



**Societatea de Producere a Energiei Electrice in Hidrocentrale „Hidroelectrică” S.A.**

# **Consolidated Preliminary Financial Results for 2023**

**based on the consolidated unaudited financial statements prepared in accordance with the International Reporting Financial Standards (“IFRS”) adopted by the European Union (“IFRS-EU”)**

**27 February 2024**





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## Notes:

*The presented financial results have not been audited or reviewed by an independent auditor and do not represent a complete set of financial statements.*

*The preliminary financial results are prepared and issued before the completion of the independent audit of the annual financial statements, so differences may exist between the preliminary consolidated financial results and the audited consolidated financial statements.*

*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 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.*

*Certain figures included in this Report have been subject to rounding adjustments; as a result, figures presented for the same illustrated category in different tables may vary slightly. Additionally, the figures presented as totals in certain tables may not be an arithmetic aggregation of the preceding figures. Moreover, the percentages in the tables have been rounded and, as a result, may not sum up to 100%. Calculations, variations, and other percentages may slightly differ from their actual calculations due to the rounding of underlying financial, statistical, and operational information.*

*This report does not contain all the information that may be necessary regarding the company and its actions. Each person who accesses this report should conduct their own analysis.*

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# Summary of 2023 Report

Hidroelectrica Group registers increasing operational and financial results for the year ended 31 December 2023, compared to year 2022, with improvements in the Group's operating margin and net margin by 6% and 10%, respectively, mainly due to the high, above average hydraulics and the execution of the strategy supply portfolio.

- **Electricity production increased by 30% compared to year 2022**
- **Revenue increased by 30% compared to year 2022**
- **Operating margin of 58%, increased by 6% compared to last year**
- **Net margin of 52%, increased by 10% compared to year 2022**
- **Net profit increased by 42%, from RON 4,464 million to RON 6,337 million**  
**Earnings per share increased by 42%, from RON 9.95/share to RON 14.11/share.**

Operational KPIs		FY 2023	FY 2022	Change (%)
<b>Gross electricity production, out of which:</b>	<b>GWh</b>	<b>18,119</b>	<b>13,925</b>	<b>30%</b>
Electricity production from hydro (gross)	GWh	17,784	13,626	31%
<b>Net electricity production, out of which:</b>	<b>GWh</b>	<b>17,639</b>	<b>13,544</b>	<b>30%</b>
Electricity production from hydro (net)	GWh	17,305	13,245	31%
Electricity production from wind	GWh	334	299	12%
<b>External Acquisition GWh</b>	<b>GWh</b>	<b>1,699</b>	<b>1,000</b>	<b>70%</b>
<b>Total Electricity sales GWh</b>	<b>GWh</b>	<b>19,338</b>	<b>14,544</b>	<b>33%</b>

Financial KPIs		FY 2023 (unaudited)	FY 2022 (audited)	Change (%)
Revenue	RONm	12,244	9,452	30%
EBITDA	RONm	7,977	5,985	33%
EBITDA Margin	%	65%	63%	3%
Adjusted EBITDA	RONm	8,214	6,009	37%
Adjusted EBITDA Margin	%	67%	64%	6%
Operating Margin (Operating Profit/Revenues*100)	%	58%	55%	6%
Net Margin (Profit for the period/Revenues*100)	%	52%	47%	10%

***The financial indicators are calculated based on unaudited preliminary consolidated financial statements and may differ from the final audited results.***

# Preliminary Financial Results for 2023

## Financial Indicators

*The financial indicators are calculated based on unaudited preliminary consolidated financial statements and may differ from the final audited results.*

Indicators	RONm		
	FY 2023 (unaudited)	FY 2022 (audited)	Change (%)
Revenue	12,244	9,452	30%
EBITDA	7,977	5,985	33%
Operating Profit	7,161	5,208	38%
Profit for the period	6,337	4,464	42%
Basic and diluted earnings per share	14.11	9.95	42%

