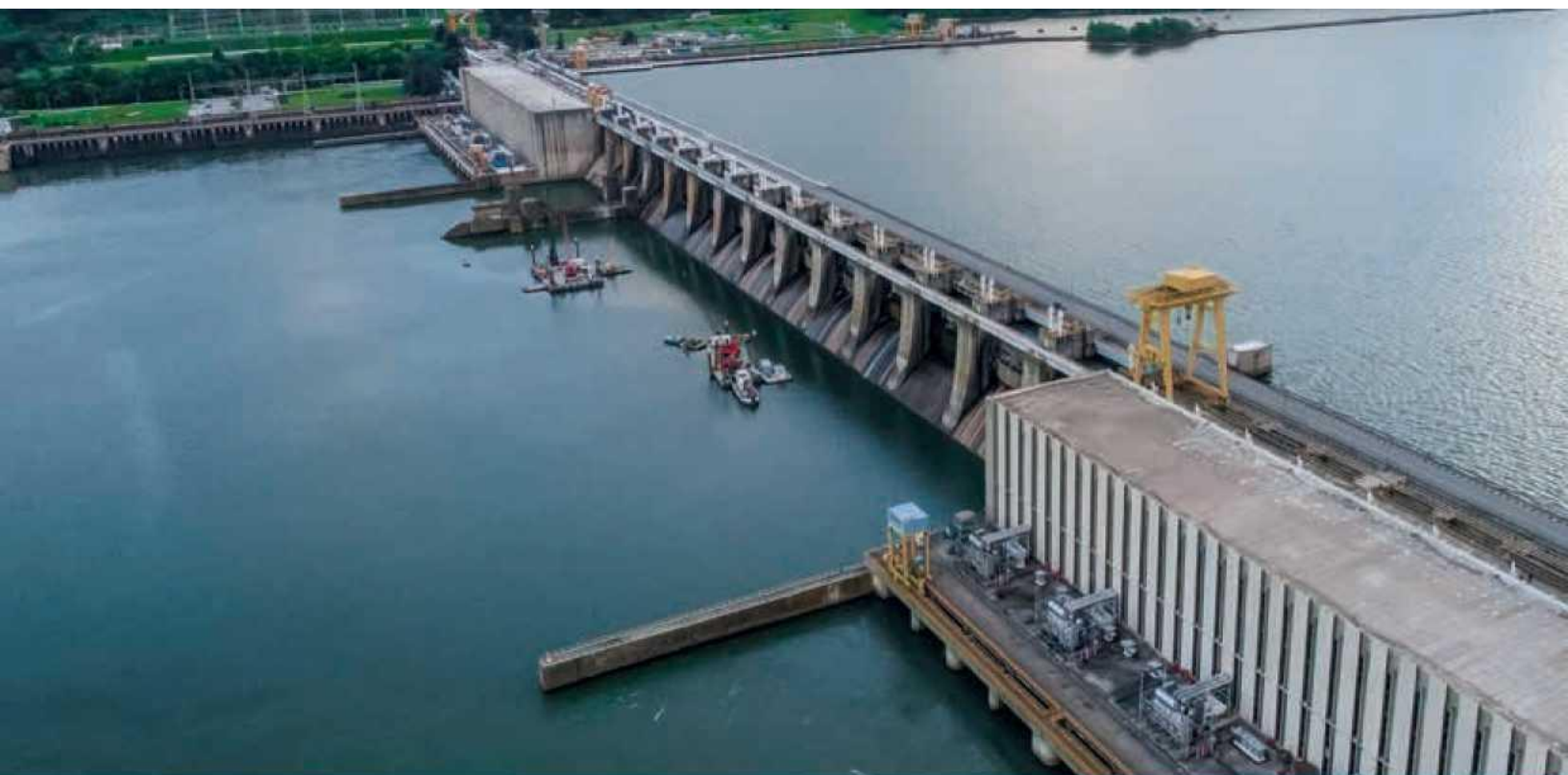




Consolidated Report of the Management Board of Societatea de Producere a Energiei Electrice in Hidrocentrale „Hidroelectrica” S.A. for the First Half of 2023

based on the condensed consolidated interim financial statements prepared in accordance with IAS 34 Interim Financial Reporting adopted by the European Union and drafted in line with the provisions of Article 67 of Law 24/2017 on financial instruments issuers and market operations, republished, and Annex no. 14 to Regulation no. 5/2018 issued by the Financial Supervisory Authority.

16 August 2023





Contents

FIRST HALF OF 2023 IN SUMMARY	4
MANAGEMENT BOARD HALF-YEAR REPORT	8
STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD OF HIDROELECTRICA	8
COMPANY PRESENTATION	9
SIGNIFICANT EVENTS	11
HIDROELECTRICA IPO. SHAREHOLDERS STRUCTURE AND SHARE EVOLUTION	13
H1 2023 FINANCIAL RESULTS	16
FINANCIAL INDICATORS	16
NET DEBT/ (CASH) ADJUSTED	16
BREAKDOWN OF REVENUE	17
OPERATING EXPENSE	19
INVESTMENT ACTIVITY	22
CASHFLOW	22
FINANCIAL POSITION	24
RELATED PARTY TRANSCATIONS	26
SUBSEQUENT EVENTS	27
LITIGATIONS	27
RISK MANAGEMENT	32
APPENDICES	37
MANAGEMENT STATEMENT	37
GLOSSARY OF TERMS AND DEFINITIONS	38
CONSOLIDATED INTERIM FINANCIAL STATEMENTS	39



Notes:

This report does not constitute a recommendation/offer/invitation to purchase shares issued by Hidroelectrica. This report contains consolidated-level information regarding the key operational indicators of the Hidroelectrica Group. Therefore, these pieces of information reflect the results and financial position for the reporting period available as of the date of this report and do not guarantee the future performance of the Group. The information in this document is selective and may require updates, revisions, and modifications under certain circumstances. Hidroelectrica assumes no obligation or commitment to publish any updates, revisions, or modifications to any information contained in this report, unless required by applicable law.

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First Half of 2023 in Summary

Hidroelectrica Group registers increasing operational and financial results for the first half of 2023, maintaining the Group's operating margin and net margin, mainly due to high hydraulics, above average, and the execution of the strategy to increase the supply portfolio.

- **Electricity production increased by 45% compared to H1 2022**
- **Revenue increased by 42%**
- **Operating margin of 65%, in line with the same period of last year**
- **Net margin of 57%, increased by 3% compared to the same period of last year**
- **Net profit increased by 46%, from RON 2,697 million to RON 3,946 million**
- **Earnings per share increased by 46%, from RON 6.01 / share to RON 8.80 / share.**

Operational KPIs		H1 23	H1 22	Change (%)
Gross electricity production, out of which:	GWh	10,915	7,387	48%
Electricity production from hydro (gross)	GWh	10,746	7,213	49%
Net electricity production, out of which:	GWh	10,625	7,347	45%
Electricity production from hydro (net)	GWh	10,456	7,173	46%
Electricity production from wind	GWh	169	174	-1%
External Acquisition GWh	GWh	835	329	154%
Total Electricity sales GWh	GWh	11,460	7,677	49%
Number of Employees		3,503	3,442	2%

Financial KPIs		H1 23	H1 22	Change (%)
Revenues	RONm	6,977	4,926	42%
EBITDA	RONm	4,955	3,591	38%
EBITDA Margin	%	71%	73%	-3%
Adjusted EBITDA	RONm	4,955	3,556	39%
Adjusted EBITDA Margin (Operating Profit/Revenues*100)	%	71%	72%	-2%
Operating Margin	%	65%	65%	0%
Net Margin (Profit for the period/Revenues*100)	%	57%	55%	3%

Q2 2023

Operational KPIs		Q2 23	Q2 22	Change (%)
Gross electricity production, out of which:	GWh	6,384	4,116	55%
Electricity production from hydro (gross)	GWh	6,316	4,052	56%
Net electricity production, out of which:	GWh	6,213	4,041	54%
Electricity production from hydro (net)	GWh	6,145	3,976	55%
Electricity production from wind	GWh	68	65	5%
External Acquisition GWh	GWh	407	165	147%
Total Electricity sales GWh	GWh	6,620	4,208	57%
Number of Employees		3,503	3,442	2%

Financial KPIs		Q2 23	Q2 22	Change (%)
Revenues	RONm	3,704	2,434	52%
EBITDA	RONm	2,770	1,854	49%
EBITDA Margin	%	75%	76%	-2%
Adjusted EBITDA	RONm	2,771	1,853	50%
Adjusted EBITDA Margin (Operating Profit/Revenues*100)	%	75%	76%	-2%
Operating Margin	%	69%	68%	2%
Net Margin (Profit for the period/Revenues*100)	%	60%	58%	4%

Macroeconomic situation

The main global macroeconomic feature of the first half of 2023 was that inflation remained high, but on a downward trajectory, expected to remain elevated in the period ahead. In these circumstances, the International Monetary Fund (IMF) estimates a decrease in the growth rate of the global economy to 2.8% in 2023, followed by a return to 3% in 2024 (World Economic Outlook, April 2023).

In Romania, the economic growth rate for the first quarter of 2023 was 2.8%, down 2 percentage points compared to that recorded in the first quarter of 2022. Romania's economic growth projections for 2023 point to a slowdown in its pace, similar to the global situation (2.4% for IMF projections and 3.2% for the European Commission, respectively), in the context of multiple



uncertainties, especially regarding the armed conflict between Russia and Ukraine, but also against the background of tightening financing conditions and deteriorating demand for exports from the euro area.

Concerning the energy market, the developments observed during the initial half of the year indicate a notable reduction in prices in comparison to the corresponding period of the previous year. This shift can be attributed to regulatory interventions by authorities, both at the national level in Romania and within the broader European market. These interventions involved the implementation of specialized mechanisms to mitigate the adverse consequences of the widespread price escalation witnessed in the energy market throughout 2022. Additionally, a mild winter experienced across the European continent further contributed to the moderation of energy prices, effectively restoring them to levels reminiscent of the pre-energy crisis era.

The energy crisis, as well as geopolitical tensions, can be an opportunity for investment in clean energy. In Europe, the "REPower EU" package offers substantial opportunities to invest in new production capacities, as well as to strengthen energy transmission networks, with funds available to Romania worth EUR 1.4 billion. In this respect, accelerating the green transition through sustainable and smart growth of green energy production and storage capacities becomes essential, supporting energy security and reducing the impact of price volatility.

Hidroelectrica results

In the first half of 2023, Hidroelectrica's results were positively influenced by high hydraulics compared to the same period last year, a period characterized by a severe drought, leading to an important increase in the amount of electricity delivered and consequently contributed to a considerable increase in revenue from energy sales.

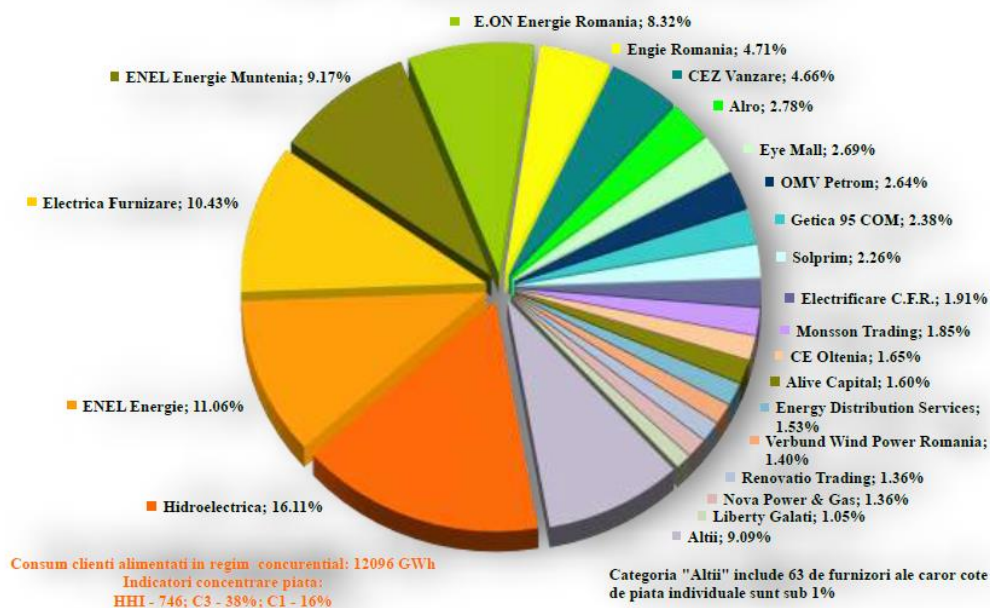
The number of consumption sites (CS) in the portfolio as of 30 June 2023 is 546,289, a significantly increasing compared to the first half of 2022, where there were 209,475 CS registered. This increase was mainly due to the growth of the demand in the supply portfolio, particularly from household customers.

Client type	No. CS* H1 2023	No. CS* H1 2022
<i>Household</i>	513,545	188,124
<i>Non-household</i>	32,744	21,351
Total	546,289	209,475

**The number of consumption sites in the portfolio (excluding those directly supplied from the hydroelectric plant bars and those supplied from the transmission network/other non-concessionaire distribution operators).*

During the first semester, according to the latest report of ANRE (The National Energy Regulator) * (source), Hidroelectrica became the most important supplier of electricity to final customers on the competitive market, registering a market share of 16.11% at the end of April.

Cotele de piata ale furnizorilor de energie electrică pe piața concurențială
IANUARIE - APRILIE 2023



* Source: ANRE's report regarding the Results of the Monitoring of the Electricity Market in April 2023

During the first half of 2023, the activities of identifying, analyzing, and documenting development opportunities offered by the market continued. These activities were carried out in parallel with the implementation of ongoing projects aimed at diversifying the portfolio of electricity production capacities from renewable sources (acquiring stakes and developing new capacities), as well as the existing business portfolio. Throughout, the focus remained on maintaining the label of being a 100% green company.

Management Board Half-Year Report

Statement of the Chairman of the Management Board of Hidroelectrica

Dear Shareholders,

The successful completion of Hidroelectrica's IPO marks an impressive achievement for the company and, moreover, is proof of the enormous potential of the Romanian capital market in shaping our collective future – as economy, country and nation. We recognize the profound significance of this moment and we are determined to capitalize on every advantage offered by listing on the Bucharest Stock Exchange to strengthen our position on the market and make sustainable investments.

In every step of the journey we took to get here, we have focused our attention on the sustainable development of the business, focusing on the production of green energy from renewable sources. We are committed to a responsible and meticulous approach, and the performances of recent years are proof of the success of this approach.

We continue our journey with even more motivation, with more transparency, with maximum responsibility towards the assumed objectives, but also towards the environment and the community. We are determined to prove that the trust we have been given by investors in the IPO, but also by shareholders over time, is fully deserved.

Energy production and sales in the first half of 2023 give us every reason to believe that the current year will be a good year for Hidroelectrica. The company produced 10.915 TWh from the beginning of the year until 30 June – by approx. 45% more than the same period of 2022.

Beyond the much better hydraulics, I see this performance as a result of operating efficiency, keeping operating margin and net margin at a high level.



Bogdan BADEA
Chairman of Hidroelectrica Management Board

Company presentation

The legal and trade name of the Company is Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A. ("Hidroelectrica," "Hidroelectrica S.A.," or "the Company"). Hidroelectrica is a joint-stock company organized in a two-tier system and operating in accordance with Romanian legislation, established under the Romanian Government Decision No. 627 dated 13 July 2000 with the Trade Registry Office to the Bucharest Tribunal under no. J40/7426/2000, with the headquarters located in Romania, Bucharest, 15-17 Ion Mihalache Boulevard, floors 10-15, District 1, having sole registration code 13267213 and LEI code 787200IISRQX09PRB732. The telephone/Fax number of the Company is +40 21.303.25.00.

Starting from 12 July 2023, the regulated market on which the company's shares are traded is the Bucharest Stock Exchange.

The Company has a single subsidiary, Hidroserv (and together with the Company hereinafter referred to as the "Group"), wholly owned by the Company and providing maintenance and repair services for the hydroelectric objectives of the Group. Since October 2016, Hidroserv has been in insolvency procedure, in the context of which a reorganization plan was confirmed in June 2020, currently extended until mid-2024.

Hidroelectrica is the main producer of electricity in Romania, an important player in the hydropower field in Europe and the main system service provider in Romania, playing an important role in the security of SEN. The company owns and operates 182 hydroelectric power plants, five pumping stations, a wind farm with a total installed capacity of 108 MW, and a total installed hydropower capacity of 6.3 GW.

The company has seven hydroelectric branches and a branch that administrates Crucea wind farm, shown in the image below, Portile de Fier and Valcea being the most important for the Group in terms of their energy production capacities and shares in the Group's total energy production.





The Company carries out its activity in accordance with the Articles of Association amended and approved by the Extraordinary General Meeting of Shareholders on 22 June 2023 and entered into force on 12 July 2023, available on the Company's website, www.hidroelectrica.ro, Investor Relations – Corporate Governance – Corporate Governance Documents section.

