



HIDROELECTRICA

Consolidated Report of the Management Board of Societatea de Producere a Energiei Electrice in Hidrocentrale „Hidroelectrica” S.A. for the 1st Quarter of 2024

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



14 May 2024



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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.

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.

In case this report refers to any information from any external source, this information should not be considered adopted/approved by Hidroelectrica as accurate/correct.

This report may contain forward-looking statements. These statements reflect the current knowledge of the company as well as expectations and forecasts about future events. By their nature, forward-looking statements are subject to various risks, many of which are beyond the company's control, which could cause the actual results of the company to significantly differ from the expressed or anticipated results and performances. None of the future forecasts in this report should be considered promises, nor should they be considered implying an assurance or guarantee that the assumptions on which the future forecasts were based or the information and statements contained in this report are correct, accurate, or complete.

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.

The financial information presented in this report for the three-month period ended 31 March 2024 is unaudited.

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Identification data of Hidroelectrica

Report date: 14 May 2024

Issuer's name: Societatea de Producere a Energiei Electrice în Hidrocentrale Hidroelectrica S.A.

Registered office: 15-17 Ion Mihalache Boulevard, 10-15 Floors, District 1, Bucharest, Romania

Phone: +40 21 303 25 00

Unique registration code with the Trade Registry: 13267213

Fiscal Registration Code: RO13267213

Registration number with the Trade Registry: J40/7426/2000

Legal Entity Identifier (LEI) Code: 787200IISRQX09PRB732

International Securities Identification Number (ISIN): RO4Q0Z5RO1B6

Subscribed and paid-up share capital: RON 4,498,025,670

Main characteristics of the issued securities: 449,802,567 ordinary, nominative, freely transferable shares, each with a nominal value of 10 RON/share, issued in dematerialized form.

Regulated market on which the issued securities are traded: the company's shares are listed on the Bucharest Stock Exchange (ticker symbol: H2O).

Summary of Q1 2024 Management Board Report

Hidroelectrica Group records a decrease in operational and financial results for the first 3 months of 2024 compared to the same period in 2023, in line with the approved budget. The Group's operating margin and net margin decreased by 2% and 1%, respectively, compared to the similar period in 2023, mainly due to the decrease in electricity selling prices (both locally and in the interconnected European market) and the quantity of electricity sold.

- **Q1 2024 results mirrors the expectations set forth in the approved 2024 Budget**
- **Electricity production decreased by 3% compared to the same period of the last year**
- **Revenue decreased by 22% compared to the same period of 2023**
- **Operating margin of 59%, decreased by 2% compared to the same period of last year**
- **Net margin of 52%, decreased by 1% compared to the same period of of 2023**
- **Net profit decreased by 23%, from RON 1,723 million to RON 1,326 million**
- **Earnings per share decreased by 23%, from 3.84 RON/share to 2.95 RON/share.**

Operational KPIs		3M 24	3M 23	Change (%)
Gross electricity production, out of which:	GWh	4,403	4,531	-3%
Electricity production from hydro (gross)	GWh	4,307	4,430	-3%
Net electricity production, out of which:	GWh	4,296	4,412	-3%
Electricity production from hydro (net)	GWh	4,201	4,311	-3%
Electricity production from wind	GWh	95	101	-6%
External Acquisition GWh	GWh	179	428	-58%
Total Electricity sales GWh	GWh	4,475	4,840	-8%
Actual number of Hidroelectrica Employees		3,576	3,474	3%
Actual number of Group Employees		5,157	4,612	12%

Source: Hidroelectrica

Financial KPIs		3M 24	3M 23	Change (%)
Revenue	RON million	2,536	3,272	-22%
EBITDA	RON million	1,731	2,184	-21%
EBITDA Margin	%	68%	67%	2%
Adjusted EBITDA	RON million	1,719	2,184	-21%
Adjusted EBITDA Margin	%	68%	67%	2%
Operating Margin (Operating Profit/Revenue*100)	%	59%	61%	-2%
Net Margin (Profit for the period/Revenue*100)	%	52%	53%	-1%
Operating Profit	RON million	1,507	1,985	-24%
Net Profit	RON million	1,326	1,723	-23%
Earnings per share	RON/share	2.95	3.84	-23%

Source: Hidroelectrica



In the first three months of 2024, Hidroelectrica's results were influenced by the decrease in electricity selling prices, as well as the quantity of electricity sold, leading implicitly to a decrease in revenue from energy sales.

Financial indicators*	RON million		
	Q1-2024 Actual	Q1-2024 Budget	Degree of achievement (%)
Total Revenue	2,886	2,733	6%
Operating income	2,787	2,676	4%
Financial income	99	56	77%
Total expenses	1,315	1,162	13%
Operating expenses	1,295	1,150	13%
Financial expenses	19	12	58%
Profit before tax	1,571	1,571	100%

*The indicators are calculated according to the budget forms of Order 3818/2019 and are aligned with the indicators presented in the form S1040 - Annual accounting reporting to ANAF, prepared at the level of Hidroelectrica SA.

Source: Hidroelectrica

The income and expenses budget is prepared at the level of separate financial statements.

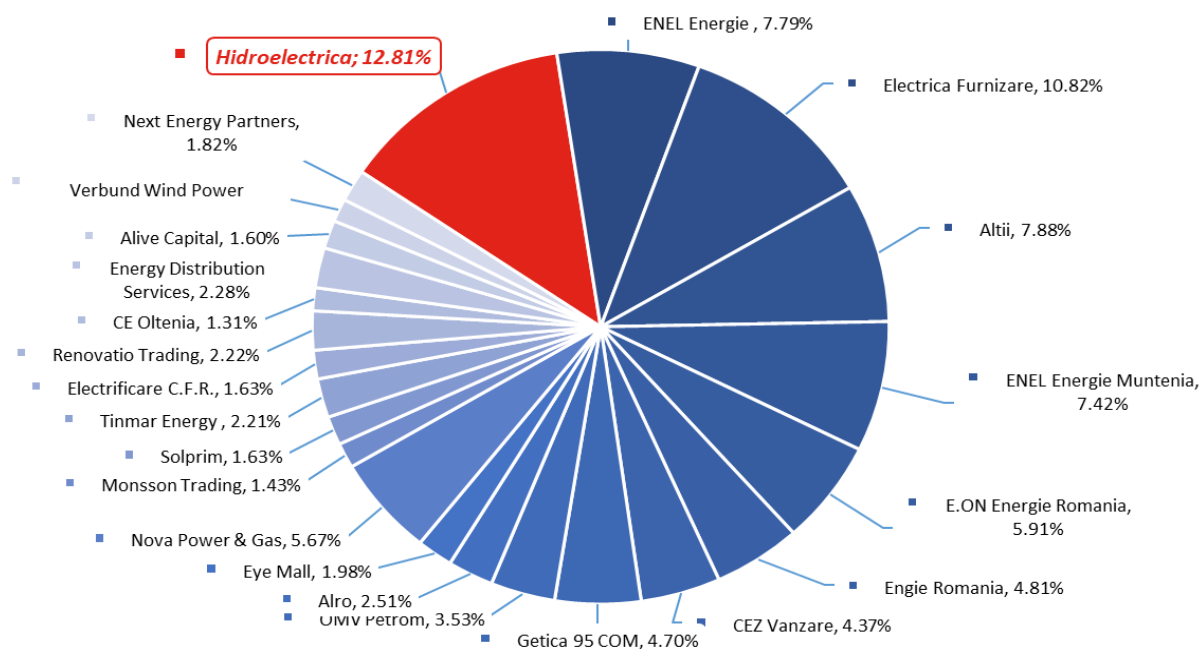
The number of consumption sites (CS) in the portfolio as of 31 March 2023 is 583,429, increasing by 57,322 CS compared to 31 March 2024, where there were 526,107 CS registered, as a result of including household customers in the supply portfolio.

Client type	No. CS* 31.03.2024	No. CS* 31.03.2023	Change (%)
Household	556,987	496,767	12%
Non-household	26,442	29,340	-10%
Total	583,429	526,107	11%

*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).

Source: Hidroelectrica

In February 2024, according to the latest report of ANRE* (The National Energy Regulator), Hidroelectrica kept his position as the most important supplier of electricity to end customers on the competitive market, registering a market share of 12.81%.