Indicators	Calculation method	FY 2023 (unaudited)	FY 2022 (audited)
Current liquidity indicator	Current assets/Current liabilities	7.48	5.21
Degree of indebtedness	Borrowed capital/Own capital x 100	1.84	2.32
Degree of indebtedness	Borrowed capital/capital employed x 100	1.81	2.26
Receivables turnover	Average Receivable balance/Revenue x 365	65.13	52.16
Fixed assets turnover	Revenue/Fixed assets	0.58	0.47

## Net Debt/ (Cash) Adjusted

RONm	FY 2023 (unaudited)	FY 2022 (audited)	Change (%)
Bank borrowings	394	484	-19%
Lease liabilities	66	15	330%
Cash and cash equivalents	(408)	(661)	-38%
Short-term Investments ( investments in deposits)	(4,349)	(3,035)	43%
Adjusted Net Debt/(Cash)	(4,297)	(3,196)	34%
Adjusted EBITDA	8,214	6,009	37%
Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio	(0.52)	(0.53)	-2%

## Breakdown of revenue

		FY 2023 (unaudited)	FY 2022 (audited)	Change (%)
Generation Energy Sold (Net)	GWh	17,639	13,544	30%
External Acquisitions	GWh	1,699	1,000	70%
<b>Total Energy Sale</b>	<b>GWh</b>	<b>19,338</b>	<b>14,544</b>	<b>33%</b>
<hr/>				
<i>Wholesale Energy Sold</i>	GWh	12,665	10,295	23%
Wholesale Price	RON / MWh	493	532	-7%
<b>Wholesale Revenues</b>	<b>mil. RON</b>	<b>6,241</b>	<b>5,474</b>	<b>14%</b>
<hr/>				
<i>Quantity of electricity-Supply</i>	GWh	6,239	3,676	70%
Supply Prices (ex pass through)	RON / MWh	560	409	37%
<b>Supply Revenues related to active energy</b>	<b>mil. RON</b>	<b>3,494</b>	<b>1,505</b>	<b>132%</b>
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<b>Transferred costs (pass trough)</b>	<b>mil. RON</b>	<b>1,454</b>	<b>644</b>	<b>126%</b>
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<i>Quantity of electricity - Balancing</i>	GWh	433	574	-25%
Balancing Price	RON / MWh	1,310	2,521	-48%
<b>Balancing Revenues</b>	<b>mil. RON</b>	<b>567</b>	<b>1,447</b>	<b>-61%</b>
<hr/>				
<b>System Services (STS) Revenues</b>	<b>mil. RON</b>	<b>334</b>	<b>317</b>	<b>5%</b>
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<b>Other revenues from customer contracts</b>	<b>mil. RON</b>	<b>154</b>	<b>65</b>	<b>137%</b>
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<b>Revenues</b>	<b>mil. RON</b>	<b>12,244</b>	<b>9,452</b>	<b>30%</b>

### *Generation Energy Sold (Net)*

The energy produced and sold (net) increased by 30% (17,639 GWh) in the year ended on 31 December 2023 from 13,544 GWh in 2022. This increase was mainly due to the improvement of hydrological conditions in 2023 compared to 2022, the quantity of energy produced in 2023 being above the multiannual average.

### *Wholesale Revenues*

Considering the surplus production of 30% compared to the same period of the previous year, combined with the new operating conditions of the wholesale market (implementation starting from 1 January 2023 of MACEE), as well as with the variation of the SPOT price in 2023 compared to 2022 (60% decrease), the revenue related to these transactions registered a 14% increase in 2023 compared to 2022.

### *Supply Revenues related to active energy*

The revenues from the electricity supply activity increased by 132%, to RON 3,494 million revenues in the year ended 31 December 2023, from RON 1,505 million revenues in 2022. This evolution of revenues is due to both the increase in the portfolio of clients and the increase in average selling price.