The company has been committed to producing 100% renewable energy since its foundation and has played, since the beginning, a key role in designing and creating technological and operational concepts that have become the standard in its industry. At the same time, Hidroelectrica is a wholesale seller, as well as a supplier of electricity directly to end costumers, household (residential) and non-household customers (including businesses in various industrial sectors, such as automotive, telecommunications and construction, etc.).

As a energy producer from hydro and, more recently, wind energy, The Company leverages the existing synergies between the production and supply portfolios, as well as those generated through the diversification of the production portfolio (towards other renewable sources, such as wind and solar energy) by blending them with the hydro source.

The share capital and main characteristics of the shares issued by the Company

The Company's fully subscribed and paid-up share capital of 4,498,025,670 RON is divided into 449,802,567 ordinary shares, nominative, freely transferable, fully paid-up, each with a nominal value of 10 RON, issued in dematerialized form, with ISIN code RO4Q0Z5RO1B6 and traded on the regulated market administered by BSE under the symbol "H2O".

Group's main activities

Generation of Electricity and System Services

The Group produces electricity by operating 187 hydropower plants (including five pumping stations) and 36 wind turbines of 3MW each, objectives strategically located in eight branches on Romanian territory. The Company's hydropower assets include hydroelectric storage plants, waterline hydropower plants and pumping stations. The main production capacity is Portile de Fier I and Portile de Fier II, cumulating approximately 27% of the installed capacity and 40% of the hydropower energy production of the Company.

The electricity produced by the Company is capitalized on wholesale energy trading markets, but also on the retail market (by supply to end consumers).

On 1 January 2023, the Romanian Government implemented, as an extraordinary measure, applicable between 1 January 2023 and 31 March 2025, a Centralized Electricity Purchasing Mechanism (CEPM) through which electricity producers sell to the market operator, OPCOM, at the fixed price of RON 450/MWh, (i) 80% of the estimated annual quantity of available energy, as approved by Transelectrica and communicated to ANRE and (ii) its estimated amount of available energy reviewed monthly.

Hidroelectrica is also the main system service provider in Romania, thus ensuring stability of operation of the National Power System (NPS). The Company provides ancillary services (also known as "ancillary



technology services") to the national energy system operator, Transelectrica S.A. Thus, Transelectrica purchases system technology services from the Company, based on a procedure regulated by ANRE, on a contractual basis, in order to maintain the level of operational safety of the energy system and the quality of the energy transported at the parameters required by regulations in force.

Supply of electricity to end costumers

The electricity market for end consumers in Romania is liberalized so that all consumers are free to choose their electricity supplier at negotiated prices.

The Group supplies electricity at negotiated tariffs to both industrial (non-household) and household consumers. Revenues from the Group's supply segment include active energy and transferred costs, which are green certificate costs, electricity transmission and distribution costs, electricity input costs and ancillary service costs.

Significant events

Acquisition of some lines of activity of UCM Resita

The group is in the process of transferring a business unit, which involves equipment, assets, personnel from UCM Resita S.A. (UCMR) through an activity transfer contract. UCM Resita is a company based in Romania, which carries out activities in the sector of industrial equipment and machinery. Over 80% of the turbines and generation and auxiliary equipment currently used by Hidroelectrica are produced by UCM Resita S.A. The purchase will allow the Company to bring within the Group the equipment/machinery and the necessary team that possesses the know-how for the execution of the Group's modernization and maintenance works. The company intends to conclude the transaction regarding UCM Resita through direct acquisition, followed by a contribution of this business unit to Hidroserv's capital, thus consolidating the maintenance function of the Group.

Thus, Hidroelectrica will benefit from the integration of the activities of production, design, and installation of hydropower equipment within the same group, maintaining their internal production capacity, with direct effects on the reduction of costs and the duration of execution of modernization and maintenance works.

On February 22nd, 2023, the company was declared the winner of the procedure for the sale of the ABC activity lines and the Calnicel platform, owned by UCM Resita S.A. (UCM Resita). The agreed value of the transaction is 68 million RON, the transaction documents being in the process of being finalized. We estimate that the closing of the transaction will take place by the end of the current year.

Association with Masdar

On 15 March 2023, the General Meeting of Shareholders approved the joint venture agreement between the Company and Abu Dhabi Future Energy Company PJSC Masdar. The purpose of this partnership is to develop, invest, build and exploit energy projects from renewable sources in Romania, focusing on projects and investments exclusively from the following technology



categories: photovoltaic projects based on floating panels and offshore wind projects - fixed and floating.

The joint venture will be established in Bucharest, Romania, in accordance with the Romanian rules and regulations in the form of a limited liability company or joint stock company, in which each party will have a 50% ownership.

Appointment of a new Supervisory Board

On 28 March 2023, the General Meeting of Shareholders approved the appointment of a new Supervisory Board starting on 29 March 2023 for a period of 4 years until 28 March 2027. Please refer to the "Subsequent Events" section below.

The Management Board

Current members of the Directorate were appointed in June 2019. On 6 April 2023, the Supervisory Board approved the termination, with the agreement of the parties, of the mandate contracts of the members of the Directorate and approved the appointment of the same persons as interim members of the Directorate with a term of office for 4 months or until the appointment of new members of the Directorate selected according to GEO 109/2011. Please refer to the "Subsequent Events" section below.

Increasing the share capital

On 27 March 2023, the General Meeting of Shareholders approved the increase of the share capital by RON 13,431 thousand, of which RON 10,752 thousand contribution in kind from the Ministry of Energy consisting of land and RON 2,679 thousand in cash contribution, for which Fondul Proprietatea has the right to subscribe.

Distribution of dividends

On 28 April 2023, the General Meeting of Shareholders approved the distribution of dividends as follows:

- Dividends distributed from the profit of the year 2022, in the amount of RON 3,914,389 thousand, representing 90% of the net profit of the year 2022 eligible for distribution according to the statutory individual financial statements of the Company;
- Dividends distributed from the carried forward result representing the surplus made from revaluation reserves, in the amount of 435 million RON.



Hidroelectrica IPO. Shareholders Structure and Share Evolution

Between 23 June and 4 July 2023, the initial public offer of Hidroelectrica was carried out for 19.94% of the shareholders equity initiated by Fondul Proprietatea S.A. for which a total number of 51,974 purchase orders were registered. Following the exercise of the over-allotment option granted by Fondul Proprietatea to the designated banks, the entire holding of the Fondul, consisting of a total holding of 89,708,177 shares, was sold through the transaction carried out on the Bucharest Stock Exchange.

The first trading day took place on 12 July 2023.

The total value of the public offer amounted RON 9.3 billion with a market value (capitalization) of Hidroelectrica of RON 46.8 billion, at the final price of RON 104/share.

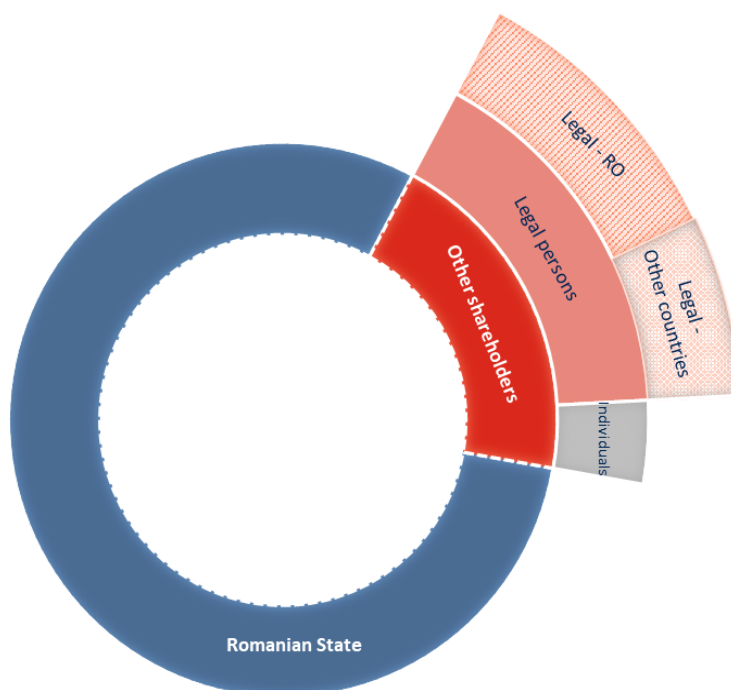
Individual investors were allocated a number of 17,941,635 shares (20% of the total number of shares offered) and institutional investors a number of 71,766,542 shares (80% of the total number of shares).

The "cornerstone" type investors - pension funds from Romania - subscribed and benefited from the guaranteed allocation, according to the Offer Prospectus, of shares worth over 2.2 billion RON, which led to a greater share of Romanian shareholders in total shareholding following the offer.

Distribution of the offer by categories of investors:

- 20% individual investors;
- 50% Romanian institutional investors;
- 30% foreign institutional investors.

SHAREHOLDER STRUCTURE AS AT 11 JULY 2023



Following the completion of the IPO, during the period of 23 June – 4 July 2023, the shareholder structure as of 11 July 2023 is presented in the table below:

Shareholder	Ownership	Percentage of ownership in the share capital
Romanian State through Ministry of Energy	360,094,390	80.0561%
Legal persons	73,379,328	16.3137%
Individuals	16,328,849	3.6302%
Total	449,802,567	100.0000%

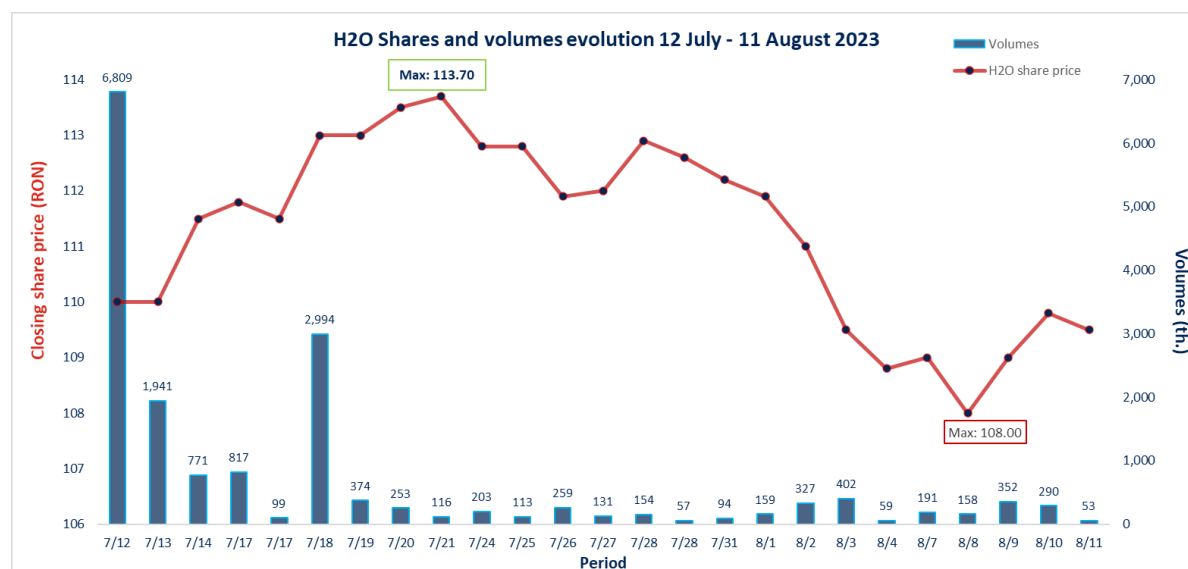
Starting from 12 July 2023, Hidroelectrica's shares are included in various indices of the BSE, including the BET index (the benchmark index of the local capital market, which reflects the performance of the most traded companies on the regulated market of BSE), as well as the BET-NG index (the sectoral index that reflects the performance of companies listed on the regulated market of BSE operating in the energy sector).

Furthermore, global index providers, MSCI and FTSE Russell, announced on 12 July 2023, that Hidroelectrica is included (starting on 26 July 2023 and, respectively, 19 July 2023) in their Early Inclusion and Fast Entry indices, based on fast-track inclusion mechanisms for IPOs. This is due to the significant size of the company. Essentially, Hidroelectrica surpassed the thresholds set by FTSE Russell



and MSCI for IPO-listed companies in terms of both Market Capitalization and Free Float Market Capitalization.

During the period of 12 July – 11 August 2023, according to BSE information, Hidroelectrica’s shares reached a minimum closing price of RON 108.00 (on 8 August 2023) and a maximum closing price of RON 113.70 (on 21 July 2023), with an average price of RON 111.40. During the same period, the lowest traded price recorded was RON 107.00, while the highest traded price recorded was RON 115.20.



In the first week of trading, the recorded transactions with the Company’s shares reached a high level and subsequently stabilized at an average value of 22.8 million RON.

As of 11 August 2023, Hidroelectrica holds the first position in the top trading ranking on BSE, with a value of RON 900 million. Similarly, in terms of market capitalization on the same date, the company secures the second spot, recording a value of RON 50,000 million.

H1 2023 Financial Results

Financial Indicators

Indicators	RONm		
	H1 23	H1 22	Change (%)
Revenue	6.977	4.926	42%
EBITDA	4.955	3.591	38%
Operating Profit	4.552	3.206	42%
Ptprofit for the period	3.946	2.697	46%
Basic and diluted earnings per share	8.80	6.01	46%

Q2 2023

Indicators	RONm		
	Q2 23	Q2 22	Change (%)
Revenue	3.704	2.434	52%
EBITDA	2.770	1.854	49%
Operating Profit	2.567	1.659	55%
Ptprofit for the period	2.223	1.409	58%
Basic and diluted earnings per share	4.95	3.14	58%

Net Debt/ (Cash) Adjusted

RONm	Jun-23	Dec-22	Change (%)
Bank borrowings	440	484	-9%
Lease liabilities	11	15	-27%
Cash and cash equivalents	(369)	(661)	-44%
Short-term Investments (investments in deposits)	(2.272)	(3.035)	-25%
Adjusted Net Debt/(Cash)	(2.190)	(3.196)	-31%
Adjusted EBITDA	4.955	6.009	39%
Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio	(0,44)	(0,53)	-17%

Breakdown of revenue

		H1 23	H1 22	Change (%)
Generation Energy Sold (Net)	GWh	10,625	7,347	45%
External Acquisitions	GWh	835	329	154%
Total Energy Sale	GWh	11,460	7,676	49%
Wholesale Energy Sold	GWh	8,231	5,739	43%
Wholesale Price	RON / MWh	506	540	-6%
Wholesale Revenues	RONm	4,166	3,099	34%
Quantity of electricity-Supply	GWh	3,077	1,679	83%
Supply Prices (ex pass through)	RON / MWh	548	449	22%
Supply Revenues related to active energy	RONm	1,688	754	124%
Transferred costs (pass trough)	RONm	694	253	174%
Quantity of electricity - Balancing	GWh	151	259	-42%
Balancing Price	RON / MWh	1,336	2,376	-44%
Balancing Revenues	RONm	202	616	-67%
System Services (STS) Revenues	RONm	155	181	-14%
Other revenues from customer contracts	RONm	72	23	213%
Revenues	RONm	6,977	4,926	42%

Generation Energy Sold (Net)

The energy produced and sold (net) increased by 45% (10,625 GWh) in the six-month period ending on June 30, 2023 from 7,347 GWh in the previous similar period. This increase was mainly due to the high hydraulics recorded in the first semester of 2023, but also due to the base effect as a result of the drought that characterized the first semester of 2022.

Wholesale Revenues

Considering the surplus production of 45% compared to the same period of the previous year, combined with the new operating conditions of the wholesale market (implementation starting from January 1, 2023 of MACEE), as well as with the variation of the SPOT price between January and June 2023 compared to the same period in 2022 (48% decrease), the revenues related to these transactions registered a 34% increase in the first semester of 2023 compared to the first semester of 2022.

Supply Revenues related to active energy

The revenues from the electricity supply activity increased by 124%, from 754 million RON revenues in the first half of 2022, to 1,688 million RON revenues in the same period of 2023. This evolution of revenues is due to the increase in the portfolio of clients.

Transferred costs (pass trough)

The transfer costs related to the supply of electricity increased by 174%, to 694 million RON in the first half of 2023, from 253 million RON in the same period of 2022. The increase in these costs is directly proportional to the increase in the client portfolio to which the increase in regulated tariffs is added.

Balancing Revenues

Revenues from Balancing decreased by 67%, from 616 million RON recorded in the first semester of 2022, to 202 million RON recorded in the first half of 2023. . The decrease recorded is caused by the decrease in the amount of energy related to the Balancing Market from 259 GWh to 151 GWh, as well as by the decrease in the price on the Balancing Market from 2,376 RON / MWh to 1,336 RON / MWh in the first semester of the current year.

System Services (STS) Revenues

Revenues from system services decreased by 14% to 155 million RON in the six-month period ended on June 30, 2023, from 181 million RON in the same period last year. This decrease appears because of the registration of additional revenues calculated for periods prior to 2022 and registered in 2022 according to ANRE Decision no. 167 / 16.02.2022.