* Source: ANRE Report regarding the Results of the Monitoring of the Electricity Market in February 2024

During the first three months 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.

Q1 2024 Management Board Report

I. Company presentation

Societatea de Producere a Energiei Electrice în Hidrocentrale Hidroelectrica S.A. ("Hidroelectrica" or "the Company") is a joint stock company managed in a two-tier system that carries out its activity in accordance with the Romanian legislation, established under the Romanian Government Decision nr. 627 of 13 July 2000, registered in Romania at the Trade Register Office attached to the Bucharest Tribunal under no. J40/7426/2000, with headquarters located in Romania, Bucharest, 15-17 Ion Mihalache Boulevard, floors 10-15, District 1, having sole registration code 13267213 and LEI code 787200IISRQX09PRB732.

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

Organizational structure

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 National Power System ("NPS"). The company owns and operates 187 hydroelectric power plants (including five pumping stations), with a total installed hydropower capacity of approximately 6.3 GW and a wind farm with a total installed capacity of 108 MW.

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.



*Hidroelectrica's branches; *PDF represents Porțile de Fier (Iron Gates)
Source: Hidroelectrica*



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.

As of 31 March 2024, Hidroelectrica has the following subsidiaries:

Subsidiary	Activity	Registered Office	% participation at 31 March 2024	% participation at 31 December 2023
Hidroserv S.A. ("Hidroserv", company in reorganization)	Services (maintenance, repairs, construction)	Bucharest, Romania	100%	100%
Uzina de Construcții Mașini Hidroenergetice S.R.L. („UCMH”)	Manufacturing of engines and turbines	Resita, Romania	100%	-

Source: Hidroelectrica

Hidroserv provides maintenance and repair services for the Group's hydropower assets. Since October 2016, Hidroserv has been undergoing insolvency proceedings, during which a reorganization plan was confirmed in June 2020, now extended until mid-2024. On 23 October 2023, Hidroserv managed to fully settle the claims registered in the creditors' table by distributing the anticipated amounts related to the last quarters from the "Final list of claims".

On 9 May 2024, the Judicial Administrator submitted a petition for concluding the reorganization procedure of Hidroserv. The syndic judge is scheduled to render a decision on the closure request for the reorganization procedure, with the expected date for resolving this petition being 29 May 2024.

On 22 February 2023, the Company was declared winner of the sales procedure of business lines ABC and Calnicel platform, which are the property of UCM Resita SA. In January 2024, the Company set-up a new subsidiary, **Uzina de Construcții Mașini Hidroenergetice S.R.L.**, through which it took-over the business from U.C.M. Reșița S.A.. The object of activity of the new subsidiary is manufacturing of engines and turbines (code CAEN 2811). More details can be consulted in the chapter "Significant events during the reporting period."

Share capital and main characteristics of the shares issued by the Company

The Company's fully subscribed and paid share capital of RON 4,498,025,670 is divided into 449,802,567 ordinary shares, nominative, freely transferable, fully paid, each with a nominal value of RON 10, 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 capacities are Portile de Fier I and Portile de Fier II ("Iron Gate I" and "Iron Gate 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 ("MACEE") 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.

Starting from 1 April 2024, MACEE price decreased from 450 RON/MWh to 400 RON/MWh and transitioned to a voluntary scheme, enabling the pre-sale of the available energy on bilateral markets (either directly or centralized).

Hidroelectrica is also the main system service provider in Romania, thus ensuring stability of operation of 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.

II. Significant events during the reporting period

- On the OGMS and EGMS meetings held on 22 January 2024, Hidroelectrica's shareholders approved, with the majority of votes cast/held, as the case may be, the following:

OGMS

- Election of 3 members of SB Hidroelectrica (2 positions allocated to the majority shareholder Romanian State and one position allocated to minority shareholders, by reference to the provisions of the Articles of Association), starting with the date of the meeting, in accordance with the provisions of art. 29 of GEO nr. 109/2011 on corporate governance of public enterprises, respectively with the provisions of art. 13.9 and 13.10 of the Articles of Association in force, approving the term of office of the elected members, their gross fixed remuneration and their mandate contract;

EGMS

- Approval of the transaction and of the Transaction Documents regarding the takeover of the business from U.C.M. Reșița S.A.
- Approval of the establishment of a limited liability company ("S.R.L."), to which the business transfer from U.C.M. Reșița S.A. will be made, which will have the name of "Uzina de Constructii Masini Hidroenergetic S.R.L.", a share capital of RON 119,650,000 and the main object of activity CAEN code 2811 - Manufacture of engines and turbines (except those for airplanes, motor vehicles and motorcycles).

The transaction – subject to approval on the agenda of the EGMS was finalized following the fulfillment of the suspensive conditions, on 11 March 2024. The total price for the transfer of ownership of the Business and all assets falling within the scope of the Transaction is RON 67,879,000.

- On 23 January 2024, the Supervisory Board decided to appoint Mr. Petre Iulian-Nicolescu as Chairman of the Supervisory Board and decided on the composition of the advisory committees, including the constitution of a new Governance and Sustainability Committee, which replaces the Investor Relations Committee.

The structure of the Committees is available on the company's website, www.hidroelectrica.ro, About Us – Management section.

- On 25 January 2024, Hidroelectrica's OGMS was convened for 28 February 2024, having as main item on the agenda **the approval of the Income and Expenses Budget for 2024**, approved on the date of the meeting by the Company's shareholders, with the majority of votes cast.
- On 30 January 2024, Hidroelectrica's OGMS was convened for 25 March 2024, with the main topics, subject to shareholder approval:
 - Key financial and non-financial performance indicators resulting from Hidroelectrica's Management Plan, which will constitute an annex to the mandate contracts of the members of the Supervisory Board and the Management Board



- Variable component of the remuneration of SB members
- Form and content of the Addendum to the mandate contract to be concluded with the SB members of the Company
- General limit of the variable component of the remuneration of the members of the Management Board.

All items on the agenda of the OGMS were approved on the date of the meeting by the shareholders of the company, with the majority of votes cast.

- On 27 March 2024, **Hidroelectrica's annual OGMS was convened** for 29 April 2024, with the main topics, subject to shareholder approval:
 - The Audited Separate Annual Financial Statements of S.P.E.E.H. Hidroelectrica S.A. as at and for the year ended 31 December 2023, prepared in accordance with the Ministry of Public Finance Order („O.M.F.P.”) no. 2844/2016
 - The Audited Consolidated Annual Financial Statements of S.P.E.E.H. Hidroelectrica S.A. together with its subsidiary, as at and for the year ended 31 December 2023, prepared in accordance with the Ministry of Public Finance Order („O.M.F.P.”) no. 2844/2016
 - the Audited Consolidated Annual Financial Statements of S.P.E.E.H. Hidroelectrica S.A. together with its subsidiary, as at and for the year ended 31 December 2023, prepared in accordance with the International Financial Reporting Standards („IFRS”) adopted by the European Union ("IFRS-EU")
 - The Annual Report of S.P.E.E.H. Hidroelectrica S.A. which comprises the Management Board Report and the Supervisory Board the Report for the financial year ended on 31 December 2023
 - Distribution of the net profit for the financial year 2023 in accordance with the provisions of the Government Ordinance No. 64/2001, as subsequently amended and supplemented, of the total gross dividend value of RON 6,292,900,952, as well as the value of the gross dividend per share of RON 13.99
 - Discharge of liability of the members of the Supervisory Board and of the members of the Management Board for the financial year ended on 31 December 2023
 - the Remuneration Report of the Supervisory Board and of the Management Board for the financial year 2023
 - The date of 10 June 2024 as the Registration Date, the date of 7 June 2024 as the "Ex Date" and the date of 28 June 2024 as the Dividend Payment Date for the financial year 2023.
 - The Annual Evaluation Report of the members of the Supervisory Board

