31 December 2020					
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	2%	812,855	(13,053)	799,802	No
Past due 1-30 days	1%	163,436	(2,285)	161,151	No
Past due 31-60 days	12%	48,993	(5,822)	43,171	No
Past due 61-90 days	33%	17,450	(5,679)	11,771	No
Past due more than 90 days	99%	936,614	(922,734)	13,880	Yes
Total		1,979,348	(949,573)	1,029,775	

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

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

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

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

(ii) Liquidity risk

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

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

Exposure to liquidity risk

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

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

(iii) Market risk

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

Currency risk

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

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

Exposure to currency risk

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

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

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

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

Sensitivity analysis

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

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

Interest rate risk

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

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

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

Exposure to interest rate risk

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

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

Fair value sensitivity analysis for fixed-rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

	Profit before tax	
	50 bp increase	50 bp decrease
31 December 2020		
Variable-rate instruments	(1,167)	1,167
31 December 2019		
Variable-rate instruments	(1,856)	1,856

32 Acquisition of subsidiaries

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

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

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

The acquisition of Electrica Energie Verde 1 S.R.L. will allow the Group to enter the renewable energy market having the main purpose of increasing the Group's profitability. From the acquisition date until 31 Decem-

ber 2020, Electrica Energie Verde 1 S.R.L. had a contribution to the Group revenues in amount of RON 3,736 thousand and net profit of RON (617) thousand. If the acquisition date would have been the beginning of the period, the Group revenues would have been higher by RON 4,500 thousand and net profit of the Group would have been higher by RON 135 thousand.

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

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

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

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

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

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

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

33 Related parties

(a) Main shareholders

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

(b) Management and administrators' compensation

	2020	2019
Executive Management compensation	29,072	25,790

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

the termination of mandate contracts for executive directors.

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

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

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

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

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

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

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

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

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2020		31 December 2020	
OPCOM	60,549	3,634	-	3,634
Transelectrica	41,175	7,841	-	7,841
C.N.C.F CFR SA	40,967	5,191	-	5,191
SNGN Romgaz SA	37,501	1,246	-	1,246
CN Romarm	12,457	641	-	641
Hidroelectrica	9,138	598	-	598
Municipiul Galati	8,575			1,731
CFR Electrificare	7,517	420	-	420
Transgaz	3,738	12	-	12
CNAIR	1,569	-	-	-
ANAR - Adm. Nat. Apele Romane	1,436	-	-	-

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are in THOUSAND RON, if not otherwise stated)

CN Remin SA	549	71,215	(71,215)	-
CET Braila	7	3,361	(3,361)	-
Termoelectrica	-	1,217	(1,217)	-
Oltchim	-	565,484	(565,484)	-
C.N.C.A.F. MINVEST SA	-	26,802	(26,802)	-
Others	31,008	1,453	(493)	960
Total	256,186	690,846	(668,572)	22,274

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

34 Contingencies

Contingent assets

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

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

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

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

Contingent liabilities

Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of taxpayers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities demonstrate inconsistency in interpretation of the law.

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

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

Tax inspection report for SDEE Muntenia Nord S.A.

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

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

Tax inspection report for Electrica Serv S.A.

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

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

Litigation with the National Agency of Fiscal Administration (“NAFA”)

In May 2017, after the revision of Electica's tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,249 thousand as a result of certain tax record allocations for prior periods. Electrica filed a complaint with the tax authorities against the enforcement order and also filed a legal action to suspend the enforced payment by the resolution of the above mentioned complaint. These additional interest and penalties are related to the prior enforcement orders received by Electrica SA in the prior years of RON 72,460 thousand.

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

Also, in April 2019, Electrica SA obtained another favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the Court obliges NAFA to correct the evidence of the tax receivables so that it reflects the extinction by prescription of the amount of RON 16,916 thousand representing income tax as well as all the related accessories. This decision forms the object of the appeal declared by NAFA, with the Court term on 17 November 2021, at the High Court of Cassation and Justice.

Moreover, in November 2019, Electrica SA obtained one more favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the Court obliges NAFA to cancel the administrative documents issued regarding the accessory fiscal obligations in the amount of RON 39,249 thousand and ordered the refund/ compensation of the amount and the correction of the tax record. Against this decision, NAFA filed an appeal, registered to the High Court of Cassation and Justice, with the Court term on 23 March 2022.

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

During 2020, the Group recognized revenues from indemnities in the amount of RON 12,827 thousand (please refer to Note 11) related to the amounts collected during the year by Electrica SA from NAFA as a result of the final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions.

Moreover, as at 31 December 2020, the Group no longer has a contingent liability of RON 39,249 thousand in respect to the additional interest and penalties to be paid by Electrica SA to NAFA, as it applied for the cancellation of ancillary fiscal obligations stipulated by the Government Emergency Ordinance no. 69/2020. Through NAFA's decision no. 2738/22.12.2020, the cancellation of the ancillary fiscal obligations mentioned above was approved, based in articles IX-XI of the Government Emergency Ordinance no. 69/2020.