Other revenues from customer contracts

Other revenues refer to revenues related to some services provided based on contracts with clients, other than the revenues from the sale of electricity. During the reporting period, other revenues were mainly recorded from services provided by the Company as the Party Responsible for Balancing. The evolution of these revenues is influenced by the behavior of all participants in the electricity market regarding the management of imbalances.

Q2 2023

		Q2 23	Q2 22	Change (%)
Generation Energy Sold (Net)	GWh	6,213	4,041	54%
External Acquisitions	GWh	407	165	147%
Total Energy Sale	GWh	6,620	4,206	57%
Wholesale Energy Sold	GWh	4,969	3,159	57%
Wholesale Price	RON / MWh	456	495	-8%
Wholesale Revenues	RONm	2,265	1,563	45%

Quantity of electricity-Supply	GWh	1,589	948	68%
Supply Prices (ex pass through)	RON / MWh	545	433	26%
Supply Revenues related to active energy	RONm	866	410	111%
Transferred costs (pass trough)	RONm	361	151	139%
Quantity of electricity - Balancing	GWh	62	100	-38%
Balancing Price	RON / MWh	1,371	2,234	-39%
Balancing Revenues	RONm	85	224	-62%
System Services (STS) Revenues	RONm	86	71	21%
Other revenues from customer contracts	RONm	41	15	173%
Revenues	RONm	3,704	2,434	52%

Operating Expense

	H1 2023A	H1 2022E	Change y/y
Costs breakdown			
Turbinated water	378	243	56%
Employee benefits expenses	364	275	32%
Transport and distribution of electricity	503	199	153%
Electricity purchased	215	67	221%
Green certificates expenses	123	83	50%
Depreciation and amortization	398	385	3%
Impairment loss on property, plant and equipment and intangible assets, net	0	(35)	101%
Impairment loss on trade receivables, net	48	25	91%
Repair, maintenance, materials and consumables	39	36	7%
Tax for electricity producers	221	396	-44%
Other operating expenses	157	80	97%

Turbined water

Turbined water expenses increased by 56%, namely to RON 378 million in the six-month period ended 30 June 2023 from RON 243 million in the six-month period ended 30 June 2022. This increase was mainly caused by the increase in the amount of processed water used to produce electrical energy, as well as the increase in the tariff set by ANAR to RON 1.40 per thousand cubic meters in 2023 from RON 1.23 per thousand cubic meters in 2022.

On 12 June 2023, emergency ordinance no. 52/2023 according to which the tariff for processed water was set at 37 RON/MWh produced. The new tariff is applied starting from 12 June 2023.

Employee benefits expenses

Employees benefits expenses increased by 32% to 364 million RON in the six-month period ended June 30, 2023, from 275 million RON in the six-month period ended June 30, 2022. This increase reflects the salary increases resulting from the negotiations had with the employees' union against the background of a double-digit inflation recorded at the end of 2022 but also due to the increase in the actual number of employees of the Group.

Transport and distribution of electricity

The 153% increase in electricity transport and distribution expenses, to 503 million RON in the six-month period ending on June 30, 2023, from 199 million RON in the six-month period ending on June 30, 2022, is due to the evolution of the quantities delivered on the portfolio of supply and regulated tariffs.

Electricity purchased

The value of the purchased energy increased by 221% in the first semester of 2023 to the value of 215 million RON from the value of 67 million RON in the first semester of 2022, due to the need to ensure a level of hedging that allows the company's supply portfolio to be developed in accordance with the Group Strategy.

Green certificates expenses

The green certificates expenses increased by 50%, namely to RON 123 million, from RON 83 million during the first half of 2023 as compared to the same period last year, due to the need to purchase Green Certificates through the anonymous Spot Centralized Market for Green Certificates in order to cover the consumption of end customers from the supply portfolio of Hidroelectrica SA.

At the same time, during the reporting period, the company generated from its own production portfolio green certificates (GC) in the number of:

- 17,852 GC from hydropower plants;
- 145,559 GC from wind power plant;

Their total value was 23,7 million RON.

Impairment loss on trade receivables

Impairment losses on trade receivables increased by 91% to 48 million RON in the six-month period ended June 30, 2023, from 25 million RON in the six-month period ended June 30, 2022. This increase was mainly caused by the increase in the Group's supply activity.

Tax for electricity producers

The tax for electricity producers decreased by 44% to 221 million RON in the six-month period ended June 30, 2023 from 396 million RON in the six-month period ended June 30, 2022. This decrease was mainly caused by the implementation the centralized purchase mechanism through which the electricity producers will sell the amount of electricity available to the market operator, OPCOM, at the fixed price of 450 LEI/MWh starting on January 1, 2023, and the decrease in electricity sales prices in 2023 compared to the year 2022.

Other operating expenses

Other operating expenses increased by 97% to RON 157 million for the six months ended 30 June 2023, from RON 80 million for the six months ended 30 June 2022. This increase was primarily due to an increase in services expenses related to imbalances caused by the growth of the supply segment and due to an increase in services expenses as a result of general price increases in the market due to economic conditions (e.g., increases in minimum wage and prices of raw materials) to which are added the services contracted in connection with the initial public offering.

Q2 2023

	Q2 2023	Q2 2022	Change y/y
	RONm.	RONm.	%
<i>Costs breakdown</i>			
Turbinated water	215	132	62%
Employee benefits expenses	206	145.155	42%
Transport and distribution of electricity	253	124.597	103%
Electricity purchased	54	26.357	106%
Green certificates expenses	87	47.587	82%
Depreciation and amortization	199	192.592	3%
Impairment loss on property, plant and equipment and intangible assets, net	1	(1)	-149%
Impairment loss on trade receivables, net	14	23	-41%
Repair, maintenance, materials and consumables	21	21	0%
Tax for electricity producers	(10)	27	-137%
Other operating expenses	110	41	167%

Investment activity

	H1 23	H1 22	Change
	<i>RONm.</i>	<i>RONm.</i>	%
Development Project CAPEX	36	23	52%
Refurbishment CAPEX	28	9	204%
Maintenance CAPEX-(UCCH+ Equipments)	21	15	40%
Other CAPEX	2	4	-45%
TOTAL INVESTMENTS	87	51	70%

The investments presented above are financed from our own sources

Project CAPEX

Investments in Projects (CAPEX for Projects) increased by 52%, namely to RON 36 million in the six-month period ended 30 June 2023 from RON 23 million in the six-month period ended 30 June 2022. This increase was due mainly to the continuation of construction works on the major ongoing investment objectives and the start of some investment objectives for the diversification of Hidroelectrica's business portfolio.

Refurbishment CAPEX

Investments in Refurbishment (CAPEX for Refurbishment) increased by 204% to RON 28 million in the six-month period ended 30 June 2023 from RON 9 million in the six-month period ended 30 June 2022, as a result of some previously launched projects reaching maturity (completed works and delivery of equipments).

Cashflow

	H1 2023	H1 2022	Change
	<i>RONm.</i>	<i>RONm.</i>	%
Net cash from operating activities	2,585	2,557	1%
Net cash from investing activity	835	486	72%
Net cash used in financing activities	(3,712)	(2,880)	29%
Net increase/(decrease) in cash and cash equivalents	(292)	163	-279%
Cash and cash equivalents at 1 January	661	1,105	-40%
Cash and cash equivalents at 30 June	369	1,268	-71%

Net cash from operating activities

Net cash from operating activities amounted to RON 2.585 million for the six months ended 30 June 2023 as compared to net cash from operating activities of RON 2.557 million for the six months ended 30 June 2022. The increase was primarily due to the increase in profit for the period of six months ended 30 June 2023 compared to six months ended 30 June 2022. This cash inflow was partly offset by an increase in trade receivables balance, thus resulting in a 1% increase in net cash from operating activities in the six months ended 30 June 2023 period as compared to the same period of 2022.

Net cash from investing activity

Net cash from investment activity amounted to RON 835 million in the six-month period ended 30 June 2023, compared to net cash from investment activity in the amount of RON 486 million in the six-month period ended 30 June 2022. This increase was mainly due to an increase in receipts from deposits held for investment purposes (cash inflows) from RON 3,720 million to RON 5,080 million by RON 1,360 million, because these investments have reached maturity. These cash inflows were partially offset by an increase in payments for deposits held for investment purposes (cash outflows) from RON 3,500 million to RON 4,330 million, by RON 830 million.

Net cash used in financing activities

The net cash used in financing activities amounted to RON 3,712 million in the six-month period ending 30 June 2023, compared to the net cash used in financing activities in the amount of RON 2,880 million in the six-month period ending 30 June 2022. This increase was mainly the effect of the increase in paid dividends by RON 833 million in the six-month period ending on 30 June 2023 compared to the six-month period ending on 30 June 2022.

Q2 2023

	Q2 23	Q2 22	Change
	<i>RONm.</i>	<i>RONm.</i>	%
Net cash from operating activities	1,374	1,325	4%
Net cash from investing activity	1,449	2,416	-40%
Net cash used in financing activities	(3,687)	(2,856)	29%
Net increase/(decrease) in cash and cash equivalents	(864)	886	-198%
Cash and cash equivalents at 1 April	(572)	723	-179%
Cash and cash equivalents at 30 June	369	1,268	71%

Financial position

<i>RONm.</i>	30 June 2023	31 December 2022	Change %
Assets			
Non-current assets			
Property, plant and equipment	19,211	19,521	-2%
Intangible assets	6	6	0%
Restricted cash	-	101	100%
Investments in corporate bonds	366	351	4%
Other non-current assets	280	218	28%
Total non-current assets	19,863	20,198	-2%
Current assets			
Inventories	81	72	11%
Trade receivables	3,217	1,351	138%
Investments in deposits	2,272	3,035	-25%
Cash and cash equivalents	369	661	-44%
Restricted cash	101	-	100%
Other current assets	128	115	11%
Total current assets	6,167	5,234	18%
Total assets	26,030	25,432	2%
Equity and liabilities			
Equity			
Share capital	5,527	5,513	0%
Revaluation reserve	10,812	11,021	-2%
Other reserves	1,023	1,023	0%
Retained earnings	3,835	4,029	-5%
Total equity	21,197	21,587	-2%
Liabilities			
Non-current liabilities			
Bank borrowings	346	390	-11%
Lease liabilities	7	8	-6%
Deferred income	179	182	-2%
Deferred tax liabilities	1,302	1,316	-1%
Employee benefits	121	122	-1%
Provisions	834	817	2%
Trade payables	25	0	5727%
Other payables	12	6	104%
Total non-current liabilities	2,826	2,841	-1%
Current liabilities			
Bank borrowings	94	94	0%
Lease liabilities	4	8	-46%
Trade payables	399	283	41%
Contract liabilities	57	85	-33%
Current tax liabilities	432	172	151%
Deferred income	6	6	-1%
Employee benefits	69	106	-34%
Provisions	162	122	33%
Tax for electricity producers	-	91	



HIDROELECTRICA

	30 June 2023	31 December 2022	Change %
<i>RONm.</i>			
Liabilities in relation to dividends	686	-	
Other payables	99	39	158%
Total current liabilities	2,008	1,005	100%
Total liabilities	4,834	3,845	26%
Total equity and liabilities	26,030	25,432	2%

Other non-current assets

Other non-current assets in balance as at 30 June 2023 increased by 28% to RON 280 million, from RON 218 million as at 31 December 2022, The increase was due to the additional tax for electricity producers paid by Hidroelectrica following the control report issued in April 2023 by the General Antifraud Fiscal Division, The tax authorities applied the law 357/2022 retroactively from 1 September 2022, and therefore computed additional tax of RON 62 million, Hidroelectrica will challenge the decision in court, estimating that the asset resulted from the payment will be realized in a period longer than one year.

Trade receivables

Trade receivables balance as at 30 June 2023 increased by 138% to RON 3,217 million from RON 1,351 million as at 31 December 2022, The increase was due to increased level of revenue from sale of electricity in June 2023 as compared to December 2022 (increased by 39%), due to significant increase in new customers in the supply segment and due to multiple legislative changes in 2022, which led to delays in invoicing electricity supplied to end users also in 2023, The Company estimates that these delays will be overcome by the end of 2023.

Investments in deposits

Investments in deposits balance decreased by 25% to RON 2,272,0 million as at 30 June 2023 from RON 3,035 million as at 31 December 2022, The decrease was primarily due to dividends payment of RON 3,664 million in the six months ended 30 June 2023.

Cash and cash equivalents

Cash and cash equivalents at 30 June 2023 decreased by 44% to RON 369 million from RON 661 million at 31 December 2022, The decrease was primarily due to dividends payment of RON 3,664 million in the six months ended 30 June 2023.

Trade payables

Trade payables at 30 June 2023 increased by 41% to RON 399 million from RON 283 million at 31 December 2022, The increase was primarily due to the development of the Group's supply activity and the increase in turbinated water expenses in June 2023 as compared to December 2022 caused by both the increase in volume and price of turbinated water.



Current tax liabilities

Current tax liabilities at 30 June 2023 increased by 151% to RON 432 million from RON 172 million at 31 December 2022, The increase was primarily due to increase in profit before tax for three months ended 30 June 2023 as compared to profit before tax for three months ended 31 December 2022.

Employee benefits

Employee benefits at 30 June 2023 decreased by 34% to RON 69 million from RON 106 million at 31 December 2022. The decrease was primarily due to payment of employee profit-sharing and variable component remuneration for Management Board and Supervisory Board members related to the previous year results.

Provisions

Provisions at 30 June 2023 increased by 33% to RON 162 million from RON 122 million at 31 December 2022. The increase was primarily caused by recognized provisions for litigations of RON 40 million relating to the litigation with Benny Alex SRL.

Tax for electricity producers

Tax for electricity producers at 30 June 2023 represents an outstanding amount receivable of RON 14 million being presented as other current assets due to corrections made based on final amounts. At 31 December 2022, tax for electricity producers represents an outstanding amount payable of RON 91 million.

Liabilities in relation to dividends

Liabilities in relation to dividends at 30 June 2023 represent special dividends distributed from retained earnings representing transfers from revaluation reserves, payable in September 2023 and tax on dividends distributed to the Company's main shareholder.

Other payables

Other payables at 30 June 2023 increased by 158% to RON 99 million from RON 39 million at 31 December 2022. The increase was primarily due to increase in VAT payable to RON 65 million as at 30 June 2023 from RON 3 million as at 31 December 2022, due to invoicing of electricity supplied to end consumers for a period of 3 months in June 2023.

Related party transactions

Significant transactions with related parties are detailed within the Notes accompanying the Financial

Statements, attached to this report (Note 20).

Subsequent Events

Below are presented the relevant events that occurred within the Group between the closing of the first half of 2023 and the date of this report:

- On July 12, 2023, Hidroelectrica was listed on the Bucharest Stock Exchange, registering the largest IPO in the history of the Romanian capital market and the largest in Europe to date;
- On 28 July 2023, the Supervisory Board has decided to extend the mandates of the current provisional members of Hidroelectrica's Management Board, namely: Mr, Bogdan-Nicolae Badea, Mr, Marian Bratu, Mr, Razvan Ionut-Pataliu, Mr, Andrei-Dominic Gereaa and Mr, Cristian Vladoianu, starting from 7 August 2023, for a duration of 2 months or until the appointment of new members of Hidroelectrica's Management Board, selected according to the conditions provided by Emergency Ordinance 109/2011 regarding the corporate governance of state-owned enterprises, if the selection is completed before the mentioned term;
- On 31 July 2023, the Supervisory Board has decided to appoint Mr, Petre Iulian Nicolescu as a provisional member of Hidroelectrica's Supervisory Board, with a provisional mandate of 4 months, starting from 1 August 2023, in accordance with the provisions of Emergency Ordinance (OUG) 109/2011 regarding the corporate governance of state-owned enterprises, approved with amendments and completions through Law 111/2016, or until the appointment of a member of the Supervisory Board selected in accordance with the provisions of OUG no, 109/2011, if the selection is completed before the mentioned term;
- On August 1, 2023, Hidroelectrica reported the transactions made with OPCOM between August 1, 2022 and July 28, 2023, pursuant to art. 108 of Law 24/2017 regarding issuers of financial instruments and market operations, republished;
- On 7 August 2023, Mr, Karoly Borbely, member of the Supervisory Board, notified the Company about the resignation from his position, the termination taking effect within 30 days from the date of notice delivery.

Litigations

The main litigations in which the Group is involved, with a potential exposure of 839 million RON on 30 June 2023 (31 December 2022: 8,823 million RON) are presented as contingent liabilities:

- ***Litigation with Ministry of Energy***

Potential exposure: RON 373 million as at 30 June 2023 and 31 December 2022

Plaintiff: Ministry of Energy

File no. 3200/2/2018

The Ministry of Energy claims the following:

1. enforcing the Company to consent to conclude an addendum to the concession agreement as follows:
 - a) the Ministry of Energy, as grantor, to be able to change the royalty discretionary; and



- b) the annual royalty to be changed to an amount equal to the annual depreciation of property, plant and equipment subject to royalty as per the concession agreement.
2. The Ministry of Energy also claims RON 373 million representing additional royalties for the period 2013 – 2018 computed as described in 1b) above.