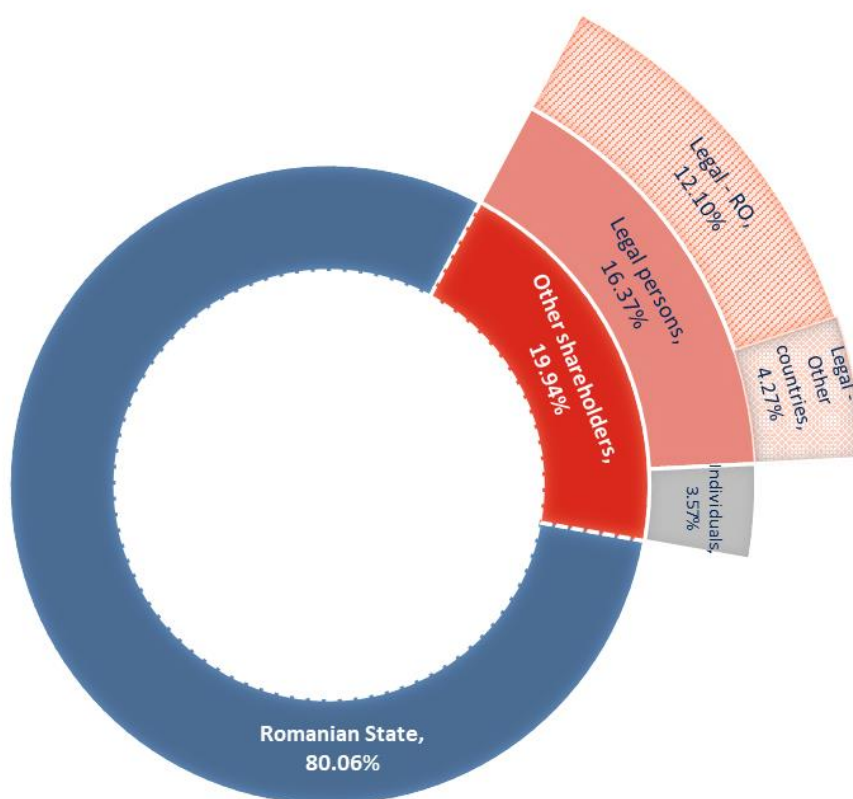
All items on the agenda of the OGMS were approved on the date of the meeting by the shareholders of the company, with the majority of votes cast.

III. Shareholders Structure and Share Evolution

Between 23 June and 4 July 2023, the initial public offering (IPO) was carried out on shares issued by Hidroelectrica representing up to 19.94% of the total shares issued by the Company, made by Fondul Proprietatea S.A. for which a total number of over 50,000 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**.

Shareholder structure as at 31 March 2024



Shareholder	Ownership	Percentage of ownership in the share capital
Romanian State through Ministry of Energy	360,094,390	80.0561%
Legal persons	73,632,340	16.3699%
Individuals	16,075,837	3.5740%
Total	449,802,567	100.0000%

Source: Depozitarul Central, Hidroelectrica

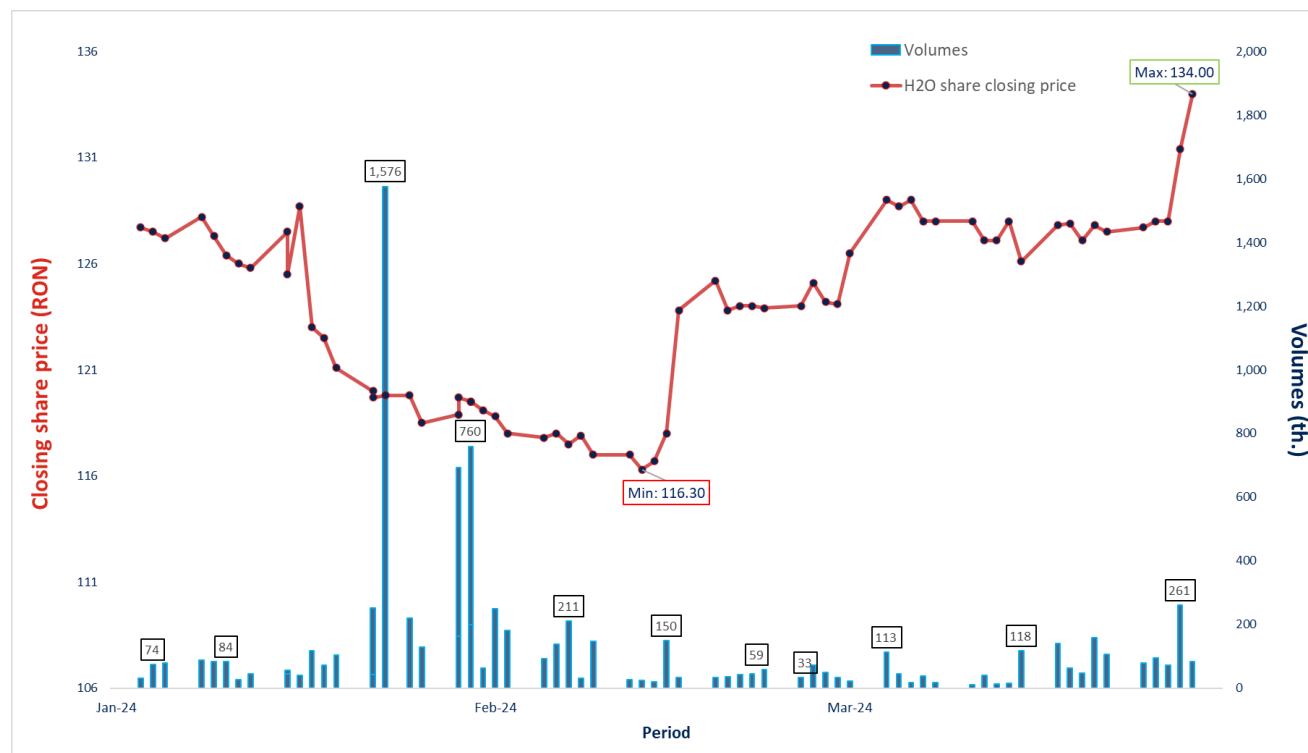


Starting from 12 July 2023, Hidroelectrica’s shares are included in various indices of the BSE, including the BET index (the benchmark index of the local capital market, which reflects the performance of the most traded companies on the regulated market of BSE), as well as the BET-NG index (the sectoral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

Following its listing/public offering, Hidroelectrica was incorporated into the MSCI and FTSE Russell international indices through specific rapid inclusion mechanisms tailored for IPOs, owing to the company's substantial size.

During the period 1 January – 31 March 2024, according to information published on BSE, Hidroelectrica's shares registered a minimum closing price of RON 116.30 (on 13 February 2024) and a maximum closing price of RON 134.00 (on 29 March 2024), with an average price of RON 124.04. In the same period, the lowest trading price recorded was RON 116.20 (on 12 February 2024), while the highest recorded price was RON 134.40 (on 29 March 2024).

Evolution of H2O share price and trading volumes between 1 January - 31 March 2024



Source: BSE, Hidroelectrica

As of 10 May 2024, Hidroelectrica holds the first position in the top trading ranking on BSE, with a value of RON 12.5 million. At the same date, the company secures the second spot in terms of market capitalization, recording a value of RON 60.4 billion.

IV. Financial Results at and for the period of three and nine months ended on 31 March 2024

1. Financial Indicators

RON million

Indicators	3M 24	3M 23	Change (%)
Revenue	2,536	3,272	-22%
EBITDA	1,731	2,184	-21%
Operating Profit	1,507	1,985	-24%
Profit for the period	1,326	1,723	-23%
Basic and diluted earnings per share	2.95	3.84	-23%

Source: Hidroelectrica

Indicators	Calculation method	31 March 2024
Current liquidity indicator	Current assets/Current liabilities	6.81
Degree of indebtedness	Borrowed capital/Own capital x 100	1.65
Degree of indebtedness	Borrowed capital/capital employed x 100	1.62
Receivables turnover	Average Receivable balance/Revenue x 90	97.02
Fixed assets turnover	Revenue/Fixed assets	0.12

Source: Hidroelectrica

2. Net Debt/ (Cash) Adjusted

RON million

	31 March 2024
Bank borrowings	370
Lease liabilities	65
Cash and cash equivalents	(596)
Short-term Investments (investments in deposits)	(6,543)
Adjusted Net Debt/(Cash)	(6,704)
Adjusted EBITDA	1,719
Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio	(3.90)