Other litigations and claims

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

As summarised in Note 29, the Group set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

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

In respect to the litigation in which Electrica SA was sued by Societatea de Administrare a Participatiilor in Energie S.A. („SAPE”) for the joint payment of the amount of RON 1,569,144 thousand and the amount of EUR 458,381 thousand for the alleged damages suffered by the Romanian State as a result of the inaction regarding the monitoring, coordination and verification of the performance with the observance of the conditions of legality of the privatization contracts of Electrica SA subsidiaries, Electrica SA filed a pleading in which it invoked the exception of the lack of passive procedural quality, exception regarding the statute of limitation, as well as other arguments on the merit of the case against SAPE's allegations. On 20 June 2019, the Court dismissed SAPE's action for claims of approx. EUR 800 million, admitting:

- the exception of Electrica's lack of passive processing quality, for the claim based on contractual civil liability;
- the exception of the prescription of the material right to action, for the claim based on civil tort liability.

The decision remained final by non-appeal.

35 Commitments

(a) Contractual commitments

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

	31 December 2020	31 December 2019
Purchase of electricity	2,067,439	1,870,832
Purchase of green certificates	402,341	172,181
Purchase of property, plant and equipment and intangible assets	141,033	426,643
Total	2,610,813	2,469,656

(b) Investment program

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

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

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

(c) Guarantees and pledges

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

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

36 Subsequent events

Overdraft facility granted by ING Bank N.V.

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

Change in distribution tariffs starting 1 January 2021

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

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

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

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021



The independent auditor report on consolidated financial statements situations



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
SOCIETATEA ENERGETICA ELECTRICA S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of SOCIETATEA ENERGETICA ELECTRICA S.A. and its subsidiaries (the Group), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.
2. The financial statements as at December 31, 2020 are identified as follows:

• Net assets / Equity	RON 5,760,274 thousand
• Net profit for the financial year	RON 387,543 thousand
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

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

Key Audit Matters

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



Key audit matter	How our audit addressed the key audit matter
<i>Valuation of Retail accrued revenue, related to electricity supplied to households</i> The Group recognizes at the end of each reporting period accrued revenue from the energy supply activity, related to the household population. If the actual meter readings are not available at the end of the reporting period, energy supplied to households is estimated based on internal information related to historical patterns of consumption. The degree of estimation uncertainty reduces from one period to another, however judgement is inherent in the valuation of the accrued revenue related to the household population. The Group operates in 3 different geographical areas in Romania and the tariffs provided by the Romanian Energy Regulatory Authority ("ANRE") for the regulated supply market are different from one region to the other. Because of the significance of the estimations around the accrued revenue related to the households and the inability of relying on the effectiveness of the controls, we consider the valuation of retail accrued revenue, related to households a key audit matter.	The group has a number of IT systems across the businesses and we were not able to rely on the effectiveness of IT controls within the revenue cycle. The audit procedures adopted were substantive in nature and included the following: • Obtaining an understanding of the accounting policies used in the preparation of the consolidated financial statements, with respect to revenue recognition; • Testing the reconciliation made by the Group between the quantity of electricity purchased for supply purposes and the quantity of electricity delivered from the supply activity; • Testing the acquired electricity for supply purposes through a combination of direct confirmations received from the electricity producers and other supporting documents; • Testing the revenues related to electricity supplied to industrial customers on the free market through a combination of direct confirmations and other supporting documents; • Testing the revenues related to electricity supplied to all customers on the regulated market by means of independent re-computation of the revenues, using the regulated tariffs as published by the market regulator. • Performing analytical procedures on all electricity sales.
<i>Contingent liabilities and provisions</i> As presented in Note 34 to the consolidated financial statements, the Group is involved in a series of litigations and claims (i.e. with the Romanian Privatization Agency, Energy Regulator, Fiscal Authorities, Romanian Court of Accounts, claims for damages, claims over land titles, labor related litigations and others). The estimation of whether a provision should be recorded or whether a contingent liability should be disclosed is based on significant management judgement. Considering the large number of litigations ongoing that the Group is facing, the uncertainty regarding the final possible outcome of each case and the high level of professional judgement involved we consider the Contingent liabilities and provisions resulting from these litigations to be a key audit matter.	In assessing whether the contingent liabilities and provisions arising from litigations have been properly recognized, our procedures included the following: • Inspection of the minutes of the meetings of the shareholders and administration council; • Obtaining legal letters from the internal and from the external lawyers of the Group and assessing the interpretation of the lawyers for the cases presented; • Discussing with the internal and external lawyers and assessing the reasonability of the professional judgements used as a basis for the recognition of provisions or contingent liabilities; • Assessing the judgement performed by the Group management in conjunction with the assessment of the internal or external lawyers; • Assessing the adequacy of the contingent liabilities disclosures in the consolidated financial statements.



Other information – Administrator's Report

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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



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

Report on Other Legal and Regulatory Requirements

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



We confirm that:

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

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

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

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

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

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

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

Auditor's Responsibility

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

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

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

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



Conclusion

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

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

Răzvan Ungureanu, Statutory Auditor

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

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

On behalf of:

DELOITTE AUDIT SRL

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

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8th Floor and 9th Floor, District 1
Bucharest, Romania
March 4, 2021



Separate Financial Statements

**as at and
for the year ended
31 December 2020**

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

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

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

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

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

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

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

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

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

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

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

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

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

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

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

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

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie

4 March 2021

1 Reporting entity and general information

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

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

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

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

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

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

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

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 Dec 2019
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. ("SDEE Muntenia Nord S.A.")	Electricity distribution in geographical area of Muntenia Nord	14506181	Ploiesti	99.9999719027621%
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. ("SDEE Transilvania Nord S.A.")	Electricity distribution in geographical area of Transilvania Nord	14476722	Cluj-Napoca	99.9999731116341%

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

The Company's main activities

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

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

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

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

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

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

On 17 September 2020, the VI Civil Section of the Bucharest Court admitted the request of Electrica Serv S.A., as absorbing company, and the request of Servicii Energetice Muntenia S.A., as the absorbed company,

approved the merger according to the merger project no. 934 dated 12 June 2020 registered with the Trade Register Office of Bucharest Court and published in the Official Gazette of Romania Part IV, no. 2303 from 8 July 2020 and ordered the deregistration of the absorbed company from the Trade Register.