### *Transferred costs (pass trough)*

The transfer costs related to the supply of electricity increased by 126%, to RON 1,454 million in the year ended 31 December 2023, from RON 644 million in 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 61%, from RON 567 million in the year ended 31 December 2023, from RON 1,447 million in 2022. The decrease is caused by the decrease in the amount of energy related to the Balancing Market from 574 GWh to 433 GWh, as well as by the decrease in the price on the Balancing Market from 2,521 RON / MWh to 1,310 RON / MWh for the year ended 31 December 2023.

### *Other revenues from customer contracts*

Other revenues refer to revenues related to the services provided based on contracts with clients, other than the revenues from the sale of electricity.

During the reporting period, other revenues represent mainly 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.

## Operating Expenses

	<b>FY 2023 (unaudited)</b>	<b>FY 2022 (audited)</b>	<b>Change (%)</b>
	<i>RONm.</i>	<i>RONm.</i>	
<b><i>Costs breakdown</i></b>			
Turbinated water	639	451	42%
Employee benefits expenses	717	631	14%
Transport and distribution of electricity	1,208	498	142%
Electricity purchased	489	697	-30%
Green certificates expenses	297	183	62%
Depreciation and amortization	799	772	4%
Impairment loss on property, plant and equipment and intangible assets, net	237	24	892%
Impairment loss on trade receivables, net	80	43	83%
Repair, maintenance, materials and consumables	85	82	4%
Tax for electricity producers	225	672	-66%
Other operating expenses	341	236	44%

### *Turbined water*

Turbined water expenses increased by 42%, to RON 639 million in the year ended 31 December 2023 from RON 451 million in 2022. This increase was mainly caused by the increase in the amount of processed water used to produce electricity, 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 14% to RON 717 million in the year ended 31 December 2023, from RON 631 million in 2022. This increase reflects mainly 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*

Electricity transport and distribution expenses increased by 142% to RON 1,208 million in the year ended 31 December 2023, from RON 498 million in 2022. This increase is due to the evolution of the quantities delivered on the portfolio of supply and of the regulated tariffs.

### *Electricity purchased*

The electricity purchased decreased by 30% in the year ended 31 December 2023 to RON 489 million from RON 697 million in 2022. This decrease is due to the decrease in the average purchase price of electricity in 2023.

### *Green certificates expenses*

Expenses with green certificates increased by 62% in the year ended 31 December 2023, to RON 297 million from RON 183 million in 2022. This increase is due to the need to purchase Green Certificates through the Centralized Anonymous Spot Market for Green Certificates to cover the consumption of final customers in the supply portfolio of Hidroelectrica S.A.

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

- 33,093 GC from hydropower plants for the year ended 31 December 2023, compared to 86,319 GC in 2022;
- 251,242 GC from wind power plants for year ended 31 December 2023, compared to 224,156 GC in 2022;

The average price for the year ended 31 December 2023 is 144.99 RON/GC.

The total value of GCs obtained in the year ended 31 December 2023 is RON 41 million, to which is added the GC balance of RON 50 million that the Group benefited from, as a result of the merger between Hidroelectrica and Crucea Wind Farm S.A.



#### *Impairment loss on property, plant and equipment and intangible assets, net*

Impairment loss on property, plant and equipment increased by 892% to RON 237 million for the year ended 31 December 2023, from RON 24 million in 2022. This increase was mainly caused by the the impairment test performed in assets under construction at the end of 2023 due to the change in the assumptions used on future prices of electricity and by the update of the work schedule until completion, as well as the revaluation of assets at the end of 2023, resulting in a net loss.

#### *Impairment loss on trade receivables, net*

Impairment losses on trade receivables increased by 83% to RON 80 million in the year ended 31 December 2023, from RON 43 million in 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 66% to RON 225 million in the year ended 31 December 2023 from RON 672 million in 2022. This decrease was mainly caused by the implementation of 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 RON/MWh starting on 1 January 2023, and the decrease in electricity sales prices in 2023 compared to 2022.

#### *Other operating expenses*

Other operating expenses increased by 44% to RON 341 million in the year ended 31 December 2023 from RON 236 million in 2022.