The Court appointed an expert to determine the amount payable by the Group, if any, The court also approved an expert engaged by the Group, Both experts concluded that the royalty calculated and paid by the Group for the period 2013 - 2018 was in accordance with the provisions of the concession agreement and is accurate and complete.

On 11 May 2021, the first Court rejected the claims of the Ministry of Energy as groundless. During 2022, the Ministry of Energy appealed the Court decision, first court appearance being established on 24 February 2024.

Based on this first court ruling, management estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

- ***Litigations with Tax authorities regarding past tax treatments***

Potential exposure: RON 214 million as at 30 June 2023 and 31 December 2022

Plaintiff: Hidroelectrica

The Company was subject to a general tax inspection covering the period 01.01.2006-30.06.2012 concluded with several tax decisions issued by National Authority for Fiscal Administration (“ANAF”) in 2014, which imposed additional taxes of RON 214 million, which includes mainly income tax of RON 27 million and related late payment interest and penalties of RON 119,448 thousand, value added tax of RON 37,677 thousand and related late payments interest and penalties of RON 27 million, The Company filed a complaint in Court in 2015 requesting the cancellation of the tax decisions.

In 2021 the experts appointed by the Court issued their report, which concluded that ANAF is entitled to receive RON 1 million plus interest and penalties, ANAF objected to the experts’ report, In February 2023, the independent experts submitted the updated report containing responses to the ANAF’s objections, In the updated report, the experts concluded that ANAF is entitled to receive RON 1 million.

On 7 April 2023 the Court of Appeal pronounced the sentence through which ANAF tax decision regarding to the Company’s additional payment obligations of 214 million was cancelled, The decision was appealed by ANAF in July 2023.

Based on the final decision of the Bucharest Court of Appeal in the Company’s insolvency file according to which ANAF is deprived of the right to request payment of the tax obligations imposed by the tax decisions, and based on the experts’ report which is favorable to the Group, as well as the Court of Appeal ruling from 7 April 2023, management estimates that the litigation will be ruled in the Group’s favor, and consequently an outflow of resources is not probable.

- ***Dispute over the additional tax for electricity producers claimed***

Potential exposure: RON 62 million as at 30 June 2023 and 31 December 2022

Tax for electricity producers was subject to multiple changes with respect to the method of computation during 2022, One of the change was instated through Law no, 357/2022, which was published on 16 December 2022, The Company applied the provisions of the law starting with 16 December 2022.

As previously mentioned in Note 7 D, the Company was subject to a tax control by the General Antifraud Division of ANAF on the tax for electricity producers. As per the control report on 11 April 2023, the tax authorities



applied the changes introduced by the law retroactively starting 1 September 2022, and therefore computed additional tax of RON 62 million.

On 28 April 2023 the Company received the imposing decision for the amount of RON 62 million. The Group challenged the imposing decision within the procedural term.

The applicability of the Law no, 357/2022 from 1 September 2022 could be challenged on the grounds of unconstitutionality considering that article no, 15 from the Constitution of Romania provides inter alia that a law disposes only for the future. Based on the unconstitutional argument, the Company will challenge in court the additional tax established by the tax authorities. The management assess that there are strong arguments for winning this litigation.

- ***Litigation with Hidroconstructia SA***

Potential exposure: RON 99 million as at 30 June 2023 and 31 December 2022

Plaintiff: Hidroconstructia S.A.

File no. 12257/3/2022

Hidroconstructia SA filed claims to recover RON 99 million consisting of unrealized profits as a result of the suspension by Hidroelectrica of the construction works related to the Fagaras Hoghiz investment project. Also, Hidroconstructia requested the court to enforce the termination of the underlying contract.

In January 2023, the Court ruled in favor of the Company, rejecting Hidroconstructia's claims. The decision was appealed by Hidroconstructia, first term being 12 October 2023, Based on the initial first Court ruling, management estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

- ***Arbitration with Romelectro S.A.***

Potential exposure: RON 29 million as at 30 June 2023 and 31 December 2022

Plaintiff: Romelectro S.A.

File no. 8/2021, currently File no. 30/2022

Hidroelectrica filed an arbitration request for RON 79 million representing penalties for delayed works and related interest, plus legal expenses in relation to the Retehnologizare Stejaru investment project.

Romelectro made its counterclaim of EUR 8,868 thousand, equivalent of RON 44 million plus related interest, VAT and legal expenses, The claims refer mainly to costs incurred and lost profit by Romelectro due to delays in execution of the contract generated by Hidroelectrica,

During 2022, due to insolvency of Romelectro, Hidroelectrica request was terminated, as the Company will be entitled to requests these amounts in the insolvency procedure,

Following the termination of Hidroelectrica request, file no, 30/2022 was constituted, containing only Romelectro's claims,

During 2022, Romelectro adjusted their initial claims and requested only EUR 6 million, the equivalent of RON 29 million plus VAT and legal expenses. The claims mainly refer to the counter value of the costs borne by Romelectro, generated by delays attributable to Hidroelectrica, such as site organization costs, personnel costs, finance costs.

In November 2022, the Arbitration Court requested a financial and accounting analysis to be performed by an independent expert. Currently, the expert report is being drafted, next term being 7 November 2023.



Based on the legal analysis of the contract between the parties and the documents related to the project, the Group argues that the delays in the execution of the project are not attributable to Hidroelectrica, but to Romelectro, which constantly proposed technical solutions that were not in conformity with the contract. Based on the above, management estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

- ***Litigation with Hidroconstructia SA***

Potential exposure: RON 33 million as at 30 June 2023 and 31 December 2022

Plaintiff: Hidroconstructia S.A.

Files no, 44443/3/2016 and 11314/3/2021

Hidroconstructia SA claims the costs generated by the suspension of construction works rendered before the Company's insolvency. The Group argues that such claims have no grounds considering the insolvency process of Hidroelectrica and the fact that the claimant lost its right to claims as it failed to register the claim in the table of creditors.

In March 2018 the first Court rejected the claims of Hidroconstructia SA, This ruling was contested by Hidroconstructia SA, The Group also contested the ruling, as it provided for legal fees for Hidroelectrica, In April 2019 the Court of appeal sent the case back to the first court for reexamination. The dispute was reopened by the first Court (file no, 11314/3/2021).

In April 2022, the Court requested an expertise report in hydrotechnical constructions and an accounting expertise report to be performed by independent experts. Currently, the expert report is being drafted, next term being 10 October 2023.

Based on the initial first Court ruling, management estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

- ***Litigation with Hidroconstructia S.A.***

Potential exposure: RON 29 million as at 30 June 2023 and 31 December 2022

Plaintiff: Hidroconstructia S.A.

File no. 31451/3/2020

Hidroconstructia SA filed claims in the amount of RON 29 million representing discounts granted during 2014 – 2019 to the Group for construction of AHE Siriu-Surduc project, as well as indexation of the price of workings performed during the respective period.

As per contract between the parties, Hidroconstructia granted discounts to Hidroelectrica and agreed to maintain the prices flat as long as Hidroelectrica will ensure the financing of the project.

Hidroconstructia claims that Hidroelectrica failed to ensure the financing of the project and is entitled to recover the discounts granted.

In September 2022, the independent expert issued a report establishing a potential liability between RON 8,904 thousand and RON 31 million, The independent expert did not analyse if the Group failed or not to finance the project.

On 10 April 2023, the court rejected Hidroconstructia claims. The decision was challenged by Hidroconstructia, The next court date is on October 23, 2023.

Considering that the Group does not have a liability to Hidroconstructia in respect of the works made during 2014 – 2019 for AHE Siriu – Surduc project, the management assesses that the condition to ensure the financing



of the project were met by Hidroelectrica and estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

- ***Litigation with Beny Alex S.R.L.***

Potential exposure: RON 44 million as at 31 December 2022

Plaintiff: Beny Alex S.R.L.

File no. 36646/3/2018*

Beny Alex SRL claims the amount of additional works performed based on the subcontracting agreement concluded with Hidroserv (the Company's subsidiary). The first Court overruled the claim on the grounds of prescription of the material right of action. In 2020 Benny Alex appealed to this ruling. The appeal was approved by the Court of judicial control, which fully cancelled the initial Court ruling and resent the case to the first Court for reexamination.

In December 2022, an independent expert report was finalized, Based on the expert report the value of the additional works performed is RON 40 million, Hidroelectrica submitted objections to the report.

On 30 May 2023, the Court ruled in favor of the plaintiff BENY ALEX S.R.L. the Company having the right to appeal within 30 days.

Based on the initial first Court ruling, the Company registered a provision for the amount of RON 40 million.

Risk Management

Through its positioning in the energy system of Romania, Hidroelectrica is a vital company in a strategic sector of the country, being a leader in the production of electricity and the main supplier of technological services needed in the National Energy System.

By the nature of the activity, Hidroelectrica is subject to specific risks, some significant, which is why the company pays special attention to efficient and prudent risk management, within acceptable limits and with an attitude of continuous improvement. The Hidroelectrica directorate supervises and coordinates the risk management system through direct involvement in this process and through continuous updating of the necessary measures. At the same time, the risk management process offers the opportunity to evaluate whether long-term sustainability and medium-term liquidity are maintained and whether the estimated impact of risks is within acceptable limits.

Regulation and Government Policy Change Regarding Electricity

Due to its specific activities and the sector in which it operates, Hidroelectrica is exposed to a high level of political and regulatory risk, resulting from the potential enactment of legislative changes, rules, and policies, driven by decision-making factors. The Group's electricity production and supply are subject to licenses issued by ANRE (Romanian Energy Regulatory Authority) and are broadly regulated, Government decisions and regulatory authorities' actions regarding electricity production and supply, particularly authorized prices for buying and selling electricity, can impact the Group's revenues.

In the context of the geopolitical crisis and the war in Ukraine, as well as the unprecedented evolution of regional and global energy prices, we have witnessed an increase in exposure to this risk due to intensified legislative changes adopted or under consideration.

Romania's national regulations are based on EU regulations. Any significant changes in EU regulations could result in changes to Romania's national regulations. These and other changes to regulations or government policies can significantly negatively impact the Group's prospects, activities, financial position, and operational results, with limited opportunities for the Group to contest such changes.

Regarding this regulatory risk, Hidroelectrica closely monitors all regulatory policy changes and engages in continuous and constructive dialogue with relevant authorities.

Impact of Energy Price Fluctuations on Operations

The Group's revenues and margins in its activities are exposed to fluctuations in electricity prices on wholesale and retail markets. When the Company sells on the open market, it assumes exposure to electricity price fluctuations. Price risk involves financial losses or failures to achieve estimated results due to adverse changes in market prices or factors influencing price developments. The price of



electricity and sales volumes are affected by various significant factors, including energy market trends, fluctuation in raw material prices (especially oil and gas), hydrological conditions, or regulatory changes, Hidroelectrica manages this risk by mitigating exposure to adverse variations through a mix of measures, including statistical analysis of hydrological conditions to optimize production and sales plans, short- and medium-term forward sale contracts, along with cost control and optimization measures to ensure the Group's profitability goals are met.

Risks from stricter and more complex Environmental Protection and Water Management Regulations

Given the specific risks associated with energy production, the Group is subject to numerous international, national, and local environmental laws and regulations, which are becoming increasingly burdensome. The Group must meet various operating and monitoring conditions for environmental protection, such as monitoring water level variations in reservoirs, noise levels at site boundaries, discharged water volumes, prevention of accidental petroleum product spills, biodiversity protection and monitoring in protected natural areas, impact assessment of activities in wind farms, including noise emissions and fauna impact, and water surface cleaning.

The presence of protected natural areas, such as Natura 2000 sites, on the territory or in the proximity of the Group's existing facilities or new developments can significantly impact current activities and the development of new investment projects or upgrading of the Company's assets, increasing the complexity of obtaining relevant environmental agreements, approvals and authorizations, as complex environmental impact assessments must be conducted.

The Group is a major user of the country's water resources and must comply with applicable laws and regulations regarding water use for electricity production, wastewater discharge, and drainage, Hidroelectrica is obligated to operate in line with water management authorizations issued by competent authorities. These regulations may not always provide clear compliance requirements and can sometimes be ambiguous.

To achieve environmental objectives set by environmental protection legislation, competent national and/or European authorities may adopt and implement projects that can affect the Company's operations, leading to necessary investments at its hydroelectric power plants to comply with regulatory requirements. Furthermore, the development of new hydroelectric capacities might face opposition from environmental protection organizations due to stricter environmental and water management regulations.

In relation to this regulatory risk, Hidroelectrica maintains continuous dialogue with relevant authorities to clarify legal requirements and ensure appropriate actions are taken to comply.



Development Plan Risks

The Company's investment plan until 2027 includes various hydroelectric projects at different stages of execution, with an estimated total installed capacity of 206 MW and an estimated average annual production of 700 GWh/year.

There is no guarantee that the Group's communicated development plan will be executed, or if executed, will yield the planned results. Projects can be discontinued or suspended, and the scope and schedule of a project can change. For instance, the development or completion of new hydroelectric production capacities may face multiple risks, such as (i) delays in obtaining necessary governmental decisions for certain projects; (ii) failure or delays in obtaining required permits due to the designation of protected natural areas after projects have been initiated; (iii) increased costs and construction delays due to legislative changes after investment initiation; (iv) decreased production parameters due to changes in environmental legislation regulating the methodology for determining the water servitude flow, including the ecological flow component required to protect aquatic ecosystems; (v) delays caused by lengthy and complex public procurement processes required for contracting third-party services; (vi) delays and cost increases due to disputes with contractors or subcontractors, or dependence on a limited number of contractors, architects, engineers, or other service providers, some of whom might be in insolvency proceedings; (vii) labor shortage; and (viii) global raw material price increases and material costs shortages or increases.

The Group's development plan also includes the expansion of its energy production portfolio through the acquisition of new capacities in the field of green energy, especially onshore and offshore wind parks and photovoltaic parks. Competition within competitive bidding procedures has significantly intensified in recent years, a situation in which the Company often needs to act swiftly to capitalize on opportunities. This could prove difficult, considering that the Company is subject to strict and sometimes rigid public procurement rules, particularly stipulated in Law 99/2016 on sectorial procurement, which could affect the Company's ability to timely react to new opportunities. Additionally, it's possible that the Group might not be able to identify suitable transactional opportunities, or even if identified, there may be no guarantee that such transactions will be successful or that the Group will be able to conclude them under acceptable terms and conditions.

It could take years for projects to become operational, during which time they are exposed to various execution, operational, legal, and other risks. The Group's ability to efficiently integrate and manage acquired activities as part of its future development depends on several factors, including the size of the acquired activities, their leadership quality, the nature and geographical location of their operations, and the complexity resulting from their integration. The Group might encounter unforeseen significant difficulties in executing potential transactions, such as increased management time requirements, higher integration costs, or unforeseen risks from the due diligence process. Therefore, there is no guarantee that a future acquisition will provide sufficient benefits to justify the expenses incurred by the Group.

The Group's strategy of continuing to expand through both organic and inorganic growth by acquiring renewable energy production capacities through wind and solar installations exposes it to specific risks related to the acquisition, development, and operation of renewable energy generation projects,



including: (i) inability to identify and realize suitable acquisition and development opportunities; (ii) inability to obtain necessary licenses and permits for projects or facing delays in obtaining them (such as building permits, environmental agreements/approvals, and water management agreements), especially in obtaining grid connection authorizations and concluding grid connection contracts, which might involve significant investment obligations due to the precarious state of the grid; (iii) construction risks arising from development projects, particularly from a technical perspective in relation to construction phase timelines, which could lead to cost increases or delays in starting electricity production, including risks like insufficient availability of equipment and workforce to meet the Group's needs, due to market fluctuations in equipment or workforce demand, costs and availability of specific equipment, failure by a contractor to fulfill contracted service obligations, or other reasons; (iv) performance assessments of renewable energy projects that do not reflect actual results obtained; (v) inefficiencies in staffing and managing the extended operations of the Group, facing unforeseen difficulties in integrating existing management teams and operations, especially in new market sectors where the Group has less experience; (vi) inability to keep up with the fast-paced technological changes in the renewable energy sector; (vii) increased competition in the green energy market, and (viii) changes in the regulatory environment and market design in Romania and the EU in general.

Most of the hydroelectric capacities (equipment and installations) of the Group were commissioned between the 1960s and 1990s. After the year 2000, power plants producing a significant volume of MW were retechnologized and modernized, while additional production units with a capacity of only 171 MW were commissioned. The Group's current business plans include the retechnologization and modernization of approximately 1.1 GW of installed power in hydroelectric power plants by the year 2030. It might take several years before these projects become operational, a timeframe during which they are exposed to a range of construction, operational, legal, and other risks.

In response to challenges in contracting with traditional market participants, the Company is considering the acquisition of the mentioned UCM Resita business lines.