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

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

COVID-19 impact

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

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

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

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

2 Basis of accounting

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

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

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

3 Functional and presentation currency

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

4 Use of judgements and estimates

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

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

Judgements, assumptions and estimation uncertainties

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

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

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

Measurement of fair values

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

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

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

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

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

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

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

5 Basis of measurement

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

6 Significant accounting policies

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

(a) Revenue

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

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

(b) Commissions

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

(c) Finance income and finance costs

The Company's finance income and finance costs include:

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

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

(d) Foreign currency transactions

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

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

(e) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined benefit plans

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

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

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

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

(iii) Other long-term employee benefits

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

(iv) Termination benefits

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

(f) Income tax

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

(i) *Current tax*

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

(ii) *Deferred tax*

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

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

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

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

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

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

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

(g) Inventories

Inventories consist mainly of consumables and other materials.

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

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

(h) Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

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

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

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

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

(ii) *Subsequent expenditure*

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

(iii) *Depreciation*

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

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

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

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

(i) Intangible assets

(i) *Recognition and measurement*

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

(ii) *Subsequent expenditure*

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

(iii) *Amortization*

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

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

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

(j) Financial instruments

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

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

(i) Financial assets

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

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

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

Foreign exchange gains and losses

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

Loans and receivables

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

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

Trade receivables

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

Cash and cash equivalents

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

(ii) Financial liabilities

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

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

Other financial liabilities include trade payables.

(iii) Share capital

Ordinary shares

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

Repurchase and reissue of ordinary shares (treasury shares)

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

(k) Impairment

Impairment of financial assets

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

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

i) Significant increase in credit risk

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

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

(ii) Write-off policy

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

(iii) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

(l) Revaluation reserves

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

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

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

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

(m) Dividends

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

(n) Capital contributions in kind from shareholders

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

(o) Provisions

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

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

(p) Contingent assets and liabilities

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (b) a present obligation that arises from past events that is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

(q) Leases

(i) The Company as lessee

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

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

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

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

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

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

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

(ii) *Rental income*

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

(r) **Subsequent events**

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

7 Adoption of new and revised standards and interpretations

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

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

- *Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material* - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- *Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform* - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- *Amendments to IFRS 16 "Leases" - Covid-19 - Related Rent Concessions* - adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020;
- *Amendments to References to the Conceptual Framework in IFRS Standards* - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

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

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

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

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

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

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

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

- *IFRS 17 "Insurance Contracts"* including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- *Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current* (effective for annual periods beginning on or after 1 January 2023);
- *Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use* (effective for annual periods beginning on or after 1 January 2022);

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

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

8 Revenue

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

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

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

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

9 Other income and operating expenses

(a) Other income

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

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

(b) Other operating expenses

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

10 Net finance income

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

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

11 Earnings per share

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

Profit attributable to shareholders

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

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

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

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

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

12 Short-term employee benefits

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

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

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

incentives granted to employers for creating new jobs.

13 Post-employment and other long-term employee benefits

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

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

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

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

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

*included in Personnel payables in Note 12

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

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

Defined benefit liability	2020	2019
Balance at 1 January	1,093,812	923,770
Included in profit or loss		
Current service cost	76,681	53,614
Past service cost	(390,301)	35,836
Interest cost	35,576	44,817
	(278,044)	134,267
Included in other comprehensive income		
Re-measurements (gain)/loss		
- Actuarial (gain)/loss	(104,482)	60,739
Other		
Benefits paid	(19,346)	(24,964)
Balance at 31 December	691,940	1,093,812
Other long-term employee benefits		
Balance at 1 January	1,078,865	1,024,556
Included in profit or loss		
Current service cost	112,553	37,439
Actuarial (gain)/loss	(226,090)	6,907

Interest cost	44,779	49,821
Other		
Benefits paid	(200,383)	(39,858)
Balance at 31 December	809,724	1,078,865

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

(ii) Actuarial assumptions

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

(a) Macroeconomic assumptions:

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

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

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

(b) Company specific assumptions:

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

Jubilee bonuses based on years of service in the Company

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

Retirement bonuses based on years of service in the Company

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

Termination benefits

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

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

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

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

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

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

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

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

c. Termination benefits for voluntary redundancies

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

14 Employee benefit expenses

	2020	2019
Average number of employees	107	117
Number of employees at 31 December	120	128
	2020	2019
Wages and salaries	29,896,689	28,111,393
Social security contributions	642,577	595,808
Meal tickets	379,780	373,470
Termination benefit for labour/mandate contracts	899,509	420,633
Total	31,818,555	29,501,304

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

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

Management remuneration is presented within Note 29 – Related parties.

15 Income tax

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

(i) Amounts recognised in profit or loss

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

(ii) Amounts recognised in other comprehensive income

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

(iii) Reconciliation of effective tax rate

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

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

(iv) Movement in deferred tax balances

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

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

(v) Unrecognised deferred tax assets

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

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

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

16 Trade receivables

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

Receivables from related parties are presented in Note 29.