Source: Hidroelectrica

3. Breakdown of revenue

		3M 24	3M 23	Change (%)
Generation Energy Sold (Net)	GWh	4,296	4,412	-3%
External Acquisitions	GWh	179	428	-58%
Total Energy Sale	GWh	4,475	4,840	-8%
Wholesale Energy Sold	GWh	2,897	3,076	-6%
Wholesale Price	RON / MWh	437	588	-26%
Wholesale Revenue	RON million	1,265	1,809	-30%
Quantity of electricity-Supply	GWh	1,318	1,488	-11%
Supply Prices (ex pass through)	RON / MWh	471	552	-15%
Supply Revenue related to active energy	RON million	622	822	-24%
Transferred costs (pass trough)	RON million	380	333	14%
Quantity of electricity - Balancing	GWh	94	89	5%
Balancing Price	RON / MWh	1,535	1,311	17%
Balancing Revenue	RON million	144	117	23%
System Services (STS) Revenue	RON million	64	69	-7%
Other revenues from customer contracts:	RON million	61	122	-50%
Positive imbalances revenue*	RON million	(119)	92	-229%
Power reduction services revenue	RON million	144	11	1,209%
Redistribution of additional revenues	RON million	36	19	89%
Revenue	RON million	2,536	3,272	-22%

* The quantity of positive imbalances recorded in the 3-month period ended 31 March 2024 is 166 GWh (three-month period ended 31 March 2023: 186 GWh)

Source: Hidroelectrica

Generation Energy Sold (Net)

The energy produced and sold (net production) experienced a slight decrease of approximately 3% in the first quarter of 2024 compared to the same period in the previous year, with a quantity of 4,296 GWh recorded from January to March 2024. This decline was primarily due to hydrological conditions recorded in March 2024, when the average flow rate of the Danube (6,054 m³/s) decreased by approximately 15% compared to the same period in 2023.

Wholesale Revenue

The revenues related to transactions recorded in the period January-March 2024 were impacted by a series of factors determined by market conditions, particularly the decrease in energy prices, combined with the fact that suppliers enrolled in the single procurement mechanism reduced their monthly demand for the quantities of energy that could be acquired through MACEE, where the



procurement price of 450 lei/MWh became higher than the price at which they could purchase energy from the Day-Ahead Market.

As a result, the decrease in the SPOT price in the period January-March 2024 compared to the same period in 2023 (by approximately 42%), as well as the non-uptake of the entire allocated quantity to Hidroelectrica in the annual auction held in December 2023 for delivery in 2024 through MACEE (the sale of this available energy being carried out after the publication of auction results on MACEE at market prices, below the threshold of 450 lei/MWh), resulted in a 31% decrease in revenues recorded in the period January-March 2024 compared to the same period in 2023.

Supply Revenue related to active energy

The revenues from the electricity supply activity decreased by 24%, to RON 622 million revenues in the first three months of 2024, from RON 822 million revenues in the same period of 2023. This decrease is due to both the decline in the selling price of electricity and the reduction in the volumes supplied in the first 3 months of 2024 compared to the first three months of 2023.

Transferred costs (pass trough)

The transfer costs related to the supply of electricity increased by 14%, to RON 380 million in the first three months of 2024, from RON 333 million in the same period of 2023. The increase in these costs is primarily due to the rise in regulated tariffs, starting from April 2023 and continuing from January 2024, a growth negatively influenced by the decrease in supplied volumes.

Other revenues from customer contracts

Other revenues from customer contracts decreased by 55%, to RON 61 million in the first three months of 2024, from RON 122 million in the same period of 2023. The evolution of these revenues from services provided by the Company as Balancing Responsible Party is influenced by the behavior of all participants in the electricity market regarding the management of imbalances.

4. Operating Expenses

	3M 2024	3M 2023	Change
<i>Costs breakdown</i>	<i>RON million</i>	<i>RON million</i>	<i>%</i>
Turbinated water	160	164	-2%
Employee benefits expenses	176	158	11%
Transport and distribution of electricity	344	250	37%
Electricity purchased	11	160	-93%
Green certificates expenses	57	37	53%
Depreciation and amortization	223	198	12%
Impairment loss on trade receivables, net	4	35	-89%
Repair, maintenance, materials and consumables	15	18	-19%
Tax for electricity producers	-	231	-100%
Other operating expenses	58	47	23%

Source: Hidroelectrica

Transport and distribution of electricity

Electricity transport and distribution expenses increased by 37% to RON 344 million in the three months ended 31 March 2024, from RON 250 million in the three months ended 31 March 2023. This increase is caused by the successive increases in the regulated tariffs starting 1 April 2023 and 1 January 2024.

Electricity purchased

The electricity purchased decreased by 93% in the three months ended 31 March 2024 to RON 11 million from RON 160 million in the three months ended 31 March 2023. This decrease was primarily due to covering the electricity needs for the supply segment from electricity generation segment.

Green certificates expenses

Expenses with green certificates increased by 53% in the first three months of 2024, reaching 57 million RON, up from 37 million RON in the same period of 2023. In the first quarter of 2023, the Group benefited from the stock of green certificates following the merger of Hidroelectrica with Crucea, therefore, the volume required to be purchased for the supply activity during this period was reduced. This explains the increase in the first quarter of 2024, despite the decrease in the amount of energy delivered to end consumers.

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

- 8,623 GC from hydropower plants for the three-month period of 2024, compared to 8,529 GC in the same period of 2023;
- 71,493 GC from wind power plants for the three-month period of 2024, compared to 75,843 GC in the same period of 2023;

The average price for the three-month period of 2023 is 144.99 RON/GC.
 The average price for the three-month period of 2024 is 145.43 RON/GC.
 The total value of GCs obtained in the first three months of 2024 is RON 11.65 million.

Tax for electricity producers

For the three months ended 31 march 2024, no tax expenses for electricity producers was recorded as a result of the decrease in electricity sale prices in the first quarter of 2024.

5. Investment activity

	3M 24	3M 23	Change
	RON million	RON million	%
Development Project CAPEX	14	12	17%
Refurbishment CAPEX	12	13	-8%
Maintenance CAPEX	5	8	-38%
Other CAPEX*	3	1	>100%
TOTAL INVESTMENTS	35	34	3%

*See chapter "Significant events during the reporting period" regarding the acquisition of UCMH
 Source: Hidroelectrica

The investments presented above are **financed from internal sources**.

Development Project CAPEX

Development Project CAPEX increased by 17% in the first quarter of 2024 with RON 2 million compared to the achievements of the first quarter of 2023. The total value of RON 14 million for development projects is distributed as follows:

1. **Ongoing Investments:** RON 10 million, representing project execution at AHE Pascani, AHE Rastolita, AHE Surduc-Siriu (CHE Nehoiasu HA1), MHC Poiana Rusca, AHE Olt Defileu (Lotrioara-Caineni-Racovita), and Tg-Jiu Storage Hall.
2. **New Investments:** RON 4 million, representing newly initiated investments for new projects/objectives, such as investments at CEF Tudor Vladimirescu; leveraging and developing photovoltaic potential (e.g., Nufarul and Rooftop CHE Olt medium and lower projects) or implementing advanced information systems regarding workflow within the company (e.g., DMS).

Refurbishment CAPEX

Refurbishment CAPEX activities are conducted in accordance with the defined and approved Refurbishment Strategy, which is aligned with Hidroelectrica's Investment Strategy, and aims to fulfill the program for promoting and executing modernization and refurbishment projects for hydropower facilities. This is achieved through the preparation and promotion of refurbishment and modernization projects for power plants, hydro units, installations, and related stations, as well as the continuation of those already in progress, at various investment stages (procurement, design,

execution, acceptance, warranty period monitoring, etc.).

The investment program, equipment, and funding sources for the period 2024-2026 include a total of 36 refurbishment and modernization projects, of which 14 projects have allocated amounts in CAPEX for 2024.

Of these, two projects (Refurbishment CHE Mariselu and Modernization of power stations at 110 kV CHE Golești, CHE Merișani, CHE Băiculești; 6.3 and 110 kV CHE Budeasa) have already reached 100% completion for the allocated sums.

Regarding **the entire chapter of CAPEX refurbishment and modernization projects, the amounts realized in the first quarter of 2024, in absolute value, are nearly equal to those realized in the first quarter of the previous year**, with a difference of only RON 416 thousand, representing a 8% increase.