Given that hydroelectric facilities both generate electric power and provide system services, they are a key factor in ensuring Romania's energy security and supporting Hidroelectrica's operations.

Therefore, there is a risk associated with the foundation of production assets, making it vital for these capacities to function and be exploited in an appropriate technical state.

In this regard, to ensure diversification and capacity growth in production, as well as to avoid the deterioration of the Company's assets and maintain the optimal functioning of installations, Hidroelectrica's strategy primarily involves investments in maintenance and retechnologization of hydroelectric facilities, as well as increasing hydroelectric capacity through the promotion of new projects and the completion of ongoing ones. Through the retechnologization strategy prepared by the retechnologization department, Hidroelectrica aims, in a staggered manner as the normal operating durations are reached for functioning capacities, to retechnologize or modernize all equipment and structures associated with them, within the framework of production capacities.



HSE (Health, Safety and Environment)

Hidroelectrica's number one priority in terms of HSE continues to be the avoidance of any accidents among the personnel and partners operating within the company's premises, operating sustainably, ethically, and responsibly towards the environment, and complying with all relevant legal requirements, Hidroelectrica constantly assesses safety and health risks at work, identifies significant environmental aspects, and ensures the ongoing training of employees in occupational safety, environmental protection, and emergency situations.

Financial risks are detailed within the Notes accompanying the Financial Statements, attached to this report (Note 18).

Hidroelectrica's Management Board

Bogdan-Nicolae BADEA
Chairman of the Management Board

Marian BRATU
Member of the Management Board

Cristian VLADOIANU
Member of the Management Board

Andrei Dominic GEREA
Member of the Management Board

Razvan Ionut PATALIU
Member of the Management Board

Appendices

Management Statement

Based on the available information, we confirm that the Condensed Consolidated Interim Financial Statements prepared for the six-month period ending on 30 June 2023, in accordance with the International Accounting Standard IAS 34 - Interim Financial Reporting adopted by the European Union, and the Consolidated Management Board' Report for the first Half of 2023, drafted in accordance with the provisions of Law 24/2017 regarding financial instruments issuers and market operations, republished, and the provisions of FSA Regulation no. 5/2018, provide a fair and accurate view of the assets, liabilities, financial position, profit and loss account, and cash flows of Hidroelectrica Group, and include accurate and valid information regarding the Group's performance, available as of the date of this report.

Hidroelectrica's Management Board

Bogdan-Nicolae BADEA
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Razvan Ionut PATALIU
Member of the Management Board

Glossary of terms and definitions

GMS	The General Meeting of Shareholders, which can be either the Ordinary General Meeting of Shareholders (AGOA) or the Extraordinary General Meeting of Shareholders (AGEA)
BSE	Bucharest Stock Exchange
CHE	Hydroelectric plants
CS	Supervisory Board
Hidroserv	Company branch, S,S,H, Hidroserv S,A
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LEI	The identification code of the legal entity
M&A	Mergers and acquisitions
CEPM	Centralized Electricity Purchasing Mechanism (Romanian: MACEE)
GDPR	General Data Protection Regulation
OPCOM	The operator of the electricity and natural gas market in Romania - OPCOM S,A,
NPS	National Power System (Romanian: SEN)
Hidroelectrica	ELECTRICAL ENERGY PRODUCTION COMPANY IN HYDRO POWER PLANTS "HIDROELECTRICA" S,A,,
Transelectrica /OTS	The national operator of transport and electricity system

- **EBITDA** is defined as profit/(loss) before tax before (i) depreciation and amortization of property, plant and equipment and intangible assets and (ii) interest income and interest expense.
- **EBITDA Margin** is defined as EBITDA divided by revenue.
- **Adjusted EBITDA** is defined as EBITDA adjusted for (a) impairment/reversal of impairment of property, plant and equipment and (b) gain on bargain purchase of subsidiaries.
- **Adjusted EBITDA Margin** is defined as Adjusted EBITDA divided by revenue.
- **Adjusted Net Debt/(Cash)** is defined as bank loans and liabilities related to leasing contracts minus cash and cash equivalents and short-term investments (investments in deposits and government bonds).



Consolidated Interim Financial Statements

S.P.E.E.H. HIDROELECTRICA S.A.
Two-tier system Company



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six month period ended
30 June 2023

Prepared in accordance with IAS 34 Interim Financial Reporting
as adopted by the European Union

CONTENTS:	PAGE:
INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION as at 30 June 2023	1-2
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the six month period ended 30 June 2023	3 - 4
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the three and six month period ended 30 June 2023	5 - 6
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS for the six month period ended 30 June 2023	7-8
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS as at and for the six month period ended 30 June 2023	9-31
BASIS OF PREPARATION	
1. REPORTING ENTITY AND GENERAL INFORMATION	
2. BASIS OF ACCOUNTING	
3. USE OF JUDGEMENTS AND ESTIMATES	
4. CHANGE IN ACCOUNTING POLICY	
PERFORMANCE	
5. OPERATING SEGMENTS	
6. REVENUE	
7. OPERATING EXPENSES	
8. FINANCE RESULT	
9. EARNING PER SHARE	
INCOME TAXES	
10. INCOME TAX	
ASSETS	
11. CASH AND CASH EQUIVALENTS	
12. INVESTMENTS IN DEPOSITS AND BONDS	
13. TRADE RECEIVABLES	
14. OTHER ASSETS	
EQUITY AND LIABILITY	
15. CAPITAL	
16. OTHER PAYABLES	
17. PROVISIONS	
FINANCIAL INSTRUMENTS	
18. FINANCIAL INSTRUMENTS – Fair Values and Risk Management	
OTHER INFORMATION	
19. CONTINGENCIES	
20. RELATED PARTIES	
21. SUBSEQUENT EVENTS	

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

(All amounts are in thousand RON, unless otherwise stated)

	Note	30 June 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment		19,211,432	19,521,363
Intangible assets		5,847	6,250
Restricted cash		-	101,057
Investments in corporate bonds	12	365,580	351,338
Other non-current assets	14	280,226	218,236
Total non-current assets		19,863,085	20,198,244
Current assets			
Inventories		80,539	72,433
Trade receivables	13	3,217,442	1,350,677
Investments in deposits	12	2,271,952	3,034,745
Cash and cash equivalents	11	368,682	660,734
Restricted cash		101,057	-
Other current assets	14	127,570	115,400
Total current assets		6,167,242	5,233,989
Total assets		26,030,327	25,432,233
Equity			
Share capital	15	5,526,898	5,513,466
Revaluation reserve		10,812,058	11,021,335
Other reserves		1,023,188	1,023,188
Retained earnings		3,834,620	4,028,861
Total equity		21,196,764	21,586,850
Liabilities			
Non-current liabilities			
Bank borrowings		345,665	390,491
Lease liabilities		7,077	7,567
Deferred income		178,794	181,522
Deferred tax liabilities		1,302,486	1,315,946
Employee benefits		121,012	121,840
Provisions	17	833,874	817,089
Trade payables		24,938	428
Other payables	16	11,757	5,765
Total non-current liabilities		2,825,603	2,840,648

(continued on page 2)

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

(All amounts are in thousand RON, unless otherwise stated)

	Note	30 June 2023	31 December 2022
Current liabilities			
Bank borrowings		94,079	94,001
Lease liabilities		4,217	7,834
Trade payables		398,737	282,996
Contract liabilities		56,573	84,684
Current tax liabilities	10	432,402	171,978
Deferred income		5,625	5,696
Employee benefits		69,463	105,845
Provisions	17	161,664	121,760
Tax for electricity producers	7D	-	91,370
Liabilities in relation to dividends	15	685,728	-
Other payables	16	99,472	38,571
Total current liabilities		2,007,960	1,004,735
Total liabilities		4,833,563	3,845,383
Total equity and liabilities		26,030,327	25,432,233

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

Bogdan BADEA President of the Board of Directors	Marian BRATU Member of the Board of Directors	Andrei GEREĂ Member of the Board of Directors	Cristian VLADOIANU Member of the Board of Directors	Razvan PATALIU Member of the Board of Directors
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Marian FETITA
Accounting Manager

Gabriela VASILESCU
Head of Financial Reporting and Budgeting

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise stated)

	Note	Six month period ended	
		30 June 2023	30 June 2022
Revenue	6	6,976,566	4,926,038
Other income		22,589	33,966
Turbined water	7A	(378,399)	(243,321)
Employee benefits expenses		(364,033)	(275,241)
Transport and distribution of electricity	7C	(503,401)	(198,993)
Electricity purchased	7B	(214,599)	(66,792)
Green certificates expenses		(123,487)	(82,569)
Depreciation and amortization		(397,502)	(384,539)
Impairment loss on property, plant and equipment and intangible assets, net		(384)	35,021
Impairment loss on trade receivables, net		(48,481)	(25,424)
Repair, maintenance, materials and consumables		(39,013)	(36,298)
Tax for electricity producers	7D	(220,708)	(395,954)
Other operating expenses		(157,156)	(79,871)
Operating profit		4,551,992	3,206,023
Finance income		181,731	86,287
Finance costs		(23,441)	(15,213)
Net finance result		158,290	71,074
Profit before tax		4,710,282	3,277,097
Income tax expense	10	(764,032)	(580,046)
Profit for the period		3,946,250	2,697,051
Earnings per share			
Basic and diluted earnings per share (RON)	9	8.80	6.01
Other comprehensive income			
Impairment of property, plant and equipment recognized in revaluation reserve, net of tax		(379)	(39)
Total other comprehensive income		(379)	(39)
Total comprehensive income		3,945,871	2,697,012

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

Bogdan BADEA President of the Board of Directors	Marian BRATU Member of the Board of Directors	Andrei GEREA Member of the Board of Directors	Cristian VLADOIANU Member of the Board of Directors	Razvan PATALIU Member of the Board of Directors
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Marian FETITA
Accounting Manager

Gabriela VASILESCU
Head of Financial Reporting and Budgeting

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise stated)

	Note	Three month period ended	
		30 June 2023	30 June 2022
Revenue	6	3,704,476	2,434,452
Other income		12,223	4,395
Turbinated water	7A	(214,801)	(132,465)
Employee benefits expenses		(206,120)	(145,155)
Transport and distribution of electricity	7C	(253,000)	(124,597)
Electricity purchased	7B	(54,389)	(26,357)
Green certificates expenses		(86,630)	(47,587)
Depreciation and amortization		(199,281)	(192,592)
Impairment loss on property, plant and equipment and intangible assets, net		(528)	1,073
Impairment loss on trade receivables, net		(13,504)	(22,724)
Repair, maintenance, materials and consumables		(20,727)	(20,706)
Tax for electricity producers	7D	9,853	(26,912)
Other operating expenses		(110,324)	(41,328)
Operating profit		2,567,248	1,659,497
Finance income		93,918	57,984
Finance costs		(12,613)	(5,266)
Net finance result		81,305	52,718
Profit before tax		2,648,553	1,712,215
Income tax expense	10	(425,658)	(303,062)
Profit for the period		2,222,895	1,409,153
Earnings per share			
Basic and diluted earnings per share (RON)	9	4.95	3.14
Other comprehensive income			
Impairment of property, plant and equipment recognized in revaluation reserve, net of tax		(379)	(39)
Total other comprehensive income		(379)	(39)
Total comprehensive income		2,222,516	1,409,114

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

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Marian FETITA
Accounting Manager

Gabriela VASILESCU
Head of Financial Reporting and Budgeting

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
 (All amounts are in thousand RON, unless otherwise stated)

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022	5,513,466	9,612,905	962,074	3,095,072	19,183,517
Total comprehensive income for the period					
Profit of the period	-	-	-	2,697,051	2,697,051
Other comprehensive income for the period					
Impairment of property, plant and equipment recognized in revaluation reserve, net of tax	-	(39)	-	-	(39)
Total other comprehensive income for the period	-	(39)	-	-	(39)
Total comprehensive income for the period	-	(39)	-	2,697,051	2,697,012
Transactions with owners of the Company					
Contributions and distributions					
Dividends	-	-	-	(3,830,946)	(3,830,946)
Total transactions with owners of the Company	-	-	-	(3,830,946)	(3,830,946)
Other changes in shareholders' equity					
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	(184,524)	-	184,524	-
Balance at 30 June 2022	5,513,466	9,428,342	962,074	2,145,701	18,049,583

(continued on page 6)

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise stated)

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2023	5,513,466	11,021,335	1,023,188	4,028,861	21,586,850
Total comprehensive income for the period					
Profit of the period	-	-	-	3,946,250	3,946,250
Other comprehensive income for the period					
Impairment of property, plant and equipment recognized in revaluation reserve, net of tax	-	(379)	-	-	(379)
Total other comprehensive income for the period	-	(379)	-	-	(379)
Total comprehensive income for the period	-	(379)	-	3,946,250	3,945,871
Transactions with the owners of the Company					
Contributions and distributions					
Dividends	-	-	-	(4,349,389)	(4,349,389)
Issuance of ordinary shares	13,432				13,432
Total transactions with the owners of the Company	13,432	-	-	(4,349,389)	(4,335,957)
Other changes in shareholders' equity					
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	(208,898)	-	208,898	-
Balance at 30 June 2023	5,526,898	10,812,058	1,023,188	3,834,620	21,196,764

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

Bogdan BADEA President of the Board of Directors	Marian BRATU Member of the Board of Directors	Andrei GEREA Member of the Board of Directors	Cristian VLADOIANU Member of the Board of Directors	Razvan PATALIU Member of the Board of Directors
Marian FETITA Accounting Manager		Gabriela VASILESCU Head of Financial Reporting and Budgeting		

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise stated)

	Note	Six month period ended	
		30 June 2023	30 June 2022
Cash flow from operating activities:			
Profit for the period		3,946,250	2,697,051
<i>Adjustments for:</i>			
Depreciation		396,462	383,443
Amortisation		1,040	1,096
Reversal of impairment on property, plant and equipment, net		384	(35,021)
Impairment loss on trade receivables, net		48,481	25,424
Loss on disposal of property, plant and equipment		1,291	1,285
Net foreign exchange gains		(1,851)	(298)
Interest income		(176,356)	(86,287)
Interest expense		6,876	1,642
Income tax expense	10	764,032	580,046
		4,986,609	3,568,381
<i>Changes in:</i>			
Trade receivables		(1,915,245)	(553,288)
Inventories		(8,106)	(12,540)
Restricted cash		-	(800)
Other assets		(75,562)	20,206
Trade payables		159,151	144,154
Deferred income		(2,799)	(2,844)
Employee benefits		(37,211)	(31,224)
Provisions		56,688	12,359
Other payables		(55,361)	(233,816)
Cash generated from operating activities		3,108,164	2,910,588
Interest paid		(6,581)	(845)
Income tax paid		(517,069)	(352,846)
Net cash from operating activities		2,584,514	2,556,897
Cash flow from investing activities:			
Payments for acquisition of property, plant and equipment		(90,506)	(54,348)
Payments for acquisition of intangible assets		(620)	(1,082)
Proceeds from the sale of property, plant and equipment		-	203
Payments for deposits held for investment purposes		(4,330,000)	(3,500,000)
Proceeds from deposits held for investment purposes		5,080,000	3,720,000
Proceeds from maturity of government bonds		-	235,410
Interest received		176,308	86,277
Net cash from investing activity		835,182	486,460

(continued on page 8)

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
 (All amounts are in thousand RON, unless otherwise stated)

	Note	Six month period ended	
		30 June 2023	30 June 2022
Cash flow from financing activities:			
Proceeds from issue of shares		2,679	-
Repayment of borrowings		(46,336)	(46,604)
Lease payments		(4,399)	(2,610)
Dividends paid		(3,663,692)	(2,830,946)
Net cash used in financing activities		(3,711,748)	(2,880,160)
Net increase/(decrease) in cash and cash equivalents		(292,052)	163,197
Cash and cash equivalents at 1 January	11	660,734	1,104,890
Cash and cash equivalents at 30 June	11	368,682	1,268,087

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

Bogdan BADEA President of the Board of Directors	Marian BRATU Member of the Board of Directors	Andrei GEREĂ Member of the Board of Directors	Cristian VLADOIANU Member of the Board of Directors	Razvan PATALIU Member of the Board of Directors
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Marian FETITA
Accounting Manager

Gabriela VASILESCU
Head of Financial Reporting and Budgeting

1. REPORTING ENTITY AND GENERAL INFORMATION

(a) General information about the Group

Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A. ("the Company" or "Hidroelectrica") is domiciled in Romania. The Company's registered office is 15-17 Ion Mihalache Blvd., Tower Center Building, 10-15 floors, Sector 1, Bucharest. The Company is registered at National Trade Register Officer with no. J40/7426/2000 and has unique registration code 13267213. These condensed consolidated financial statements comprise the Company and its subsidiaries (together referred as the "Group").

The Group's main lines of business are power generation (hydro and wind) and electricity supply to end consumers.

At 30 June 2023, the Company's shareholders are the Romanian State represented by the Ministry of Energy with a shareholding of 80.06% and Fondul Proprietatea, with a shareholding of 19.94% of the shares.