Trade receivables, gross, comprise:

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

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

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

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

The ageing of trade receivables is presented in Note 28.

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

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

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

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

17 Deposits with maturity date more than three months

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

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

18 Other receivables

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

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

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

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

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

19 Cash and cash equivalents

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

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

20 Property, plant and equipment

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

	Land and land improve- ment	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at 1 January 2019	74,614,673	21,054,921	237,496,383	895,952	21,942,902	356,004,831
Additions	-	63,671	886,500	185,864	741,021	1,877,056
Transfer from construction in progress	-	-	13,488,421	-	(13,488,421)	-
Transfer to intan- gible assets	-	-	-	-	(4,503,110)	(4,503,110)
Disposals	(37,450,001)	-	(912,135)	(298,450)	-	(38,660,586)
Balance at 31 December 2019	37,164,672	21,118,592	250,959,169	783,366	4,692,392	314,718,191
Additions	32,235,368	1,905,508	285,216	520,751	54,230	35,001,073
Revaluation reco- gnized in other comprehensive income, net	6,880,612	5,020,641	-	-	-	11,901,253
Revaluation reco- gnized in profit or loss, net	166,490	-	-	-	-	166,490
Gross book value netted off against the accumulated depreciation at revaluation	-	(890,671)	-	-	-	(890,671)
Disposals	(6,764,156)	(147,779)	(224,809,642)	(129,119)	(2,612,179)	(234,462,875)
Balance at 31 December 2020	69,682,986	27,006,291	26,434,743	1,174,998	2,134,443	126,433,461
Accumulated depreciation and impairment losses						
Balance at 1 January 2019	-	314,424	129,341,260	473,659	-	130,129,343
Depreciation	-	301,013	19,897,386	70,219	-	20,268,618
Accumulated depreciation of disposals	-	-	(969,062)	(236,277)	-	(1,205,339)

	Land and land improve- ment	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Impairment of property, plant and equipment	-	-	1,771,509	-	-	1,771,509
Impairment of construction in progress	-	-	-	-	2,134,443	2,134,443
Balance at 31 December 2019	-	615,437	150,041,093	307,601	2,134,443	153,098,574
Depreciation	-	299,307	10,714,327	119,810	-	11,133,444
Accumulated depreciation of disposals	-	(24,073)	(143,843,969)	(129,120)	-	(143,997,162)
Impairment of property, plant and equipment	-	1,905,508	9,435,994	-	-	11,341,502
Reversal of impairment of property, plant and equipment	-	-	(1,195,521)	-	-	(1,195,521)
Gross book value netted off against the accumulated depreciation at revaluation	-	(890,671)	-	-	-	(890,671)
Balance at 31 December 2020	-	1,905,508	25,151,924	298,291	2,134,443	29,490,166
Net carrying amounts						
At 1 January 2019	74,614,673	20,740,497	108,155,123	422,293	21,942,902	225,875,488
At 31 December 2019	37,164,672	20,503,155	100,918,076	475,765	2,557,949	161,619,617
At 31 December 2020	69,682,986	25,100,783	1,282,819	876,707	-	96,943,295

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

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

The sale price was settled as follows:

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

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

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

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

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

Month	Subsidiary	Assets transferred	Net book value (RON)
June 20	SDEE Muntenia Nord S.A.	AMR equipment	16.521.690
June 20	SDEE Muntenia Nord S.A.	2 plots of land in surface of 28,696.79 sqm	1.497.132
June 20	SDEE Transilvania Nord S.A.	AMR equipment AMR license intangibles (see Note 21) AMR construction in progress	37.014.957 2.925.303 763.741
June 20	SDEE Transilvania Sud S.A.	AMR equipment AMR construction in progress	27.409.181 1.803.638
May 20	Electrica Serv S.A.	5 plots of land in surface of 23,474.07 sqm	5.103.471
Total			93.039.113

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

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

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

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

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

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

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

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

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

Measurement of fair value

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's land and buildings as at 31 December 2020 were performed

by Darian DRS S.A. an independent valuer not related to the Company. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers, and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

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

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

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	<i>Market approach</i> The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use). The market price is mainly based on recent transactions.	Adjustment for liquidity, location, size.	The estimated fair value would increase/(decrease) if: Adjustment for liquidity, location or size would be lower/(higher).
Buildings	<i>Market approach and discounted cash-flows (DCF) method</i> Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information: <u>Market approach</u> The market approach is based on the selling price per square meter for buildings with similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use), adjusted liquidity, location, size etc. <u>The DCF method</u> The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and annual rent. The discount rate estimation considers, inter alia, the quality of a building and its location.	- Adjustment for liquidity, location, size. - Occupancy rates (90%) - Yield rates (between 9% and 10%) - Annual rent per sqm (between 2 and 10 EUR/sqm), depending on location;	- Adjustment for liquidity, location or size would be lower/(higher). - Occupancy rates were higher/(lower) - Yield rates were lower/(higher) - Annual rent per sqm was higher/(lower)

21 Intangible assets

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

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

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

22 Investments in subsidiaries

The investments in subsidiaries are presented as follows:

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

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

Changes in Company's subsidiaries structure in 2020

Merger of the three distribution companies

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

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

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

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

Therefore, the merger produces its effects starting with the effective date, 31 December 2020, when SDEE Transilvania Sud S.A. and SDEE Muntenia Nord S.A. as the absorbed entities ceased to exist, being dissolved without going into liquidation. Consequently, all of their assets and liabilities were transferred through the effect of the merger by absorption to SDEE Transilvania Nord S.A., as the absorbing entity, in exchange of the issuance of new shares in the share capital of SDEE Transilvania Nord S.A. in favour of the shareholder of the absorbed entities, namely Electrica SA.