Regarding the status of the refurbishment and modernization program, in addition to ongoing contracts that are continuously monitored, there are **significant projects in the stages of procurement procedures, the progress of which directly impacts budget execution**.

Regarding the status of the refurbishment and modernization program for 2024 in correlation with Hidroelectrica's Management Plan, the degree of achievement of execution schedules until March 31, reported against those planned for 2024 within contracts, reaches a completion rate of 21%.

Maintenance CAPEX

Maintenance CAPEX decreased by 38%, from RON 8 million at the end of the first quarter of 2023 to RON 5 million in the first quarter of 2024.

For **maintenance of constructions** in 2024, there are currently 26 ongoing projects with an estimated value of RON 44.452 million. Intervention works on constructions are of a complex nature and fully comply with the requirements of Law 10/1995 regarding construction quality, requiring expertise, technical projects, obtaining permits and authorizations, as well as the execution of works by companies certified for construction works. The execution of these works is conditioned by favorable weather conditions.

In the first quarter of 2024, there were unfavorable weather conditions for the execution of construction works. Under these conditions, a total of four works were completed, valued at RON 1.13 million, a decrease of 160.17% compared to the previous year.

For Equipment Maintenance, the value of services/works capitalized on equipment maintenance increased by 5% in Q1 2024 compared to Q1 2023, from RON 4.927 million to RON 5.178 million.

The annual scheduling of equipment maintenance services/works is done according to maintenance requirements.

6. Cashflow

	3M 2024	3M 2023	Change
	<i>RON million</i>	<i>RON million</i>	<i>%</i>
Net cash from operating activities	2,443	1,211	102%
Net cash from investing activity	(2,230)	(613)	264%
Net cash used in financing activities	(25)	(25)	0%
Net increase/(decrease) in cash and cash equivalents	188	572	-67%
Cash and cash equivalents at 1 January	408	661	-38%
Cash and cash equivalents at 301 March	596	1.233	-52%

Source: Hidroelectrica

Net cash from operating activities

Net cash from operating activities amounted to RON 2,443 million for the three months ended 31 March 2024 as compared to net cash from operating activities of RON 1,211 million for the three months ended 31 March 2023. This increase is primarily due to the decrease in the balance of trade receivables as of 31 March 2024, and is negatively influenced by the decrease in net profit in the first three months of 2024 compared to the first three months of 2023. As a result, there is a 102% increase in net cash from operating activities in the three-month period ending 31 March 2024, compared to the same period in 2023.

Net cash from investing activity

Net cash from investing activities amounted to RON 2,230 million for the three months ended 31 March 2024 as compared to the net cash from investing activities of RON 613 million for the three months ended 31 March 2023. The increase was primarily due to a decrease in proceeds from deposits held for investment purposes from RON 2,980 million to RON 1,200 million, by RON 1,780 million, as these investments did not reach maturity.

7. Financial position

<i>RON million</i>	31 March 2024 unrevised	31 December 2023 audited	Change %
Assets			
Non-current assets			
Property, plant and equipment	20,276	20,427	-1%
Intangible assets	38	6	582%
Investments in corporate bonds	359	353	2%
Other non-current assets	66	284	-77%
Total non-current assets	20,740	21,069	-2%
Current assets			
Inventories	89	71	26%
Trade receivables	2,420	3,048	-21%
Investments in deposits	6,543	4,349	50%
Cash and cash equivalents	596	408	46%
Restricted cash	101	101	0%
Other current assets	340	63	439%
Total current assets	10,088	8,040	25%
Total assets	30,828	29,109	6%
Equity and liabilities			
Equity			
Share capital	5,527	5,527	0%
Revaluation reserve	11,917	12,039	-1%
Other reserves	1,024	1,024	0%
Retained earnings	7,879	6,432	23%
Total equity	26,347	25,021	5%
Liabilities			
Non-current liabilities			
Bank borrowings	277	300	-8%
Lease liabilities	60	61	-2%
Deferred income	175	177	-1%
Deferred tax liabilities	1,500	1,504	0%
Employee benefits	128	128	0%
Provisions	851	837	2%
Other payables	8	8	0%
Total non-current liabilities	3,000	3,016	-1%
Current liabilities			
Bank borrowings	93	93	0%
Lease liabilities	5	5	1%
Trade payables	581	408	42%
Contract liabilities	46	42	11%
Current tax liabilities	409	145	181%
Deferred income	6	6	0%
Employee benefits	92	100	-8%
Provisions	165	165	0%
Tax for electricity producers	-	1	-100%
Other payables	84	107	-22%



HIDROELECTRICA

<i>RON million</i>	31 March 2024 unrevised	31 December 2023 audited	Change %
Total current liabilities	1,481	1,072	38%
Total liabilities	4,481	4,088	10%
Total equity and liabilities	30,828	29,109	6%

Source: Hidroelectrica

Other non-current assets

Other non-current assets at 31 March 2024 decreased by 77% to RON 66 million, from RON 284 million as at 31 December 2023. The decrease was due to final sentence pronounced in favor of the Group regarding the amount of RON 214 million representing the amount paid by the Company 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. In this respect, the Group expects to collect the amount within 12 months period, the amount being reclassified as short-term asset in other current assets at 31 March 2024.

Trade receivables

Trade receivables balance at 31 March 2024 decreased by 21% to RON 2,420 million from RON 3,048 million as at 31 December 2023. This decrease is mainly due to the improvement of the debt recovery process compared to the fourth quarter of 2023, as well as to the decrease in revenues as a result of the decrease in electricity sale prices.

Other current assets

Other current assets as at 31 March 2024 increased by 439% to RON 340 million, from RON 63 million as at 31 December 2023. The increase was due to final sentence pronounced in favor of the Group regarding the amount of RON 214 million representing the amount paid by the Company 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. In this respect, the Group expects to collect the amount within 12 months period.

Investments in deposits

Investments in deposits balance increased by 50% to RON 6,543 million as at 31 March 2024 from RON 4,349 million as at 31 December 2023. The increase was primarily due to the improvement of the debt recovery process.

Cash and cash equivalents

Cash and cash equivalents at 31 March 2024 increased by 46% to RON 596 million from RON 408 million at 31 December 2023. The increase is primarily due to the improvement of the debt recovery process.

Trade payables



Trade payables at 31 March 2024 increased by 42% to RON 581 million from RON 408 million at 31 December 2023. The increase was primarily due to the increase in services purchased by the Group as Balance Responsible Party. The evolution of these is influenced by the behaviour of all electricity market participants in managing imbalances.

Current tax liabilities

Current tax liabilities at 31 March 2024 increased by 181% to RON 409 million from RON 145 million at 31 December 2023, as a result of the extension of the legal deadline for filing the corporate income tax return for 2023, from 25 March 2024 to 25 June 2024, its balance being included in the balance as at 31 March 2024.

8. Related party transactions

Significant transactions with related parties are detailed within the Notes accompanying the Financial Statements, attached to this report (Note 18).

V. Litigations

The main litigations involving the Group, with a potential exposure of RON 253 million as at 31 March 2024 (31 December 2023: RON 468 million), are disclosed as contingent liabilities:

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

Potential exposure: RON 214 million as at 31 March 2024 and 31 December 2023

Plaintiff: Hidroelectrica

Subject: Annulment of the Decision on settling the preliminary tax appeal no. 406/18.12.2014 and annulment of Tax Decision no. F-MC 851/21.01.2014

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 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 million, value added tax of RON 38 million 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 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 million was cancelled. The decision was appealed by ANAF, next term being 2 April 2024.

On 2 April 2024, **the Court, through Decision no. 1852, definitively ruled in favor of Hidroelectrica.**

- ***Litigation with Tax authorities***

Potential exposure: RON 64 million as at 31 March 2024 and 31 December 2023

Plaintiff: Hidroelectrica

File no. 638/2/2024 and 1962/2/2024

Subject matter: Annulment of Tax Decision No. A-DAF 6890/11.05.2023

Tax for electricity producers was subject to multiple changes with respect to the method of computation during 2022. The latest 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.

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 challenge being rejected by the General Division for Solving Disputes within the Finance Ministry.