The Company is governed by a two-tier system comprising the Supervisory Board and the Board of Directors.

Initial public offering ("IPO")

Between 23 June and 4 July 2023, the Company went through an initial public offer on Bucharest Stock Exchange. The allocation of the shares was carried out on July 5, 2023, the total offer included the entire holding of the Fondul Proprietatea, namely 89,708,177 shares, representing 19.94% of the Company's share capital.

The first trading day of Hidroelectrica shares at the Bucharest Stock Exchange was 12 July 2023.

List of subsidiaries

As of 30 June 2023 and 31 December 2022 Hidroelectrica has the following subsidiaries:

Subsidiary	Activity	Registered Office	% participation at 30 June 2023	% participation at 31 December 2022
Hidroserv S.A. (company in insolvency)	Services (maintenance, repairs, construction)	Bucharest, Romania	100%	100%

(b) Regulatory environment

The activity in the energy sector is regulated by the National Energy Regulatory Authority ("ANRE").

The main responsibilities of ANRE include: licensing the entities operating in the energy sector, issuance of regulations applicable to the electricity market, approval of regulated prices and tariffs and issuance of methodologies used to set regulated prices and tariffs.

(c) Main operations of the Group

Electricity generation and system services

The Group generates electricity by operating 187 hydropower plants and micro-hydropower plants (the main generation capacity being Portile de Fier I and Portile de Fier II, which represents approximately 40% of the total electricity generated) and 36 wind turbines of 3 MW each.

The electricity generated is sold both wholesale and retail (supply to end consumers).

On 1 January 2023 a centralized electricity acquisition mechanism was implemented by the Government through which the electricity producers shall sell 80% of the available production (i.e. of the production that is not contracted as of October 2022) quantity of electricity to the market operator, OPCOM, at a fixed price of RON 450 per MWh. OPCOM will

re-sell the electricity to electricity suppliers and certain large consumers (such as electricity distribution operators) at the same price of RON 450 per Mwh. This price fixing mechanism is applicable between 1 January 2023 and 31 March 2025.

Hidroelectrica S.A. also provides system services to the national electricity system operator, Transelectrica. The system services involve making an agreed power generation capacity available to Transelectrica within a certain period of time, so that to allow the system operator to achieve permanent balancing of the electricity system.

Tax on electricity producers

Starting November 2021 the Government introduced a new tax for electricity producers . The tax is computed as 80% (for the period 1 November 2021 to 31 August 2022) and 100% (for the period 1 September 2022 to 31 March 2025) of the net monthly average selling price in excess of RON 450 per MWh.

Net monthly average selling price is computed based on monthly revenue of the generation segment, which includes the wholesale of electricity produced and the value of electricity transferred within the same entity from producer portfolio (generation segment) to supplier portfolio (supplier segment), less monthly cost of electricity purchased, market administration fees and trading fees. Electricity production costs are not included in the monthly expenses.

Electricity supply to end users

The electricity market to end users in Romania is liberalized and all consumers are free to choose their electricity supplier from which they can purchase electricity at negotiated prices.

The Group supplies electricity at negotiated tariffs to both industrial consumers and household consumers. The supply tariff include, in addition to the electricity price, the electricity transmission and distribution costs, and the cost of green certificates (see *Green certificates* section).

Starting 1 November 2021, due to the significant increase in energy prices on the international and national markets and the impact thereof on Romanian consumers, the Government implemented consumer support schemes, as follows:

- capping the electricity supply tariffs for household (until 31 March 2025) and non-household consumers (until 31 January 2022 for certain types of non-household consumers, and for 1 February 2022 – 31 March 2025 for all non-household consumers), and receiving a subsidy from the State to compensate for the impact of capping mechanism. The impact of this mechanism on the Group's financial performance in the first semester of 2023 was a reduction of revenue due to capped prices by RON 578 million and recovery through subsidy from the State estimated of RON 8 mil, subsidy which will be recorded by the Group after issuing the invoices to final consumers (first semester of 2022: reduction of revenue of RON 185 million, subsidy nil; financial year 2022: reduction of revenue of RON 551 million, subsidy: RON 23 million).

On 7 July 2023, Law 206 approving GEO 153/2022 was published and brought a series of changes with potential impact on the revenues obtained from the Supply activity, respectively on the method of computing the invoiced price to the final consumer, for the consumers for which the electricity consumed is purchased by the Company. The Company considers that this new legislation will take effect starting 14 July 2023 (3 days from publication date in the Official Journal).

Green certificates ("GC")

As a producer of electricity from renewable sources (wind power and hydroelectric power in refurbished micro-hydropower plants with an installed capacity of no more than 10 MW and with a service life of at least 15 years from the date of commissioning), the Group receives green certificates through the green certificates support scheme.

The Group receives between 2.86 and 3 green certificates for each MWh generated by the eligible micro-hydropower plants (7 micro-hydropower in January 2023 and 6 micro-hydropower starting February 2023). In 2022, 8 micro-hydropower plants were eligible and the Group received between 2.64 and 3 green certificates for each MWh generated) and 0.75 green certificates for each MWh generated by the wind farm.

The green certificates can be sold on the spot and forward market. The selling price must fall between the minimum and maximum values set by law:

- (a) a minimum trading value of EUR 29.4/GC and
- (b) a maximum trading value of EUR 35/GC.

As an electricity supplier, the Group is required to purchase a number of green certificates computed by multiplying the annual mandatory purchase quota of green certificates by the quantity (in MWh) of electricity supplied to end users. ANRE establishes the annual mandatory quota of purchase obligations of green certificates. Applicable annual estimated quota for 2023 is 0.4943963 green certificate per MWh (2022: 0.5014313 green certificate per MWh).

2. BASIS OF ACCOUNTING

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS-EU). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These interim consolidated financial statements were authorized for issue by the Company’s Board of Directors on 16 August 2023.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates 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 recognized prospectively.

The significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the judgement below referring to the fair value of property, plant and equipment.

i. Fair value of the property, plant and equipment

After initial recognition, the Group measures land, buildings and other items of property, plant and equipment at revalued amount. The most recent revaluation of property, plant and equipment was done at 31 December 2022.

Most the Group’s property, plant and equipment are revalued based on the net replacement cost approach, one of the main driver being the evolution of the cost of construction materials. As at 30 June 2023, considering the evolution in the cost of construction materials in the first semester of 2023, the management assesses that the carrying amount of the property plant and equipment does not differ materially from that which would be determined using the fair value.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for financial assets and liabilities, and non-financial assets (property, plant and equipment).

When measuring the fair value of an asset or liability, the Group uses observable market 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;
- 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 fall into 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 recognizes 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 Note 15 Financial instruments.

4. CHANGE IN ACCOUNTING POLICY

Except as described below, the accounting policies applied in these consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022.

Deferred tax related to asstes and liabilities arising from a single transaction

The Group has adopted *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12* from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases, and decommissioning liabilities, an entity is required to recognize the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any commulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases applying the “integrally linked” approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognized on a net basis. Following the amendments, the Group has recognized a separate deferred tax asset in relation to its lease liability and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balaces qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosures of the deferred tax assets and liabilities recognized – this disclosure will be provided in the annual financial statements.

5. OPERATING SEGMENTS

A. Basis for segmentation

The Group has identified two reporting segments based on the operating licenses owned – production of electricity and supply of electricity.

The following summary describes the operations of each reportable segment:

Reportable segment	Operations
Electricity generation	Production of electricity through the operation of hydropower plants, micro-hydropower plants and wind turbines, rendering of system services to the system operator (meaning making available an agreed generation capacity for the balancing needs of the energy system). Electricity produced is sold mainly to electricity suppliers and entities that trade electricity on the wholesale electricity market, as well as supplied to final consumers through the electricity supply segment.
Electricity supply	Supply of electricity to non-households and households final consumers. Electricity supplied to end consumers is mainly generated by the electricity generation segment, and where there is a gap, this is covered through spot or forward electricity purchases.

The Board of Directors of the Company reviews management reports of each segment. Segment profit before tax is used to measure performance because management believes that such information is one of the most relevant in evaluating the results of the segments.

B. Information about operating segments

Six month period ended 30 June 2023	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
External revenues	4,594,758	2,381,808	6,976,566	-	6,976,566
Inter-segment revenue	736,606	-	736,606	(736,606)	-
Segment revenue	5,331,364	2,381,808	7,713,172	(736,606)	6,976,566
Segment profit before tax	3,904,625	805,657	4,710,282	-	4,710,282
Net finance result	153,678	4,612	158,290	-	158,290
Depreciation and amortization	(397,467)	(35)	(397,502)	-	(397,502)
Impairment loss on property, plant and equipment and intangible assets, net	(384)	-	(384)	-	(384)
Electricity purchased	(35,880)	(839,873)	(875,753)	661,154	(214,599)
Green certificates expenses	-	(198,939)	(198,939)	75,452	(123,487)
Employee benefits expenses	(357,832)	(6,201)	(364,033)	-	(364,033)
Turbinated water	(378,399)	-	(378,399)	-	(378,399)
Tax for electricity producers	(220,708)	-	(220,708)	-	(220,708)
Transport and distribution of electricity	(43,618)	(459,783)	(503,401)	-	(503,401)
Other expenses	(168,682)	(75,968)	(244,650)	-	(244,650)

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise indicated)

Six month period ended 30 June 2022	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
External revenues	3,918,815	1,007,223	4,926,038	-	4,926,038
Inter-segment revenue	337,336	-	337,336	(337,336)	-
Segment revenue	4,256,151	1,007,223	5,263,374	(337,336)	4,926,038
Segment profit before tax	2,897,887	379,210	3,277,097	-	3,277,097
Net finance result	69,323	1,751	71,074	-	71,074
Depreciation and amortization	(384,513)	(26)	(384,539)	-	(384,539)
Impairment loss on property, plant and equipment and intangible assets, net	35,021	-	35,021	-	35,021
Electricity purchased	(66,792)	(330,072)	(396,864)	330,072	(66,792)
Green certificates expenses	(10,142)	(79,691)	(89,833)	7,264	(82,569)
Employee benefits expenses	(271,298)	(3,943)	(275,241)	-	(275,241)
Turbinated water	(243,321)	-	(243,321)	-	(243,321)
Tax for electricity producers	(395,954)	-	(395,954)	-	(395,954)
Transport and distribution of electricity	(24,748)	(174,245)	(198,993)	-	(198,993)
Other expenses	(95,901)	(45,692)	(141,593)	-	(141,593)

Other expenses include the following captions from interim consolidated statement of profit or loss: Repair, maintenance, materials and consumables, Impairment loss on trade receivables and Other operating expenses.

Electricity generation segment includes also system services and production of electricity for system balancing which are billed to the system operator, Transelectrica SA (see details in Note 6).

Inter-segment revenue includes the value of electricity produced and transferred within the same entity from producer portfolio (generation segment) to supplier portfolio (supplier segment) of RON 686,992 thousand for the six month period ended 30 June 2023 (six month period ended 30 June 2022: RON 325.521 thousand). Inter-segment revenue is calculated based on a methodology approved by Board of Directors in 2021. The methodology used for computing transfer price between segments is based on the average electricity production cost in the last 12 months ending 2 months prior the calculation month, plus an internal margin.

All revenues are generated in Romania.

Total segment assets and total segment liabilities are not included in the management reports reviewed by the Board of Directors.

6. REVENUE

A. Revenue from contracts with customers

The Group generates revenue from:

	Six month period ended	
	30 June 2023	30 June 2022
Wholesale of electricity	4,436,895	3,722,691
Electricity supplied to final consumers (retail sales)	2,381,808	1,007,223
System services	154,624	180,911
Sales of green certificates	-	12,862
Maintenance services	3,239	2,351
Total	6,976,566	4,926,038

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise indicated)

Revenue from electricity supplied to final consumers reflect the value of volume supplied, which are based on automated or manual meter readings performed by the distribution operators, self-readings reported by the consumers, or based on estimates of electricity delivered for which readings were not yet performed, for the interval between the date of last reading and the end of period.

The majority of the Group's supply revenue in the first semester of 2023 represent sales to non-household consumers (approx. 75% of volume), for which automated readings are performed at the end of each month. Also, approximately 55% of the volume supplied to household consumers is determined based on meter readings at the end of the period, and the rest is based on estimates of the consumption. As at 31 December 2022 approximately 35% of the volume supplied to household consumers is determined based on meter readings at the end of the year, and the rest is based on estimates of the consumption. Therefore, the Group assesses that the risk of revenue adjustment subsequent to period end that could result from the difference between the meter readings and the estimated volumes would have a limited impact on the financial statements.

For the six month period ended 30 June 2023, the Group produced 10,625 GWh (six month period ended 30 June 2022: 7,347 GWh), and sold 11,460 GWh (six month period ended 30 June 2022: 7,676 GWh). From total quantity sold, 3,078 GWh were supplied to end users in the six month period ended 30 June 2023 (1,679 GWh in the six month period ended 30 June 2022).

The Group's activity is subject to seasonal fluctuations as the electricity production varies according to the hydrological conditions. However, the seasonal fluctuations are not significant.

The Group has contracts with customers for periods up to 12 months.

Individual clients who represent more than 10% of the Group's revenues are as follows:

- Transelectrica SA, the electricity system operator - system services and production of electricity for system balancing (latter included in Sale of electricity produced) – RON 583,673 thousand in the six month period ended 30 June 2023 (8% of Group's revenue), RON 957,353 thousand in the six month period ended 30 June 2022 (19% of Group's revenue);
- OPCOM SA, the market operator – wholesale of electricity produced on the market for the centralized acquisition mechanism and on the spot market of RON 3,102,286 thousand in the six month period ended 30 June 2023 (44% of Group's revenue), and wholesale of electricity produced on the spot market RON 856,040 thousand in the six month period ended 30 June 2022 (17% of Group's revenue).

Timing of revenue recognition:

	Six month period ended	
	30 June 2023	30 June 2022
Revenue transferred over time	6,973,327	4,910,825
Revenue transferred at a point in time	3,239	15,213
Total	6,976,566	4,926,038

7. OPERATING EXPENSES

A. Turbined water

Turbined water represents the water used by the hydropower plants in order to generate electricity. According to the Romanian legislation, a fee per cubic meter of water used is established annually by the National Agency for Water Administration. For the first half of 2023, the fee was RON 1.40 per thousand cubic meters (first half of 2022: RON 1.23 per thousand cubic meters).

On 12 June 2023 the Government Ordinance no. 52/2023 was published according to which the fee for turbined water was set at 37 RON/MWh produced. The new fee is applicable starting 12 June 2023.

B. Electricity purchased

The Group purchases electricity in order to fulfill the deficit between the electricity contracted for sales and the actual electricity produced.

In the first half of 2023 the Group purchased 835 GWh (first half of 2022: 329 GWh) for RON 214.599 thousand (first half of 2022: RON 66,792 thousand). Increase of electricity purchases in the first half of 2023 represents the electricity purchased for the supply segment.

C. Transport and distribution of electricity

	Six month period ended	
	30 June 2023	30 June 2022
Injection of electricity produced in the national system	36,221	15,155
Distribution of electricity supplied	363,590	130,510
Transport of electricity supplied	103,590	53,328
Total	503,401	198,993

Tariffs for transport and distribution of electricity are regulated. Increase in expenses with transport and distribution of electricity in the first semester of 2023 is determined by increase of quantity of electricity supplied and increase of the regulated tariffs with approximately 15% starting with 1 April 2023.

D. Tax for electricity producers

Starting November 2021 the Government introduced a new tax for electricity producers. The tax is computed as 80% (for the period 1 November 2021 to 31 August 2022) and 100% (for the period 1 September 2022 to 31 March 2025, based on the provisions introduced by the Government Ordinance no. 119/2022) of net monthly average selling price in excess of RON 450 per MWh.

The net monthly average selling price is computed based on monthly revenue of the generation segment less monthly cost of electricity purchased, market administration fees and trading fees. Electricity production costs are not included in the monthly expenses.

The monthly revenue of the generation segment includes, according to the legislation, the wholesale of electricity produced and/or purchased and the value of electricity transferred within the same entity from producer portfolio (generation segment) to supplier portfolio (supplier segment). As the legislation does not define and does not include provisions on how the transfer value from producer portfolio to supplier portfolio should be computed, the Company has used its internal methodology for calculation of the transfer price between its licenced activities (generation and supply), which was approved by the Board of Directors on 8 June 2021, before the issuance of the legislation regarding the tax for electricity producers. This methodology is based on the average electricity production cost in the last 12 months ending 2 months prior the calculation month, plus an internal margin. This methodology may differ from the methodologies used by other companies taking into consideration that there is no regulation that stipulates a certain definition or method of calculation.

The tax computed by the Group for the six month period ended 30 June 2023 is RON 220,708 thousand (six month period ended 30 June 2022: RON 395,954 thousand). As at 30 June 2023 the outstanding amount receivable is RON 13.928 thousand (31 December 2022: outstanding amount payable RON 91,370 thousand).