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

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

Merger of the two energy services companies

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

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

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

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

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

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

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

Movements in investments

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

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

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

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

As of 31 December 2020, also considering the merger of the two energy services companies, the management has reassessed the recoverability of the net book value of the investment in Electrica Serv S.A. and the

consistency of the impairment as compared to 31 December 2019, by taking into account the value of the net assets and the assets owned and concluded that there is no indication that the investment may be additionally impaired or that the impairment should be reversed.

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

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

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

23 Loans granted to subsidiaries

a) Loans granted to subsidiaries – long term

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

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

• **Loans granted in 2018:**

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

• **Loans granted in 2017:**

- Intragroup loan agreement with Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A. (currently Distribuție Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 150,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 150,000,000 (31 December 2019: RON 150,000,000);
- Intragroup loan agreement with Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. (currently Distribuție Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 200,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 200,000,000 (31 December 2019: 200,000,000);
- Intragroup loan agreement with Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A. (currently Distribuție Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 160,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2020, the outstanding balance is of RON 160,000,000 (31 December 2019: RON 160,000,000).

b) *Loans granted to subsidiaries – short term*

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

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

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

c) *Multi-borrower credit agreements*

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

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

d) *Cash pooling system at Group level*

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

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

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

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

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

28 January 2022 with the option of automatic renewal for successive periods of 1 (one) year.

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

24 Capital and reserves

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

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

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

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

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

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

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

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

(b) Treasury shares reserve

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

(c) Revaluation reserves

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

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

(d) Legal reserves

The Legal reserves are set up as 5% of the gross profit for the year, until the total legal reserves reach 20% of the paid-up nominal share capital of the Company, according to the legislation. These reserves are deductible

for income tax purposes and are not distributable.

(e) Dividends

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

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

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

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

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

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

25 Trade payables

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

Payables to related parties are detailed in Note 29.

26 Other payables

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

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

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

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

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

27 Provisions

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

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

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

28 Financial instruments - fair values and risk management

(a) Accounting classifications and fair values

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

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

(b) Financial risk management

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

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

These risks are further explained and detailed.

(i) Credit risk

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

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

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

Trade receivables

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

Impairment

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

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

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

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

31 December 2020					
	Expected loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	0%	4,417,554	-	4,417,554	No
Past due 1-30 days	0%	634,287	-	634,287	No
Past due 31-60 days	0%	-	-	-	No
Past due 61-90 days	0%	-	-	-	No
Past due more than 90 days	100%	679,778,904	(679,778,904)	-	Yes
Total		684,830,745	(679,778,904)	5,051,841	

(ii) Liquidity risk

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

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

Exposure to liquidity risk

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

Contractual cash flows					
Financial liabilities	Carrying amount	Total	less than 1 year	1-2 years	2-5 years
31 December 2020					
Trade payables	7,199,932	7,199,932	7,199,932	-	-
Lease liability	1,454,297	1,454,297	968,556	365,389	120,352
Total	8,654,229	8,654,229	8,168,488	365,389	120,352

31 December 2019

Trade payables	4,886,047	4,886,047	4,886,047	-	-
Lease liability	1,808,380	1,808,380	795,513	746,474	266,393
Total	6,694,427	6,694,427	5,681,560	746,474	266,393

(iii) Market risk

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

Currency risk

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

The currencies in which these transactions are primarily denominated are RON and EUR. The Company also has deposits and bank accounts denominated in foreign currency (EUR). The Company's policy is to use the local currency in its transactions as far as practically possible. The Company does not use derivative or hedging instruments.

Exposure to currency risk

The summary of the quantitative data about the Company's exposure to currency risk is as follows:

	31 December 2020	31 December 2019
In RON	denominated in EUR	denominated in EUR
Cash and cash equivalents	898,585	143,088
Lease liability	(1,454,297)	(1,808,380)
Net statement of financial position exposure	(555,712)	(1,665,292)

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
	2020	2019	2020	2019
RON				
EUR 1	4.8371	4.7452	4.8694	4.7793

Sensitivity analysis

A reasonable possible appreciation (depreciation) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency, the profit before tax and the equity, respectively, by the amounts shown below. The analysis assumes that all other variables, in especially the interest rates, remain constant and ignores the impact of forecasted sales and purchases.

	Profit before tax	
<i>Effect</i>	Appreciation	Depreciation
31 December 2020		
EUR (5% movement)	(27,786)	27,786
31 December 2019		
EUR (5% movement)	(83,265)	83,265

Interest rate risk

The Company exposures to interest rates on financial assets and financial liabilities are detailed below. The Company is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market. The Company does not have in place hedging contracts for interest rate.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	31 December 2020	31 December 2019
Fixed-rate instruments		
Financial assets		
Call deposits	175,066,480	177,259,958
Deposits with maturity date more than 3 months	-	66,471,188
Restricted cash	320,000,000	320,000,000
	495,066,480	563,731,146
Variable-rate instruments		
Financial assets		
Cash pooling receivables (Note 23, Note 29)	166,281,881	-
Financial liabilities		
Cash pooling payables (Note 23, Note 29)	(34,110,477)	-
Lease liability	(1,454,297)	(1,808,380)
Total	130,717,107	(1,808,380)

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	50 bp decrease
31 December 2020		
Variable-rate instruments	653,586	(653,586)
31 December 2019		
Variable-rate instruments	(9,042)	9,042

29 Related parties

(a) Main shareholders

As at 31 December 2020 and 31 December 2019, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy (former Ministry of Economy, Energy and Business Environment) with a share of ownership of 48.79% from the share capital.