The Company argued in its Court application that successive changes of legislation regarding the calculation methodology of the tax for electricity producers can only be applicable for the future, starting with the date of publication of legislative amendments and not retroactively, as tax authorities considered. First term being set on 10 September 2024.

On 7 August 2023 the Company received a decision regarding interest and penalties in the amount of RON 2 million related to the previously mentioned imposing decision. The Group challenged the decision, initiating proceedings before the Court of Appeal under file no. 1962/2/2024. No term being settled yet.

Management estimates that the litigation will be ruled in the Group's favor, and consequently an outflow of resources is not probable.

- ***Litigation with Hidroconstructia SA***

Potential exposure: RON 99 million as at 31 March 2024 and 31 December 2023

Plaintiff: Hidroconstructia SA

File no. 12257/3/2022

Subject-matter: Termination of Contract no. 672/1989 regarding the Fagaras-Hoghiz investment project; claims



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.

On 12 October 2023, the Court of Appeal set aside the first Court ruling and granted a new hearing on the merits. On 14 December 2023, the Court requested an expertise report, next term being 13 June 2024.

Based on the legal analysis of the Hidroconstructia claims, the management considers the statement of claims as unsubstantiated. Considering 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 31 March 2024 and 31 December 2023

Plaintiff: Hidroconstructia SA

File no. 44443/3/2016, currently File no. 11314/3/2021

Subject-matter: Claims - the equivalent value of the costs generated by the cessation of construction works related to investment projects in progress.

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 11 June 2024.

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 SA***

Potential exposure: RON 29 million as at 31 March 2024 and 31 December 2023

Plaintiff: Hidroconstructia SA

File no. 31451/3/2020



Subject-matter: Claims - commercial discounts granted to the Group during 2014 – 2019 for construction works related to the Siriu-Surduc investment project

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 million 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.

On 26 October 2023 the Court rejected the appeal filed by Hidroconstructia as unfounded. The decision was challenged by Hidroconstructia, first term being 17 September 2024.

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.

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

Potential exposure: RON 29 million as at 31 March 2024 and 31 December 2023

Plaintiff: Romelectro S.A.

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

Subject-matter: Claims arising from the construction contract related to the refurbishment of Stejaru hydroelectric power plant.

Hidroelectrica filed an arbitration request for RON 78.7 million representing penalties for delayed works and related interest, plus legal expenses in relation to the Retechnologizare Stejaru investment project.

Romelectro made its counterclaims of EUR 9 million, 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 requests for RON 78.7 million was terminated, as Hidroelectrica 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 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. The expert reports have been completed, the parties presented their views on them. During the arbitration hearing on 11 April 2024, arguments were put forth regarding both the exceptions raised and the detailed defenses on the merits of the case were presented. The Arbitration court is currently deliberating, the anticipated term for issuing the arbitration award being 26 September 2024.

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.

VI. 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.

Climate risks

Extreme weather phenomena such as heatwaves, wildfires, droughts, and floods, which have had devastating effects across Europe and beyond, with increasing frequency and magnitude, illustrate the dramatic consequences that climate change can have not only on the environment and affected individuals but also on the economy.

Actions to mitigate the negative effects of climate change:

Water scarcity risk reduction - Developing programs and actions to reduce the risk of water scarcity in potentially deficit areas, considering climate change perspectives. Periodically assessing the impact of climate change on water resources based on the periodic updating of climate evolution scenarios in Romania.



Flood risk reduction - Developing plans, actions, and measures to reduce the risk of flooding in areas with potentially significant risk. Conducting climatology and hydrology studies, preparedness, and emergency response.

Enhancing dam and levee safety - Increasing the safety of flood defense infrastructure. Rehabilitating existing dams requiring urgent interventions for safe operation.

Enhancing resilience to climate change - Developing investment programs in energy production units to compensate for energy production losses. Promoting investments in new production capacities.

Establishing critical infrastructure and implementing measures to address extreme event impacts - Conducting detailed analyses regarding the vulnerability magnitude that production units exhibit to climatic anomalies. Extensive quantitative and qualitative analyses to identify vulnerable areas to climatic anomalies and establish infrastructure portions requiring modernization and reinforcement to provide additional resilience to climate change.

Integrating climate change considerations into planning and decision-making processes - Increasing investment volumes to allow for offsetting negative effects associated with climate change. Allocating development funds to ensure enhanced resilience to the most severe phenomena manifested due to climate change.

Cyber threats

With the increasing digitization of processes and activities, the adoption of new working technologies (example - artificial intelligence is already a common element for both attackers who write malware and for the security solutions used), significantly increases the risk of cyber threats and vulnerabilities. In conjunction with the current geopolitical context, the global trend indicates an increase in the frequency and intensity of cyber attacks (in 2023, according to PaloAlto, there were more than 50% ransomware attacks compared to 2022).

In this context, Hidroeléctrica pays special attention to managing this risk through a complex system that includes multiple lines of defense such as: hard/soft protection systems, redundancy, specific procedures, awareness trainings and preventive behavior of users, etc. Thus, the main measures adopted aimed at:

- Training users on the associated cybersecurity risks, as 90% of ransomware attacks have human resources as an attack vector;
- Rules have been implemented for stronger passwords for users, minimum 12 characters, combinations of uppercase letters, lowercase letters, numbers and special characters;
- Restrictions on remote computer network management, accessing the company's network through the exclusive use of secure connections;
- Prohibition of Internet exposure of some network services;
- Security rules adopted in active equipment such as firewalls, antivirus applications, etc.;
- Antivirus applications, firewall, up-to-date operating systems (where the technological flow allows it);
- Journalizing the activities of users connecting remotely;
- Restrictions on external device access to USB ports on all network terminals;
- Advanced firewall intrusion detection / intrusion prevention / web filtering solutions, supported by a series of dedicated cybersecurity equipment;



- Hidroelectrica is part of the national interest companies selected for the Titeica cybersecurity project, within which additional cybersecurity systems and institutional cooperation based on AI (artificial intelligence) have been installed and configured;
- A cybersecurity policy has been developed at the company level, from which standards, procedures, and IT&C security regulations derive, for compliance with the NIS directive (Law 362/2018), along with the implementation of an application for incident tracking and monitoring of security incidents and vulnerability detection at the company level (executive headquarters, branches, power plants), for compliance with the NIS directive.

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 conflict 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.

GDPR – Risks of personal data leaks and personal data breaches

Given the potential for significant risk caused by the regulations in the field of personal data protection, Hidroelectrica has assumed that this issue must become an integral part of the internal risk management system, becoming a priority assumed at the level of the company's management, in order to comply with corporate governance principles.

Taking into account the context and purposes of the processing, as well as the risks of varying likelihood and severity for the rights and freedoms of individuals, Hidroelectrica has implemented appropriate technical and organizational measures to guarantee and be able to demonstrate that the processing is carried out in accordance with the regulations in the field of personal data protection. These measures are periodically reviewed and updated to maintain continuity of compliance with GDPR provisions, but also to ensure the highest degree of data security.

Also, Hidroelectrica has implemented an Internal Regulation on personal data protection, which contains policies on personal data protection, and operational procedures, in order to ensure



compliance of processing activities with the interference of national and European provisions in the field of personal data protection.

Production assets base

By producing electricity, but also providing system services, hydropower developments are a key factor in ensuring Romania's energy security. It is therefore vital that these capacities function and are operated in an appropriate technical condition. In this respect, Hidroelectrica's strategy provides for an increase in hydropower capacity by promoting new projects and completing ongoing ones, but it is necessary to continuously invest in order to maintain optimal functioning of the installations.

Through the Refurbishment Strategy prepared by the refurbishment department, Hidroelectrica aims for the capacities in operation, staggered, as the normal use periods will be reached, that all equipment and related constructions, within the production capacities, be refurbished or modernized.

Within Hidroelectrica, in addition to the strategy of refurbishment and modernization of equipment within hydropower facilities, specific policies will be promoted aimed at assessing the technical condition of constructions and how maintenance activities are carried out, as well as tracking the behavior over time of constructions. With the implementation of these strategies, another desideratum of Hidroelectrica is to achieve the necessary conditions for implementing a system of remote management and supervision of plants (operational management without operating personnel). In this respect, communication with the higher hierarchical level (DHE – Hidroelectrica Dispatch) must be based on 100% available and redundant communication paths, appropriately sized and capable of ensuring SCADA data transmission to DHE.