Romanian tax authorities, through the General Antifraud Fiscal Division, performed three controls at the Group on the tax for electricity producers, two for the period September-December 2022, which were concluded in a report issued on 11 April 2023 for the Company and a report issued on 12 April 2023 for Crucea Wind Farm (Company's subsidiary that merged with Hidroelectrica at 31 December 2022) and one for the period April-August 2022 which was concluded in a report issued on 19 April 2023. As per the report issued on 11 April 2023, the authorities did not make any changes to the method of computing the tax or to the method of computing the transfer price between the production and supply portfolios, but

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise indicated)

only raised an issue regarding the starting date from which Law 357/2023 was applied by the Company. Also, the authorities mentioned in the report that the provisions of the Fiscal Code regarding transfer pricing does not apply in respect of the transfer price of the electricity between the portfolios/ segments, since these provisions regulate the transactions between related parties and not the transactions performed within the same entity.

Law 357/2023 was published by the authorities on 16 December 2022 and modified the method of computing net monthly revenue, by limiting the revenues in scope only to electricity produced and sold or transferred between segments and the costs in scope only to the balancing costs capped to 5% of the revenue from electricity produced and transfer value of electricity transferred between segments. The text of the law mentions that the provisions of the law are applicable starting with 1 September 2022, however the Company applied the law starting with the publication date, 16 December 2022.

As per control report issued on 11 April 2023, the tax authorities applied the law retroactively from 1 September 2022, and therefore computed additional tax of RON 62,052 thousand. The Group paid the additional tax, the amount being presented in other non-current assets as Hidroelectrica challenged the decision, estimating that the asset resulted from the payment will be realized in a period longer than one year. Further analysis on the retroactive application of the law is presented in Note 19 c).

As per control report issued on 19 April 2023 for the Company for the period April-August 2022 and also as per control report issued on 12 April 2023 for Crucea Wind Farm, the Romanian tax authorities have not computed additional tax.

8. FINANCE RESULT

	Six month period ended	
	30 June 2023	30 June 2022
Interest income	176,356	86,287
Other finance income	5,375	-
Finance income	181,731	86,287
Interest expense	(6,876)	(1,642)
Unwinding of non-current provisions	(16,235)	(13,775)
Gain or (loss) from foreign exchange differences	(330)	374
Other finance expenses	-	(170)
Finance expenses	(23,441)	(15,213)
Net finance result	158,290	71,074

9. EARNINGS PER SHARE

The calculation of earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	Six month period ended	
	30 June 2023	30 June 2022
<i>Profit attributable to the owners of the Company</i>		
Profit for the period attributable to the owners of the Company	3,946,250	2,697,051
Profit attributable to ordinary shareholders	3,946,250	2,697,051
<i>Weighted average number of ordinary shares (basic and diluted)</i>		
Issued ordinary shares at 1 January	448,459,482	448,459,482
Effect of shares issued in May 2023	223,848	-
Weighted average number of ordinary shares at 30 June	448,683,330	448,459,482
Earnings per share (basic and diluted) RON/share	8.80	6.01

10. INCOME TAX

In the determination of the current and deferred tax the Company takes into account the impact of uncertain tax positions (see Note 19). 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 income tax due are appropriate 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 the existing tax liabilities; such changes to tax liabilities will have impact in tax expense in the period that such determination is made.

(a) Income tax expense for the period

Income tax expense for the period is recognized at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the annual tax rate expected for the full financial year.

The Group's consolidated effective tax rate for the six month period ended 30 June 2023 was 16.2% (six month period ended 30 June 2022: 17.7%). The change in effective tax rate was mainly caused by the effect over 2022 effective tax rate of the distribution of previously deducted revaluation reserve, as in 2022 the amount distributed from previously deducted revaluation reserve was significantly higher than the amount the Group estimates it will distribute in 2023.

(b) Current tax liabilities

As at 30 June 2023 the outstanding amount payable is RON 432,402 thousand (31 December 2022: RON 171,978 thousand), and represent tax liabilities for second quarter 2023.

(c) Potential consequences on income tax

The Group may have potential consequences on corporate income tax that may result from the payment to shareholders of dividends from revaluation reserves transferred to retained earnings which, according to tax law, are taxed at the time of change of destination, to the extent they were previously tax deducted. Thus, the distribution of dividends from such reserves will generate additional income tax. The Company has such reserves transferred in retained earnings at 30 June 2023, which following the distribution would generate additional income tax for the Group of RON 6,231 thousand (31 December 2022: RON 21,499 thousand).

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise indicated)

The potential tax effect of revaluation reserves taxable at change in destination/distribution (at 16% tax rate) that were not yet transferred to retained earnings, amount to RON 367,547 thousand at 30 June 2023 (RON 371,761 thousand at 31 December 2022).

11. CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Bank accounts	339,702	647,941
Bank deposits with a maturity below 3 months	17,000	12,500
Petty cash	148	125
Cash equivalents	11,832	168
Total	368,682	660,734

12. INVESTMENTS IN DEPOSITS AND BONDS

	30 June 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Bank deposits with maturity less than 1 year held for investment purposes	2,271,952	-	3,034,745	-
Corporate bonds with a maturity more than 1 year	-	365,580	-	351,338
Total	2,271,952	365,580	3,034,745	351,338

Bank deposits are short-term deposits with maturity between 3 to 12 months held for investment purposes rather than for short term cash commitments. The average interest rate on term deposits was 7.8% per year in the first semester of 2023 (first semester of 2022: 4.4% per year).

In 2022 the Group acquired corporate bonds with maturity on 30 December 2025. The balance as at 30 June 2023 represents principal of RON 352,401 thousand and related interest of RON 13,179 thousand (31 December 2022: principal of RON 351,265 thousand and related interest of RON 73 thousand). The corporate bonds annual yield is 7.5%.

13. TRADE RECEIVABLES

	30 June 2023	31 December 2022
Trade receivables – generation segment (wholesale)	627,877	468,749
Trade receivables – supply segment (retail)	2,715,530	959,412
Impairment allowance	(125,965)	(77,484)
Total	3,217,442	1,350,677

The amount of the unbilled revenues included in trade receivables amounts to RON 2,240,551 thousand gross at 30 June 2023 (RON 1,116,046 thousand at 31 December 2022), out of which RON 2,104,724 thousand gross relate to supply segment (RON 767,612 thousand as at 31 December 2022). In 2022 the Group started the implementation of a new billing system, which together with the frequent regulatory changes with respect of supply prices to end-users and the significant increase in the number of retail clients of the Group, conducted to a significant delay in the billing process of the Group and a significant balance of unbilled revenues at 30 June 2023 and 31 December 2022.

Trade receivables ageing analysis is disclosed in Note 18. Trade receivables due from related parties are disclosed in Note 20.

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise indicated)

14. OTHER ASSETS

	30 June 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Payments made in connection with uncertain tax treatments	-	276,437	-	214,385
Social security contributions receivable	-	-	-	-
Prepayments	99,476	-	60,641	-
Value added tax receivable	-	-	41,648	-
Other assets	37,775	3,789	22,502	3,851
Impairment loss on other assets	(9,681)	-	(9,391)	-
Total	127,570	280,226	115,400	218,236

Payments made in connection with uncertain tax treatments

RON 214,385 thousand represents amounts paid by the Group as a result of the forced execution by ANAF in 2016 of the bank guarantee issued by ING Bank in favor of the Company for guaranteeing the amounts resulting from a Tax Inspection concluded by ANAF in 2014. The Company initiated lawsuits against ING Bank and ANAF in order to recover this amount executed. Litigation details are presented in Note 19.

According to the General Antifraud Fiscal Division report from 11 April 2023 and related imposing decision, the fiscal authorities applied the law 357/2022 regarding the tax for electricity producers retrospectively from 1 september 2022 and computed additional tax of RON 62,052 thousand RON (see Note 7.D). In May 2023, the Group paid the additional tax imposed, the amount being recorded as other non-current assets as Hidroelectrica will challenge in Court this decision, estimating that the assets represented by the payment will be recovered within a period longer than one year. The analysis regarding the retrospective application of the law is presented in Note 19 c).

15. CAPITAL

a) Share capital

On 27 May 2023, a share capital increase was registered at the Trade Register of RON 13,432 thousand, representing 1,343,085 shares, out of which RON 10,753 thousand contribution in kind by the Ministry of Energy representing land and RON 2,679 thousand contribution in cash by Fondul Proprietatea.

At 30 June 2023, the authorized, subscribed share capital of the Company is divided into 449,802,567 ordinary shares (31 December 2022: 448,459,482 ordinary shares) with a nominal value of RON 10 per share. The shareholders are entitled to dividends and each share grants a voting right.

Shareholders	30 June 2023		31 December 2022	
	Number of shares	%	Number of shares	%
Ministry of Energy	360,094,390	80.0561%	359,019,169	80.0561%
Fondul Proprietatea	89,708,177	19.9439%	89,440,313	19.9439%
Total	449,802,567	100%	448,459,482	100%

b) Dividends

On 28 April 2023, the General Meeting of Shareholders approved the distribution of dividends in the amount of RON 3,914,389 thousand from the net distributable profit (2022: RON 2,830,946 thousand from the net distributable profit) and RON 435,000 thousand from retained earnings representing transfers from revaluation reserves (2022: RON 1,000,000 thousand from retained earnings representing transfers from revaluation reserves).

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise indicated)

The value of the distributed dividends per share is 9.70 RON/share (2022: 8.54 RON/share).

Liabilities in relation to dividends include:

	30 June 2023	31 December 2022
Dividends payable	407,140	-
Tax on dividends	278,588	-
Total	685,728	-

16. OTHER PAYABLES

	30 June 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Payables to the State	82,298	-	14,223	-
Performance deposits from suppliers	5,514	11,685	12,114	5,719
Other	11,660	72	12,234	46
Total	99,472	11,757	38,571	5,765

Current payables to the State represent mainly VAT payable of RON 64,918 thousand as at 30 June 2023 (31 December 2022: RON 3,098 thousand).

17. PROVISIONS

	30 June 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Litigation and claims	160,257	-	120,354	-
Decommissioning	-	738,855	-	723,968
Tax provisions	-	95,019	-	93,121
Other provisions	1,407	-	1,406	-
Total	161,664	833,874	121,760	817,089

	Litigii si dispute	Dezafectare	Provizioane fiscale	Alte provizioane	Total
Balance at 1 January 2023	120,354	723,968	93,121	1,406	938,849
Provisions recognized in profit or loss	40,116	550	-	1	40,667
Provisions used	(126)	-	-	-	(126)
Provisions reversed	(87)	-	-	-	(87)
Unwinding of provisions (Note 8)	-	14,337	1,898	-	16,235
Balance at 30 June 2023	160,257	738,855	95,019	1,407	995,538

(i) Provisions for litigation and claims

As at 30 June 2023 and 31 December 2022, provisions for litigations include RON 47,404 thousand relating to a litigation started in December 2022 by Hidroconstructia SA, one of the constructors used for Bumbesti-Livezeni investment project. Hidroconstructia requested RON 47,404 thousands representing works performed in 2017 and related interest and costs incurred during the period the project was in stand-by due to the annulment of the required construction and

environmental authorizations. These costs include security and safety of the project during the stand-by period. Considering the probability of an unfavourable outcome, the Group recognized a provision of RON 47,404 thousands.

As at 30 June 2023 and 31 December 2022, provisions for litigations include RON 67,618 thousand relating to the litigation with the Association of Romelectro SA, Hidroconstructia SA and ISPH Project Development SA (the Association) started in 2013. The subject of the litigation is disputes over the contract signed in 2004 for the Bumbesti-Livezeni investment project. The Association requested RON 88,441 thousand representing additional works performed by the Association starting 2010 until the date of commencement of the litigation. Following several rulings and appeals in 2019 the file was sent to retrial. In 2020 the Court requested a technical expert report. Based on the past rulings, the expert report issued on 17 February 2022 and considering the probability of an unfavourable outcome the Group recognized a provision of RON 67,618 thousand.

In the first semester of 2023, the Group recognized provisions for litigations of RON 40,116 thousand relating to the litigation with Benny Alex SRL. The subject of the litigation is disputes over the value of the additional works performed on the basis of the subcontracting agreement concluded with Hidroserv (the Company's subsidiary) in the amount of RON 40,116 thousand. On 30 May 2023, the court ruled in favor of the plaintiff BENY ALEX S.R.L, the Company having the right to appeal within 30 days from the communication. Considering the court's decision, the Group estimated that an unfavorable outcome is probable and, accordingly, recognized a provision of RON 40,116 thousand.

18. FINANCIAL INSTRUMENTS – Fair Values and Risk Management

(a) Accounting classifications and fair values

In accordance with IFRS 9, the Group's financial assets and liabilities are measured at amortized cost. According to the business model of the Group, financial assets and liabilities are held to collect contractual cash flows and these cash flows are solely payments of principal and interest. The Group did not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(b) Financial risk management

Credit risk

Credit risk is the risk that the Group will incur a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and this risk derives mainly from trade receivables, cash and cash equivalents, and investments in corporate bonds and deposits.

Cash and bank deposits are placed in financial institutions that are considered to have high creditworthiness.

Exposure to credit risk

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

	30 June 2023	31 December 2022
Trade receivables	3,217,442	1,350,677
Cash and cash equivalents	368,682	660,734
Restricted cash	101,057	101,057
Investments in corporate bonds and deposits	2,637,532	3,386,083
Total	6,324,713	5,498,551

Trade receivables

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each client. The Group has established a credit policy according to which each new business client is analyzed individually from the point of view of creditworthiness before the conclusion of a contract, so that the sale is made to the clients with an adequate creditworthiness. For household clients, such credit risk analysis is not performed due to the nature and volume of the

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise indicated)

customers. Impairment adjustments of trade receivables reflect the expected credit losses, calculated based on the loss rates.

Increase of trade receivables is due to significant unbilled revenues due to delays in the invoicing electricity supplied to end users, due to the implementation of a new billing system for supply activity and due to a significant increase in new customers. The amount of the unbilled revenues included in trade receivables amounts to RON 2,104,724 thousand at 30 June 2023 (RON 1,116,046 thousand at 31 December 2022).

The following table provides information about the exposure to credit risk and expected credit loss (ECL) for trade receivables as at 30 June 2023:

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net trade receivables
Not past due	2.28%	2,487,251	(56,642)	2,430,609
Past due - from 0 to 3 months	31.54%	60,647	(19,130)	41,517
Past due - from 3 to 6 months	86.16%	11,557	(9,957)	1,600
Past due - from 6 months to 1 year	100.00%	20,817	(20,817)	-
Past due - more than 1 year	100.00%	19,419	(19,419)	-
Total		2,599,691	(125,965)	2,473,726
Customers analyzed individually		743,716	-	743,716
Total trade receivables		3,343,407	(125,965)	3,217,442

The following table provides information about the exposure to credit risk and expected credit loss (ECL) for trade receivables as at 31 December 2022:

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net trade receivables
Not past due	2.45%	1,014,908	(24,896)	990,012
Past due - from 0 to 3 months	36.40%	39,459	(14,363)	25,096
Past due - from 3 to 6 months	62.86%	13,496	(8,483)	5,013
Past due - from 6 months to 1 year	100.00%	19,036	(19,036)	-
Past due - more than 1 year	100.00%	10,706	(10,706)	-
Total		1,097,605	(77,484)	1,020,121
Customers analyzed individually		330,556	-	330,556
Total trade receivables		1,428,161	(77,484)	1,350,677

Customers analyzed individually represent outstanding amounts from customers for which the Group believes that there is a negligible risk to collect.

Loss rates for the first semester of 2023 are based on the actual credit loss experienced over the past four quarters considering the evolution of the supply segment and the delays in invoicing the electricity supplied (31 December 2022: five years).

The Group has guarantees received from customers of RON 346,986 thousand at 30 June 2023 (RON 907,555 thousand at 31 December 2022). These are guarantees for payment in the form of bank letters of guarantee received in relation to electricity sales contracts. Decrease of guarantees received from customers is due to the implementation of the market for centralised acquisition mechanism of electricity. Transactions on this market are made through Opcom as intermediary, meaning that the Group concluded one wholesale contract with Opcom, thus the number of wholesale contracts decreased in the first semester of 2023.

19. CONTINGENCIES

19.1 Litigation, claims and tax uncertainties

The main litigations involving the Group, with a potential exposure of RON 839,294 thousand as at 30 June 2023 (31 December 2022: RON 882,864 thousand), are disclosed as contingent liabilities:

a) Litigation with Ministry of Energy

Potential exposure: RON 373,050 thousand as at 30 June 2023 and 31 December 2022

Plaintiff: Ministry of Energy

File no. 3200/2/2018

The Ministry of Energy claims the following:

1. enforcing the Company to consent to conclude an addendum to the concession agreement as follows:
 - a) the Ministry of Energy, as grantor, to be able to change the royalty discretionary; and
 - b) the annual royalty to be changed to an amount equal to the annual depreciation of property, plant and equipment subject to royalty as per the concession agreement.
2. The Ministry of Energy also claims RON 373,050 thousand representing additional royalties for the period 2013 – 2018 computed as described in 1b) above.