(b) Management and administrators' compensation

	2020	2019
Management compensation	6,042,695	4,199,926

Executive management compensation refers to both the managers with mandate contract and those with labour contract, concluded with Electrica SA. This also includes the benefits in the event of the termination of mandate contracts for executive directors.

As of 31 December 2020 and 31 December 2019, the Company had 7 managers with mandate agreements, as no changes occurred during 2020.

Compensations granted to the members of the Board of Directors were as follows:

	2020	2019
Members of Board of Directors	2,468,177	2,527,131

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Shareholders Meeting that took place on 9 February 2018, the annual number of paid meetings is limited to twelve for the Board of Directors meetings and to six for each of the committees.

No loans were granted to managers and administrators in 2020 and 2019.

(c) Transactions with the Group companies

(i) Balance of receivables and payables from/ to Group companies:

Trade Receivables/Trade Payables

	Receivables from		Payables to	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Distributie Energie Electrica Romania S.A.	449,299	-	-	-
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	-	2,422,073	-	44,800
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	-	1,824,948	-	461,967
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	-	1,377,686	-	-
Electrica Serv S.A.	29,515	34,347	-	-
Electrica Furnizare S.A.	29,790	7,059	67,529	45,814
Servicii Energetice Muntenia S.A.	-	2,073	-	-
Total	508,604	5,668,186	67,529	552,581

As at 31 December 2020, receivables from electricity distribution subsidiaries include mainly other services invoiced, while as at 31 December 2019, receivables from electricity distribution subsidiaries include mainly receivables from the services rendered related to the AMR system.

Loans granted/interest receivable:

	Loans granted to		Interest receivable from	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Distributie Energie Electrica Romania S.A.	1,030,000,000	-	13,518,378	-
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	-	380,000,000	-	4,901,556
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	-	360,000,000	-	4,773,778
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	-	290,000,000	-	3,843,044
Servicii Energetice Muntenia S.A.	-	5,500,000	-	41,937
Total	1,030,000,000	1,035,500,000	13,518,378	13,560,315

Cash-pooling system:

	Amount drawn by participants	Amount contributed to by participants	Net position	Interest receivable/ (payable)
	31 December 2020	31 December 2020	31 December 2020	31 December 2020
Distributie Energie Electrica Romania S.A.	151,282,223	-	151,282,223	304,831
Electrica Furnizare S.A.	-	(200,121)	(200,121)	(171,143)
Electrica Energie Verde 1 S.R.L.	14,999,506	-	14,999,506	862
Electrica Serv S.A.	152	(33,910,356)	(33,910,204)	(60,591)
Total	166,281,881	(34,110,477)	132,171,404	73,959

(ii) Transactions with subsidiaries

Sales/Purchases (including recharging)

	Sales in 2020	Sales in 2019	Purchases in 2020	Purchases in 2019
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	3,457,185	7,871,650	27,736	356,944
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	670,475	5,683,561	26,494	388,208
Electrica Furnizare S.A.	448,821	93,075	407,020	381,381
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	273,181	6,795,950	-	10,000
Electrica Serv S.A.	264,591	370,469	-	-
Servicii Energetice Muntenia S.A.	-	2,512	-	-
Total	5,114,253	20,817,217	461,250	1,136,533

SOCIETATEA ENERGETICA ELECTRICA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020
 (All amounts are in RON, if not otherwise stated)

Starting with July 2020, the Company no longer provides services related to the AMR system as the system was transferred as a contribution in kind to the share capital of its distribution subsidiaries (SDEE Transilvania Nord S.A., SDEE Transilvania Sud S.A., SDEE Muntenia Nord S.A.).

Reimbursements / Borrowings

	Borrowings granted in 2020	Borrowings granted in 2019	Reimbursement in 2020	Reimbursements in 2019
Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A.	-	48,092,536	-	-
Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A.	-	13,440,613	-	-
Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A.	-	379,462	-	-
Servicii Energetice Muntenia S.A. (*)	-	297,014	5,500,000	-
Total	-	62,209,625	5,500,000	-

**Transactions presented are carried out with Servicii Energetice Muntenia S.A. for the period 01.01.2020-30.11.2020, until the effective date of merger by absorption with Electrica Serv S.A..*

On 28 May 2020, the Company signed an agreement with Servicii Energetice Muntenia S.A. in which the Company acquired a plot of land in amount of RON 31,867,062 and buildings in amount of RON 1,905,508, the amounts being compensated, among others, with the settlement of the loan granted to subsidiary in amount of RON 5,500,000. (Note 20).