Human capital

Human capital represents for Hidroelectrica a key element for achieving the company's objectives. The risk factors facing society in terms of human capital are: long-term demographic decline also correlated with the exodus of well-trained workforce to other countries, a decrease in young people's interest in technical schools and a high average age of the company's staff. To combat these risks, Hidroelectrica has a series of ongoing initiatives such as:

- a. offering private scholarships to students, especially from energy faculties, but also to students from energy high schools, organizing internships and apprenticeships at work;
- b. supporting dual education (Hidroelectrica supports students in dual vocational education from high schools with energy profile, who will obtain qualification as electricians or electromechanics for all branches of the company, will practice in hydroelectric power plants, and will be employed at the end of their studies);
- c. practice in hydroelectric power plants, carried out by pupils and students, based on practice conventions with universities / high schools in the field;
- d. motivating salary packages and other benefits paid to employees according to the JCC, professional training stages, authorization in trades specific to the energy sector;
- e. Constantly carrying out both external recruitment processes, in order to recruit new human resources with good professional training, thus ensuring the quality of human capital in the future, and internal, thus ensuring career development opportunities for the company's employees.

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 15).

VII. Subsequent Events

Below are presented the relevant events that occurred within the Group between the closing of the first quarter of 2024 and the date of this report:

- On 29 April 2024, **Hidroelectrica's annual OGMS took place**, being approved by the company's shareholders the following subjects on the agenda of the meeting:
 - The Audited Separate Annual Financial Statements of S.P.E.E.H. Hidroelectrica S.A. as at and for the year ended 31 December 2023, prepared in accordance with the Ministry of Public Finance Order („O.M.F.P.”) no. 2844/2016
 - The Audited Consolidated Annual Financial Statements of S.P.E.E.H. Hidroelectrica S.A. together with its subsidiary, as at and for the year ended 31 December 2023, prepared in accordance with the Ministry of Public Finance Order („O.M.F.P.”) no. 2844/2016
 - The Audited Consolidated Annual Financial Statements of S.P.E.E.H. Hidroelectrica S.A. together with its subsidiary, as at and for the year ended 31 December 2023, prepared in accordance with the International Financial Reporting Standards („IFRS”) adopted by the European Union (“IFRS-EU”)
 - The Annual Report of S.P.E.E.H. Hidroelectrica S.A. which comprises the Management Board Report and the Supervisory Board the Report for the financial year ended on 31 December 2023
 - Distribution of the net profit for the financial year 2023 in accordance with the provisions of the Government Ordinance No. 64/2001, as subsequently amended and supplemented, of the total gross dividend value of RON 6,292,900,952, as well as the value of the gross dividend per share of RON 13.99
 - Discharge of liability of the members of the Supervisory Board and of the members of the Management Board for the financial year ended on 31 December 2023
 - The Remuneration Report of the Supervisory Board and of the Management Board for the financial year 2023



- The date of 10 June 2024 as the Registration Date, the date of 7 June 2024 as the "Ex Date" and the date of 28 June 2024 as the Dividend Payment Date for the financial year 2023
- The Annual Evaluation Report of the members of the Supervisory Board.

Hidroelectrica's Management Board

Karoly BORBELY
Chairman of the Management Board

Bogdan-Nicolae BADEA
Member of the Management Board

Radu-Ioan CONSTANTIN
Member of the Management Board

Marian FETITA
Member of the Management Board

Ianas RADOI
Member of the Management Board



Appendices

Management Statement

Based on the available information, we confirm that the unaudited Condensed Consolidated Interim Financial Statements, prepared for the three-month period ending on 31 March 2024, 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 Quarter of 2024, drafted in accordance with the provisions of Law no. 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

Karoly BORBELY

Chairman of the Management Board

Bogdan-Nicolae BADEA
Member of the Management Board

Radu-Ioan CONSTANTIN
Member of the Management Board

Marian FETITA
Member of the Management Board

Ianas RADOI
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
FSA	Financial Conduct Authority
ANRE	Romanian Energy Regulatory Authority (Romanian: Autoritatea Nationala de Reglementare in Domeniul Energiei)
CHE	Hydroelectric plant (Romanian: Centrala hidroelectrica)
AHE	Hydropower station (Romanian: Amenajare hidroenergetica)
SB	Supervisory Board
GEO	Government Emergency Ordinance
Hidroserv	Company branch, S,S,H, Hidroserv S,A
GD	Government Decision
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LEI	The identification code of the legal entity
M&A	Mergers and acquisitions
MACEE	Centralized Electricity Purchasing Mechanism (Romanian: MACEE)
PNRR (PNRR)	The National Recovery and Resilience Plan (Romanian: PNRR)
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	SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE "HIDROELECTRICA" S.A.
Transelectrica or 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 three month period ended
31 March 2024

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

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

AS AT 31 MARCH 2024

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

	Note	31 March 2024 (unaudited)	31 December 2023 (audited)
Assets			
Non-current assets			
Property, plant and equipment		20,276,004	20,426,654
Intangible assets		38,138	5,588
Investments in corporate bonds	12	359,470	353,397
Other non-current assets	14	66,146	283,520
Total non-current assets		20,739,758	21,069,159
Current assets			
Inventories		89,254	70,923
Trade receivables	13	2,419,692	3,047,968
Investments in deposits	12	6,542,929	4,349,482
Cash and cash equivalents	11	595,834	407,634
Restricted cash		101,057	101,057
Other current assets	14	339,639	62,941
Total current assets		10,088,405	8,040,005
Total assets		30,828,163	29,109,164
Equity			
Share capital		5,526,898	5,526,898
Revaluation reserve		11,916,989	12,038,616
Other reserves		1,024,034	1,024,034
Retained earnings		7,879,468	6,431,686
Total equity		26,347,389	25,021,234
Liabilities			
Non-current liabilities			
Bank borrowings		276,872	300,253
Lease liabilities		59,999	61,255
Deferred income		175,414	176,832
Deferred tax liabilities		1,500,277	1,503,655
Employee benefits		127,961	128,443
Provisions		850,515	836,830
Trade payables		-	107
Other payables		8,468	8,466
Total non-current liabilities		2,999,506	3,015,841

(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 31 MARCH 2024

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

	Note	31 March 2024 (unaudited)	31 December 2023 (audited)
Current liabilities			
Bank borrowings		93,138	93,282
Lease liabilities		5,085	5,046
Trade payables		580,542	407,612
Contract liabilities		46,340	41,720
Current tax liabilities	10	409,258	145,413
Deferred income		5,738	5,723
Employee benefits		91,750	99,928
Provisions		165,226	165,359
Tax for electricity producers	7D	-	877
Other payables		84,191	107,129
Total current liabilities		1,481,268	1,072,089
Total liabilities		4,480,774	4,087,930
Total equity and liabilities		30,828,163	29,109,164

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

Karoly BORBELY Chairman of the Management Board	Bogdan-Nicolae BADEA Member of the Management Board	Radu Ioan CONSTANTIN Member of the Management Board	Marian FETIȚA Member of the Management Board	Ianăș RĂDOI Member of the Management Board
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Petronel CHIRIAC
Financial Director

Gabriela VASILESCU
Accounting Manager

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 31 MARCH 2024
(All amounts are in thousand RON, unless otherwise stated)

	Note	Three month period ended	
		31 March 2024 (unaudited)	31 March 2023 (reviewed)
Revenue	6	2,536,090	3,272,090
Other income		17,025	10,366
Turbinated water	7A	(159,986)	(163,598)
Employee benefits expenses		(175,849)	(157,913)
Transport and distribution of electricity	7C	(344,109)	(250,401)
Electricity purchased	7B	(10,671)	(160,210)
Green certificates expenses		(56,525)	(36,857)
Depreciation and amortization		(222,869)	(198,221)
Reversal of impairment loss on property, plant and equipment		-	144
Impairment loss on trade receivables		(3,964)	(34,977)
Repair, maintenance, materials and consumables		(14,729)	(18,286)
Tax for electricity producers	7D	-	(230,561)
Other operating expenses		(57,635)	(46,832)
Operating profit		1,506,778	1,984,744
Finance income	8	98,822	87,813
Finance costs	8	(18,978)	(10,828)
Net finance result		79,844	76,985
Profit before tax		1,586,622	2,061,729
Income tax expense	10	(260,467)	(338,374)
Profit for the period		1,326,155	1,723,355
Earnings per share			
Basic and diluted earnings per share (RON)	9	2.95	3.84
Other comprehensive income		-	-
Total comprehensive income		1,326,155	1,723,355