The Court appointed an expert to determine the amount payable by the Group, if any. The court also approved an expert engaged by the Group. Both experts concluded that the royalty calculated and paid by the Group for the period 2013 - 2018 was in accordance with the provisions of the concession agreement and is accurate and complete.

On 11 May 2021, the first Court rejected the claims of the Ministry of Energy as groundless. During 2022, the Ministry of Energy appealed the Court decision, first court appearance being established on 24 February 2024.

Based on this first court ruling, management estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

b) Litigations with Tax authorities regarding past tax treatments

Potential exposure: RON 214,385 thousand as at 30 June 2023 and 31 December 2022

Plaintiff: Hidroelectrica

The Company was subject to a general tax inspection covering the period 01.01.2006-30.06.2012 concluded with several tax decisions issued by National Authority for Fiscal Administration ("ANAF") in 2014, which imposed additional taxes of RON 214,385 thousand, which includes mainly income tax of RON 26,513 thousand and related late payment interest and penalties of RON 119,448 thousand, value added tax of RON 37,677 thousand and related late payments interest and penalties of RON 27,339 thousands. The Company filed a complaint in Court in 2015 requesting the cancellation of the tax decisions.

In 2021 the experts appointed by the Court issued their report, which concluded that ANAF is entitled to receive RON 511 thousand plus interest and penalties. ANAF objected to the experts' report. In February 2023, the independent experts submitted the updated report containing responses to the ANAF's objections. In the updated report, the experts concluded that ANAF is entitled to receive RON 987 thousand.

On 7 April 2023 the Court of Appeal pronounced the sentence through which ANAF tax decision regarding to the Company's additional payment obligations of 214,385 thousand was cancelled. The decision was appealed by ANAF in July 2023.

Based on the final decision of the Bucharest Court of Appeal in the Company's insolvency file according to which ANAF is deprived of the right to request payment of the tax obligations imposed by the tax decisions, and based on the experts' report which is favorable to the Group, as well as the Court of Appeal ruling from 7 April 2023, management estimates that the litigation will be ruled in the Group's favor, and consequently an outflow of resources is not probable.

c) Dispute over the additional tax for electricity producers claimed

Potential exposure: RON 62,052 thousand as at 30 June 2023 and 31 December 2022

Tax for electricity producers was subject to multiple changes with respect to the method of computation during 2022. One of the change was instated through Law no. 357/2022, which was published on 16 December 2022. The Company applied the provisions of the law starting with 16 December 2022.

As previously mentioned in Note 7 D, the Company was subject to a tax control by the General Antifraud Division of ANAF on the tax for electricity producers. As per the control report on 11 Aprilie 2023, the tax authorities applied the changes introduced by the law retroactively starting 1 September 2022, and therefore computed additional tax of RON 62,052 thousand.

On 28 April 2023 the Company received the imposing decision for the amount of RON 62,052 thousand. The Group challenged the imposing decision within the procedural term.

The applicability of the Law no. 357/2022 from 1 September 2022 could be challenged on the grounds of unconstitutionality considering that article no. 15 from the Constitution of Romania provides inter alia that a law disposes only for the future. Based on the unconstitutionality argument, the Company will challenge in court the additional tax established by the tax authorities. The management assess that there are strong arguments for winning this litigation.

d) Litigation with Hidroconstructia SA

Potential exposure: RON 98,762 thousand as at 30 June 2023 and 31 December 2022

Plaintiff: Hidroconstructia SA

File no. 12257/3/2022

Hidroconstructia SA filed claims to recover RON 98,762 thousand consisting of unrealized profits as a result of the suspension by Hidroelectrica of the construction works related to the Fagaras Hoghiz investment project. Also, Hidroconstructia requested the court to enforce the termination of the underlying contract.

In January 2023, the Court ruled in favor of the Company, rejecting Hidroconstructia's claims. The decision was appealed by Hidroconstructia, first term being 12 October 2023. Based on the initial first Court ruling, management estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

e) Arbitration with Romelectro S.A.

Potential exposure: RON 29,250 thousand as at 30 June 2023 and 31 December 2022

Plaintiff: Romelectro S.A.

File no. 8/2021, currently File no. 30/2022

Hidroelectrica filed an arbitration request for RON 78,768 thousand representing penalties for delayed works and related interest, plus legal expenses in relation to the Retehnologizare Stejaru investment project.

Romelectro made its counterclaim of EUR 8,868 thousand, equivalent of RON 43,881 thousand, plus related interest, VAT and legal expenses. The claims refer mainly to costs incurred and lost profit by Romelectro due to delays in execution of the contract generated by Hidroelectrica.

During 2022, due to insolvency of Romelectro, Hidroelectrica request was terminated, as the Company will be entitled to requests these amounts in the insolvency procedure.

Following the termination of Hidroelectrica request, file no. 30/2022 was constituted, containing only Romelectro's claims.

During 2022, Romelectro adjusted their initial claims and requested only EUR 5,917 thousand, the equivalent of RON 29,250 thousand, plus VAT and legal expenses. The claims mainly refer to the counter value of the costs borne by Romelectro, generated by delays attributable to Hidroelectrica, such as site organization costs, personnel costs, finance costs.

In November 2022, the Arbitration Court requested a financial and accounting analysis to be performed by an independent expert. Currently, the expert report is being drafted, next term being 7 November 2023.

Based on the legal analysis of the contract between the parties and the documents related to the project, the Group argues that the delays in the execution of the project are not attributable to Hidroelectrica, but to Romelectro, which constantly proposed technical solutions that were not in conformity with the contract.

Based on the above, management estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

f) Litigation with Hidroconstructia SA

Potential exposure: RON 32,832 thousand as at 30 June 2023 and 31 December 2022

Plaintiff: Hidroconstructia SA

Files no. 44443/3/2016 and 11314/3/2021

Hidroconstructia SA claims the costs generated by the suspension of construction works rendered before the Company's insolvency. The Group argues that such claims have no grounds considering the insolvency process of Hidroelectrica and the fact that the claimant lost its right to claims as it failed to register the claim in the table of creditors.

In March 2018 the first Court rejected the claims of Hidroconstructia SA. This ruling was contested by Hidroconstructia SA. The Group also contested the ruling, as it provided for legal fees for Hidroelectrica.

In April 2019 the Court of appeal sent the case back to the first court for reexamination. The dispute was reopened by the first Court (file no. 11314/3/2021).

In April 2022, the Court requested an expertise report in hydrotechnical constructions and an accounting expertise report to be performed by independent experts. Currently, the expert report is being drafted, next term being 10 October 2023.

Based on the initial first Court ruling, management estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

g) Litigation with Hidroconstructia SA

Potential exposure: RON 28,963 thousand as at 30 June 2023 and 31 December 2022

Plaintiff: Hidroconstructia SA

File no. 31451/3/2020

Hidroconstructia SA filed claims in the amount of RON 28,963 thousand representing discounts granted during 2014 – 2019 to the Group for construction of AHE Siriu-Surdac project, as well as indexation of the price of workings performed during the respective period.

As per contract between the parties, Hidroconstructia granted discounts to Hidroelectrica and agreed to maintain the prices flat as long as Hidroelectrica will ensure the financing of the project.

Hidroconstructia claims that Hidroelectrica failed to ensure the financing of the project and is entitled to recover the discounts granted.

In September 2022, the independent expert issued a report establishing a potential liability between RON 8,904 thousand and RON 31,158 thousand. The independent expert did not analyse if the Group failed or not to finance the project. On 10 April 2023, the court rejected Hidroconstructia claims. The decision was challenged by Hidroconstructia. The next court date is on October 23, 2023.

Considering that the Group does not have a liability to Hidroconstructia in respect of the works made during 2014 – 2019 for AHE Siriu – Surduc project, the management assesses that the condition to ensure the financing of the project were met by Hidroelectrica and estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

h) Litigation with Beny Alex S.R.L.

Potential exposure: RON 43,570 thousand as at 31 December 2022

Plaintiff: Beny Alex SRL

File no. 36646/3/2018*

Beny Alex SRL claims the amount of additional works performed based on the subcontracting agreement concluded with Hidroserv (the Company's subsidiary). The first Court overruled the claim on the grounds of prescription of the material right of action. In 2020 Benny Alex appealed to this ruling. The appeal was approved by the Court of judicial control, which fully cancelled the initial Court ruling and resent the case to the first Court for reexamination.

In December 2022, an independent expert report was finalized. Based on the expert report the value of the additional works performed is RON 40,116 thousand. Hidroelectrica submitted objections to the report.

On 30 May 2023, the Court ruled in favor of the plaintiff BENY ALEX S.R.L, the Company having the right to appeal within 30 days.

Based on the initial first Court ruling, the Company registered a provision for the amount of RON 40,116 thousand (Note 17).

19.2 Fiscal environment

Tax audits are frequent in Romania, consisting of thorough verifications of taxpayers' accounting records. Such audits sometimes take place months or even years after the establishment of the tax liabilities. Consequently, companies may be found liable for significant taxes and fines. In addition, the tax legislation is subject to frequent changes, and the authorities often show inconsistency in the interpretation of law.

Tax returns may be subject to revision and corrections by the tax authorities, generally for a five years period after they are filed with the tax authorities.

Romanian tax authorities carried out tax audits on Hidroelectrica's income tax and value added tax until 20 June 2012, while on Hidroserv's income tax until 31 December 2014.

Management believes that adequate provisions have been recognised in the consolidated financial statements for all significant tax liabilities; however, a risk persists that tax authorities might have different views.

19.3 Decommissioning obligations

The Group identified decommissioning obligations in relation to its hydro-power facilities. Management estimates that, except for the assets abandoned or switched to post-utilisation upon management decisions, and except for its wind farm, for which decommissioning provisions are recognised, the occurrence of events that would require abandonment or switching to post-utilisation of other assets in the public domain or hydro-power plants owned by the Group by the end of the concession contract (31 years from 31 December 2022) is unlikely, considering the long useful life of dams, which can be significantly extended over 100 years by maintenance and improvements.

20. RELATED PARTIES

a) Ultimate controlling party

The Company is ultimately controlled by the Romanian State, represented by the Ministry of Energy, with a shareholding of 80.0561%.

b) Transaction with key management personnel

Key management personnel include the members of the Board of Directors and Supervisory Board.

	Six month period ended	
	30 June 2023	30 June 2022
Board of Directors remuneration		
Expenses recognized during the period		
Fixed component	1,514	1,156
Variable component accrual	-	-
Reversal of overaccrual of the previous year	(116)	-
Total	1,398	1,156
Payments made in the period		
Fixed component	1,514	1,156
Variable component (for the previous year)	8,085	8,201
Total	9,599	9,357

The Board of Directors consists of 5 members.

Remuneration of executive directors consists of a fixed monthly salary limited to six times the average monthly gross salary for the last 12 months prior to appointment published by National Institute of Statistics (INS) for the Company's activity code (CAEN) according to the classification of activities in the national economy, and a variable component calculated on the basis of the financial and non-financial performance indicators, negotiated and approved by the general meeting of shareholders.

The variable component of the remuneration of the Board of Directors approved by shareholders decision in 2019 is limited to 3.5 times the annual fixed component. The maximum amount of the variable component for all the Board of Directors is RON 8,201 thousand. The variable component is not subject to future service conditions.

The Company accrued RON 8,201 thousand at 31 December 2022 for the variable component of the Board of Directors' remuneration, and paid RON 8,085 thousand in May 2023 based on Remuneration Committee 's approval.

The Company has no contractual obligations related to pensions to its former directors.

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise indicated)

Supervisory Board remuneration

	Six month period ended	
	30 June 2023	30 June 2022
Expenses recognized during the period		
Fixed component	531	445
Variable component accrual	-	-
Reversal of overaccrual of the previous year	(154)	(148)
Total	377	297
Payments made in the period		
Fixed component	531	445
Variable component (for the previous year)	884	890
Total	1,415	1,335

The Supervisory Board consists of 7 members appointed for 4 years.

Remuneration of the members of the Supervisory Board was approved by shareholders decision in 2023. According to this decision, the remuneration of the Supervisory Board members consists of a monthly fixed salary, limited to two times the average monthly gross salary for the last 12 months prior to appointment published by National Institute of Statistics for the Company's activity code (CAEN) according to the classification of activities in the national economy.

The Group accrued RON 1,038 thousand at 31 December 2022 for the variable component of the Supervisory Board, and paid RON 884 thousand in May 2023 based on Remuneration Committee's approval.

There were no loans granted to the members of Supervisory Board or Board of Directors. No guarantees were granted / received to / from the members of Supervisory Board or Board of Directors.

c) Transactions with other companies in which the State has control or significant influence

In the normal course of business, the Group has transactions with other entities in which the State has control or significant influence, mainly related to the tax on industrial water, the purchase of electricity, transport and system services and sales of electricity, as follows:

Supplier	Purchases (without VAT) in six month period ended 30 June 2023	Payables (including VAT) 30 June 2023
Administratia Nationala Apele Romane	367,770	115,890
Transelectrica (Romanian Electricity System Operator)	222,177	37,715
OPCOM (Romanian Electricity Market Operator)	2,457	399
SN Nuclearelectrica SA	183,472	(5,960)
Distributie Energie Electrica Romania	147,376	10,330
Others	12,062	3,071
Total	935,314	161,445
Supplier	Purchases (without VAT) in six month period ended 30 June 2022	Payables (including VAT) 31 December 2022
Administratia Nationala Apele Romane	235,677	78,625
Transelectrica (Romanian Electricity System Operator)	190,708	70,417
OPCOM (Romanian Electricity Market Operator)	4,497	85
SN Nuclearelectrica SA	-	(41,256)
Distributie Energie Electrica Romania	50,784	14,902
Others	10,182	1,564
Total	491,848	124,337

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(All amounts are in thousand RON, unless otherwise indicated)

Client	Sales (without VAT)	Receivables Gross Carrying amount (including VAT)	Impairment loss	Receivables Net Carrying amount (including VAT)
	in six month period ended 30 June 2023		30 June 2023	
Transelectrica (Romanian Electricity System Operator)	583,673	163,848	-	163,848
Electrica Furnizare OPCOM (Romanian Electricity Market Operator)	25,627	-	-	-
E.ON Energie Romania	3,102,286	406,395	-	406,395
Engie Romania	43,121	7,151	-	7,151
Others	30,452	5,062	-	5,062
	155,171	33,083	(18,725)	14,358
Total	3,940,330	615,539	(18,725)	596,814

Other customers include mainly public institutions, local authorities and public educational institutions to which the Company supplied electricity in 2023.

Client	Sales (without VAT)	Receivables Gross Carrying amount (including VAT)	Impairment loss	Receivables Net Carrying amount (including VAT)
	in six month period ended 30 June 2022		31 December 2022	
Transelectrica (Romanian Electricity System Operator)	957,353	276,208	-	276,208
Electrica Furnizare OPCOM (Romanian Electricity Market Operator)	227,935	42,420	-	42,420
E.ON Energie Romania	856,040	2,821	-	2,821
Engie Romania	4,959	27,343	-	27,343
Distributie Energie Electrica Romania	19,077	6,539	-	6,539
Romaero	26,280	73	(16)	57
Metrorex	2,108	7,502	(7,502)	-
Others	7,753	8,024	(7,819)	205
	34,409	155,019	(15,671)	139,348
Total	2,135,914	525,949	(31,008)	494,941

21. SUBSEQUENT EVENTS

Board of Directors

On 28 July 2023, Supervisory Board decided to extend the mandate of the current members of the Board of Directors for a period of 2 months starting 7 August 2023, or until the appointment of new members of the Board of Directors, if the selection process will be finalized prior to this term.

Bogdan BADEA President of the Board of Directors	Marian BRATU Member Board of Directors	Andrei GEREĂ Member Board of Directors	Cristian VLADOIANU Member Board of Directors	Razvan PATALIU Member Board of Directors
Marian FETITA Accounting Manager			Gabriela VASILESCU Head of Financial Reporting and Budgeting	



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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of
Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A. ("the Company") and its subsidiary (together "the Group"), which comprise:

- the condensed consolidated interim statement of financial position as at 30 June 2023;
- the condensed consolidated interim statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2023;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2023;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2023;
- and
- notes to the condensed consolidated interim financial statements

("the condensed consolidated interim financial statements").

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Other matter - Corresponding figures

The corresponding figures for the three-month and six-month periods ended 30 June 2022 were not audited or subject to review.

For and on behalf of KPMG Audit S.R.L.:



Andreea Vasilescu

registered in the electronic public register of financial auditors and audit firms under no. AF2689

Bucharest, Romania

16 August 2023



registered in the electronic public register of financial auditors and audit firms under no. FA9

Autoritatea pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)

Auditor financiar: **VASILESCU ANDREEA**

Registrul Public Electronic: **AF2689**

Autoritatea pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)

Firma de audit: **KPMG AUDIT S.R.L.**

Registrul Public Electronic: **FA9**