Interest income for loans

	Interest income 2020	Interest income 2019
Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A.	15,244,917	15,188,141
Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A.	13,318,333	14,352,283
Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A.	10,750,233	10,565,727
Servicii Energetice Muntenia S.A. (*)	101,750	245,703
Total	39,415,233	40,351,854

**Transactions presented are carried out with Servicii Energetice Muntenia S.A. for the period 01.01.2020-30.11.2020, until the effective date of merger by absorption with Electrica Serv S.A..*

Dividends income

	Dividends income 2020	Dividends income 2019
Electrica Furnizare S.A.	124.015.481	140.491.455
Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A.	54.065.512	66.691.458
Electrica Serv S.A.	27.247.429	11.547.903
Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A.	6.935.492	45.704.009
Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A.	2.705.803	-
Total	214.969.717	264.434.825

<i>Cash pooling system – interest income/(expense)</i>	Interest income/(expense) 2020
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	2,132,479
Societatea de Distributie a Energiei Electrice Transilvania Nord S.A.	1,256,996
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	568,730
Electrica Energie Verde 1 S.R.L.	862
Servicii Energetice Muntenia S.A.(*)	14
Electrica Serv S.A.	(673,516)
Electrica Furnizare S.A.	(1,282,859)
Total	2,002,706

*Transactions presented are carried out with Servicii Energetice Muntenia S.A. for the period 01.01.2020-30.11.2020, until the effective date of merger by absorption with Electrica Serv S.A..

(d) Transactions with companies in which the state has control or significant influence

The Company had sale and purchase transactions mainly with the following companies:

Supplier	Purchases (without VAT)		Balance (including VAT)	
	2020	2019	31 December 2020	31 December 2019
ANCOM	542,560	534,532	90,871	133,633
Others	30,877	27,278	860	484
Total	573,437	561,810	91,731	134,117

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2020		31 decembrie 2020	
Oltchim	-	518,938,151	(518,938,151)	-
CET Braila	-	3,118,411	(3,118,411)	-
Total	-	522,056,562	(522,056,562)	-

Client	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
	2019		31 decembrie 2019	
Oltchim	-	614,124,366	(614,124,366)	-
CET Braila	-	3,826,035	(3,826,035)	-
Total	-	617,950,401	(617,950,401)	-

30 Contingencies

(a) Contingent Liabilities

Litigation with National Agency of Fiscal Administration (“NAFA”)

In May 2017, after the revision of Electrica's tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,248,818 as a result of certain tax record allocations for prior periods. Electrica SA filed a complaint with the tax authorities against the enforcement order and also filed a legal action to suspend the enforced payment by the resolution of the above mentioned complaint. These additional interest and penalties are related to the prior enforcement orders received by Electrica SA in the prior years of RON 72,460,387.

In February 2018, Electrica SA has obtained a favourable Supreme Court ruling in one of the litigations with NAFA, which essentially maintains into force a prior Court of Appeal decision, which is favourable for the Company. Based on this Court ruling and in conjunction with all other litigations with NAFA on the same historical amounts, for taxes including penalties and interest, as well as based on analysis with internal and external lawyers, the management best estimate is that Electrica SA shall be able to obtain favourable Court rulings with the end result of no future cash outflows.

Also, in April 2019, Electrica SA obtained another favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to correct the evidence of the tax receivables so that it reflects the extinction by prescription of the amount of RON 16,915,950 representing income tax as well as all the related accessories. This decision forms the object of the appeal declared by NAFA, with the Court term on 17 November 2021, at the High Court of Cassation and Justice.

Moreover, in November 2019, Electrica SA obtained one more favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to cancel the administrative documents issued regarding the accessory fiscal obligations in the amount of RON 39,248,818 and ordered the refund/ compensation of the amount and the correction of the tax record. Against this decision, NAFA filed an appeal, registered to the High Court of Cassation and Justice, with the Court term on 23 March 2022.

Thus, as at 31 December 2019 Company did not recognize a provision in this respect, taking into account that management's best estimate is that the Company shall be able to obtain a favourable final Court decision in this case.

During 2020, the Company recognized revenues from indemnities in the amount of RON 12,827,435 (Note 9) related to the amounts collected during the year by Electrica SA from NAFA as a result of the final civil sentences obtained in Court, which ordered the cancellation of certain enforceable titles as well as fiscal decisions.

Moreover, as at 31 December 2020, the Company no longer has a contingent liability of RON 39,248,818 in respect to the additional interest and penalties to be paid by Electrica SA to NAFA, as it applied for the cancellation of ancillary fiscal obligations stipulated by the Government Emergency Ordinance no. 69/2020. Through NAFA's decision no. 2738/22.12.2020, the cancellation of the ancillary fiscal obligations mentioned above was approved, based in articles IX-XI of the Government Emergency Ordinance no. 69/2020.

Other litigations and claims

The Company is involved in a series of litigations and claims (ie. with SAPE, ANRE, NAFA, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 27, the Company set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Company does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

The Company discloses, if the case, information on the most significant items of litigations or claims for which the Company did not set-up provisions as they relate to possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company (ie. litigations for which different inconsistent sentences were issued by the Courts, or litigations which are in early stages and no preliminary ruling was issued so far):

- In 2015, Electrica SA was sued by Hidroelectrica S.A., which claimed the payment of RON 5,444,761 and other damages, representing claims related to acquisition of electricity by the Company from Hidroelectrica S.A. at a price alleged to be unfair. The first court dismissed the exception of prescription of the material right for action as unreasonable and the action as unfounded. Both parties have filed an appeal, which were dismissed as unfounded. After that, both parties filed another appeal in which the court quashed the contested decision and sent the case for a new trial at the same court. As of the date of these financial statements, no term was set for the retrial.
- In respect of the litigation in which the Company was sued by Societatea de Administrare a Participatiilor in Energie S.A. („SAPE”) for the joint payment of the amount of RON 1,569,144,453 and the amount of EUR 458,381,839 for the alleged damages suffered by the Romanian State as a result of the inaction regarding the monitoring, coordination and verification of the performance with the observance of the conditions of legality of the privatization contracts of Electrica SA subsidiaries, Electrica SA filed a pleading in which it invoked the exception of the lack of passive procedural quality, exception regarding the statute of limitation, as well as other arguments on the merit of the case against SAPE's allegations. On 20 June 2019, the court dismissed SAPE's action for claims of approx. EUR 800 million, admitting:
 - the exception of Electrica's lack of passive processing quality, for the claim based on contractual civil liability;

- the exception of the prescription of the material right to action, for the claim based on civil tort liability.