During the reporting period, there were increases with other operating expenses, mainly due to the increase in expenses with services purchased by the Company as Balance Responsible Party. The evolution of these expenses is influenced by the behaviour of all electricity market participants in managing imbalances. To these are added the increase in expenses for services due to the general increase in market prices due to economic conditions (e.g. increase in minimum wage and increase in raw material prices) and services contracted in connection with the initial public offer.

## Cashflow

	<b>FY 2023</b> <b>(unaudited)</b> RONm.	<b>FY 2022</b> <b>(audited)</b> RONm.	<b>Change</b> %
Net cash from operating activities	5,425	4,235	28%
Net cash from investing activity	(1,229)	(751)	64%
Net cash used in financing activities	(4,448)	(3,929)	13%
Net increase/(decrease) in cash and cash equivalents	(253)	(444)	-43%
Cash and cash equivalents at 1 January	661	1,105	-40%
Cash and cash equivalents at 31 December	408	661	-38%

### *Net cash from operating activities*

Net cash from operating activities amounted to RON 5,425 million for the year ended 31 December 2023 as compared to net cash from operating activities of RON 4,235 million for 2022. The increase was primarily due to the increase in profit for the year ended 31 December 2023 compared to 2022 and due to an increase in the balance of restricted cash in 2022. This cash inflow was partly offset by an increase in trade receivables balance, thus resulting in a 28% increase in net cash from operating activities in the year ended 31 December 2023 as compared to 2022.

### *Net cash from investing activity*

Net cash from investing activities amounted to RON 1,229 million for the year ended 31 December 2023 as compared to the net cash from investing activities of RON 751 million for the year ended 31 December 2022. The increase was primarily due to an increase in payments for deposits held for investment purposes (cash outflow) from RON 8,575 million to RON 9,145 million, by RON 570 million.

### *Net cash used in financing activities*

Net cash used in financing activities was RON 4,448 million for the year ended 31 December 2023 as compared to net cash used in financing activities of RON 3,929 million for the year ended 31 December 2022. This increase was primarily due to an increase in dividends paid by RON 518 million in the year ended 31 December 2023 as compared to 2022.

## Financial position

<i>RONm.</i>	<b>31 December 2023 (unaudited)</b>	<b>31 December 2022 (audited)</b>	<b>Change %</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	20,427	19,521	5%
Intangible assets	6	6	0%
Restricted cash	-	101	-100%
Investments in corporate bonds	353	351	1%
Other non-current assets	283	218	30%
<b>Total non-current assets</b>	<b>21,069</b>	<b>20,198</b>	<b>4%</b>
<b>Current assets</b>			
Inventories	71	72	-1%
Trade receivables	3,019	1,351	123%
Investments in deposits	4,349	3,035	43%
Cash and cash equivalents	408	661	-38%
Restricted cash	101	-	100%
Other current assets	63	115	-45%
<b>Total current assets</b>	<b>8,011</b>	<b>5,234</b>	<b>53%</b>
<b>Total assets</b>	<b>29,080</b>	<b>25,432</b>	<b>14%</b>



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<i>RONm.</i>	<b>31 December 2023 (unaudited)</b>	<b>31 December 2022 (audited)</b>	<b>Change %</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	5,527	5,513	0%
Revaluation reserve	12,039	11,021	9%
Other reserves	1,024	1,023	0%
Retained earnings	6,404	4,029	59%
<b>Total equity</b>	<b>24,994</b>	<b>21,587</b>	<b>16%</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank borrowings	300	390	-23%
Lease liabilities	61	8	663%
Deferred income	177	182	-3%
Deferred tax liabilities	1,504	1,316	14%
Employee benefits	128	122	5%
Provisions	837	817	2%
Other payables	8	6	33%
<b>Total non-current liabilities</b>	<b>3,015</b>	<b>2,841</b>	<b>6%</b>
<b>Current liabilities</b>			
Bank borrowings	93	94	-1%
Lease liabilities	5	8	-38%
Trade payables	408	283	44%
Contract liabilities	42	85	-51%
Current tax liabilities	134	172	-22%
Deferred income	6	6	0%
Employee benefits	100	106	-6%
Provisions	165	122	35%
Tax for electricity producers	1	91	-99%
Other payables	117	39	200%
<b>Total current liabilities</b>	<b>1,071</b>	<b>1,005</b>	<b>7%</b>
<b>Total liabilities</b>	<b>4,086</b>	<b>3,845</b>	<b>6%</b>
<b>Total equity and liabilities</b>	<b>29,080</b>	<b>25,432</b>	<b>14%</b>