The decision remained final by non-appeal.

(b) Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of taxpayers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities sometimes demonstrate inconsistency in interpretation of the law. Income tax statements may be subject to revision and corrections made by tax authorities, generally for a five-year period after they are filled in. The company was the subject of fiscal inspections until 31 March 2013.

The Company may incur expenses related to tax adjustments related to previous years as a result of tax authorities inspections and disputes. The Company's management considers that adequate reserves were established in the separate financial statements for all the significant fiscal obligations, however a risk that the tax authorities could take different positions still persists.

(c) Transfer prices

According to the fiscal legislation, the fiscal assessment for a transaction with affiliates is based on the market price concept for that transaction. Based on this concept, the transfer prices must be adjusted in order to reflect the market prices that would have been established between the entities having no affiliation relation and are acting independently, based on "normal market conditions".

Likely, verifications of the transfer prices may be done in the future by the fiscal authorities, in order to establish if these prices are respecting the principle of the "normal market conditions" and that the tax base for Romanian taxpayer is not distorted.

31 Commitments

a) Contractual commitments

Contractual commitments as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Purchase of property, plant and equipment, intangible assets and other maintenance and repairs services	4,859,511	457,393

b) Investment program

The investment program approved for the year 2021 is as follows:

	2021
Investment program	10,727,054

The capital expenditures actually incurred may differ from the ones planned.

c) Guarantees and pledges

The Company has a facility for issuing bank guarantee letters in the amount of RON 200,000,000 contracted from Unicredit Bank and which is used at Group level, out of which the used amount as of 31 December 2020 is RON 171,870,774 (31 December 2019: RON 182,507,819). The maturity of the facility is on 31 December 2027.

32 Subsequent events

Overdraft facility granted by ING Bank N.V

On 19 January 2021, the credit facility contract signed between Electrica SA and ING Bank N.V. for an overdraft facility of up to RON 210,000,000 thousand for financing the current activity, in the context of the liquidity concentration operations set-up within the Group and having the following characteristics: Interest rate: RO-BOR 1M+0.8% p.a., was extended until 28.01.2022.

Chief Executive Officer
Georgeta Corina Popescu

Chief Financial Officer
Mihai Darie



The independent auditor report on separated financial statements situations



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
SOCIETATEA ENERGETICA ELECTRICA S.A.

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the separate financial statements of Societatea Energetica Electrica S.A. ("the Company"), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the separate statement of financial position as at December 31, 2020, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.
2. The separate financial statements as at December 31, 2020 are identified as follows:

• Net assets/ Equity	RON 4,049,335,556
• Net profit for the financial year	RON 298,378,536
3. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2020, and its separate financial performance and its separate cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.



Other information - Administrator's Report

6. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report, but does not include the consolidated and separate financial statements and our auditor's report thereon, nor the non-financial information declaration being presented in a separate report.

Our opinion on the separate financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements for the year ended December 31, 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

On the sole basis of the procedures performed within the audit of the separate financial statements, in our opinion:

- a) the information included in the administrators' report for the financial year for which the separate financial statements have been prepared is consistent, in all material respects, with these separate financial statements;
- b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20;

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2020, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

7. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.



11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on September 18, 2018 to audit the separate financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 3 years, covering the financial years ended December 31, 2018 and December 31, 2020.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No **non-audit services** referred to in Article 5 (1) of EU Regulation No. 537 / 2014 were provided.

The engagement statutory auditor on the audit resulting in this independent auditor's report is Razvan Ungureanu.

Razvan Ungureanu, Statutory Auditor

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 4866

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței,
8th Floor and 9th Floor, District 1
Bucharest, Romania
March 4, 2021

DECLARATION OF THE MANAGEMENT

We confirm to the best of our knowledge that the consolidated financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the financial position of the Group, its financial performance and cash flows for the year ended 31 December 2020, and that the Directors' report gives a true and fair view of the development and performance of the business of the Group, together with a description of the main risks and uncertainties associated with the expected development of the Group.

IULIAN CRISTIAN BOSOANCA

NON-EXECUTIVE DIRECTOR
CHAIRMAN OF THE BOARD OF DIRECTORS

RAMONA UNGUR

NON-EXECUTIVE DIRECTOR

DRAGOS ANDREI

NON-EXECUTIVE DIRECTOR

RADU MIRCEA FLORESCU

NON-EXECUTIVE DIRECTOR

BOGDAN GEORGE ILIESCU

NON-EXECUTIVE DIRECTOR

GICU IORGA

NON-EXECUTIVE DIRECTOR

VALENTIN RADU

NON-EXECUTIVE DIRECTOR

GEORGETA CORINA POPESCU

GENERAL MANAGER