### *Property, plant and equipment*

Property, plant and equipment as at 31 December 2023 increased by 5% to RON 20,427 million from RON 19,521 million as at 31 December 2022. This increase was due to the revaluation of assets at the end of 2023.

### *Other non-current assets*

Other non-current assets as at 31 December 2023 increased by 30% to RON 283 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.



On 7 August 2023, the Company received a tax decision regarding interest and penalties in the amount of RON 1,560 million related to the above tax decision. In 2023, Hidroelectrica paid both the tax and the related interest and penalties, the amount being recorded as other non-current assets. Hidroelectrica will challenge this decision in court, estimating that the assets represented by the payment will be recovered over a period of more than one year.

#### *Trade receivables*

Trade receivables as at 31 December 2023 increased by 123% to RON 3,019 million from RON 1,351 million as at 31 December 2022. The increase was due to the implementation of a new billing system for supply activity and due to multiple legislative changes in 2022, which led to delays in invoicing electricity supplied to end users also in the first semester of 2023. These delays are in a continuous process to be overcome, as the unbilled trade receivables are on a descending trend starting the second semester of 2023 thus increasing the billed trade receivables as at 31 December 2023.

#### *Investments in deposits*

Investments in deposits balance increased by 43% to RON 4,349 million as at 31 December 2023 from RON 3,035 million as at 31 December 2022. The increase was primarily due to increase in revenue and related collections.

#### *Cash and cash equivalents*

Cash and cash equivalents at 31 December 2023 decreased by 38% to RON 408 million from RON 661 million at 31 December 2022. The decrease is primarily due to the investment in bank deposits.

#### *Bank borrowings*

Bank borrowings decreased by 23% to RON 300 million as of 31 December 2023 from RON 390 million as of 31 December 2022. This decrease is due to loan repayments of RON 93 million in 2023.

#### *Deferred tax liabilities*

Deferred tax liabilities at 31 December 2023 increased by 14% to RON 1,504 million from RON 1,316 million at 31 December 2022. This increase is mainly due the revaluation of assets at the end of 2023.

#### *Trade payables*

Trade payables at 31 December 2023 increased by 44% to RON 408 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, caused by both the increase in volume and price of turbinated water.

#### *Current tax liabilities*

Current tax liabilities at 31 December 2023 decreased by 22% to RON 134 million from RON 172 million at 31 December 2022. The decrease was primarily due to tax facilities regarding the increase in equity that the Group benefited from in 2023.



### *Provisions*

Short term provisions as at 31 December 2023 increased by 35% to RON 165 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 as at 31 December 2023 decreased by 99% to RON 1 million from RON 91 million as at 31 December 2022. This decrease was mainly caused by the implementation of 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 RON/MWh starting on 1 January 2023, and the decrease in electricity sales prices in 2023 compared to 2022.

### *Other payables*

Other payables as at 31 December 2023 increased by 200% to RON 117 million from RON 39 million at 31 December 2022. The increase was primarily due to increase in VAT payable to RON 80 million as at 31 December 2023 from RON 3 million as at 31 December 2022, due to increase in invoicing volume of electricity supplied to final consumers.

### **Hidroelectrica's Management Board**

**Karoly BORBELY**

**Chairman of the Management Board - CEO**

**Bogdan-Nicolae BADEA**

**Member of the Management Board - CIO**

**Radu-Ioan CONSTANTIN**

**Member of the Management Board - CAO**

**Marian FETITA**

**Member of the Management Board - CFO**

**Ianas RADOI**

**Member of the Management Board - COO**



## Definitions

- **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).