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

Karoly BORBELY Chairman of the Management Board	Bogdan-Nicolae BADEA Member of the Management Board	Radu Ioan CONSTANTIN Member of the Management Board	Marian FETIȚA Member of the Management Board	Ianăș RĂDOI Member of the Management Board
Petronel CHIRIAC Financial Director			Gabriela VASILESCU Accounting Manager	

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(All amounts are in thousand RON, unless otherwise stated)

	Share capital	Prepaid capital contribution from shareholders	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2023 (audited)	5,513,466	-	11,021,335	1,023,188	4,028,861	21,586,850
<i>Total comprehensive income for the period</i>						
Profit of the period	-	-	-	-	1,723,355	1,723,355
Total comprehensive income for the period	-	-	-	-	1,723,355	1,723,355
<i>Transactions with the owners of the Company</i>						
Contributions and distributions						
Prepayment of share contribution (Note 14)	-	10,752	-	-	-	10,752
Total transactions with the owners of the Company	-	10,752	-	-	-	10,752
<i>Other changes in shareholders' equity</i>						
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	(104,260)	-	104,260	-
Balance at 31 March 2023 (reviewed)	5,513,466	10,752	10,917,075	1,023,188	5,856,476	23,320,957
	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity	
Balance at 1 January 2024 (audited)	5,526,898	12,038,616	1,024,034	6,431,686	25,021,234	
<i>Total comprehensive income for the period</i>						
Profit of the period	-	-	-	1,326,155	1,326,155	
Total comprehensive income for the period	-	-	-	1,326,155	1,326,155	
<i>Other changes in shareholders' equity</i>						
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	(121,627)	-	121,627	-	
Balance at 31 March 2024 (unaudited)	5,526,898	11,916,989	1,024,034	7,879,468	26,347,389	

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

Karoly BORBELY Chairman of the Management Board	Bogdan-Nicolae BADEA Member of the Management Board	Radu Ioan CONSTANTIN Member of the Management Board	Marian FETIȚA Member of the Management Board	Ianăș RĂDOI Member of the Management Board
Petronel CHIRIAC Financial Director			Gabriela VASILESCU Accounting Manager	

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(All amounts are in thousand RON, unless otherwise stated)

	Note	Three month period ended	
		31 March 2024 (unaudited)	31 March 2023 (reviewed)
Cash flow from operating activities:			
Profit for the period		1,326,155	1,723,355
<i>Adjustments for:</i>			
Depreciation		222,411	197,702
Amortisation		458	519
Reversal of impairment on property, plant and equipment, net		-	(144)
Impairment loss on trade receivables, net		3,964	34,977
Write-down of inventories		(118)	-
Gain from bargain purchase of subsidiaries		(11,736)	-
Loss on disposal of property, plant and equipment		576	-
Net foreign exchange loss/(gain)		123	(146)
Interest income		(97,689)	(86,488)
Interest expense		5,132	2,766
Income tax expense	10	260,467	338,374
		1,709,743	2,210,915
<i>Changes in:</i>			
Trade receivables		624,312	(998,872)
Inventories		(7,606)	(2,151)
Other assets		(58,363)	(52,733)
Trade payables		196,072	139,852
Deferred income		(1,403)	(1,386)
Employee benefits		(8,661)	(6,197)
Provisions		13,553	7,996
Other payables		(19,359)	(84,094)
Cash generated from operating activities		2,448,288	1,213,330
Interest paid		(5,192)	(2,822)
Income tax paid		-	-
Net cash from operating activities		2,443,096	1,210,508
Cash flow from investing activities:			
Payments for acquisition of property, plant and equipment		(59,589)	(41,761)
Payments for acquisition of intangible assets		-	(617)
Payments for deposits held for investment purposes		(3,350,000)	(3,630,000)
Proceeds from deposits held for investment purposes		1,200,000	2,980,000
Interest received		47,209	78,970
Payments for acquisition of subsidiaries		(67,879)	-
Net cash used in investing activity		(2,230,258)	(613,408)

(continued on page 6)

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
 (All amounts are in thousand RON, unless otherwise stated)

	Note	Three month period ended	
		31 March 2024 (unaudited)	31 March 2023 (reviewed)
Cash flow from financing activities:			
Repayment of borrowings		(23,062)	(22,822)
Lease payments		(1,576)	(1,862)
Net cash used in financing activities		(24,638)	(24,684)
Net increase/(decrease) in cash and cash equivalents		188,200	572,416
Cash and cash equivalents at 1 January	11	407,634	660,734
Cash and cash equivalents at 31 March	11	595,834	1,233,150

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

Karoly BORBELY Chairman of the Management Board	Bogdan-Nicolae BADEA Member of the Management Board	Radu Ioan CONSTANTIN Member of the Management Board	Marian FETIȚA Member of the Management Board	Ianăș RĂDOI Member of the Management Board
Petronel CHIRIAC Financial Director			Gabriela VASILESCU Accounting Manager	

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 a joint stock company, 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 interim 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.

As of 31 March 2024, the Romanian State through the Ministry of Energy owns 360,094,390 shares, representing 80.0561% of the share capital and of the total voting rights. The rest of the shares are traded on the Bucharest Stock Exchange as follows: 73,632,340 shares, representing 16.3699% of the share capital are owned by legal persons and 16,075,837 shares representing 3.5740% of the share capital by individuals.

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

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 5 July 2023, the total offer included the entire holding of Fondul Proprietatea, namely 89,708,177 shares, representing 19.9439% 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 31 March 2024 and 31 December 2023 Hidroelectrica has the following subsidiaries:

Subsidiary	Activity	Registered Office	% participation at 31 March 2024	% participation at 31 December 2023
Hidroserv S.A. (company in reorganization)	Services (maintenance, repairs, construction)	Bucharest, Romania	100%	100%
Uzina de Construcții Mașini Hidroenergetice S.R.L.	Manufacturing of engines and turbines	Resita, Romania	100%	-

Hidroserv S.A. entered the insolvency proceedings in October 2016. In 2020, a reorganization plan of the subsidiary was approved by the Assembly of Creditors and confirmed by the insolvency judge. Hidroserv is expected to exit the reorganization procedure during 2024.

On 22 February 2023, the Company was declared winner of the sales procedure of business lines ABC and Calnicel platform, which are the property of UCM Resita SA. In January 2024, the Company set-up a new subsidiary, Uzina de Construcții Mașini Hidroenergetice S.R.L., through which it took-over the business from U.C.M. Reșița S.A.. The object of activity of the new subsidiary is manufacturing of engines and turbines (code CAEN 2811).

On 22 January 2024 Extraordinary shareholders meeting ("EMGS") approved the transaction and transaction documents regarding the acquisition of the business from U.C.M. Reșița S.A. The transaction was completed on 11 March 2024.

All revenues are generated in Romania.

(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, including five pumping stations, (the main generation capacities being Portile de Fier I and Portile de Fier II, which represent 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 the available (not contracted as of November 2022) quantity of electricity to the market operator, OPCOM, at a fixed price of RON 450 per MWh. OPCOM will re-sale 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. Thus, at the annual auction in December 2023, the delivery obligations on MACEE were established for the period 1 January 2024- 31 December 2024.

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.

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 transportation and distribution costs, the contribution to high efficiency co-generation power support scheme, 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 quarter of 2024 was a reduction of revenue due to capped prices by RON 71 million (first quarter of 2023: reduction of revenues of RON 278 million, financial year 2023: reduction of revenue of RON 1,672 million).

On 7 July 2023, Law 206 approving GEO 153/2022 was published and brought a series of changes with 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 impact of these changes on the Group's financial performance in 2023 implied a reduction of revenue by RON 61 million as a consequence of the legal obligation to sell at a price lower than the contractual price. In the first quarter of 2024, no electricity purchase contracts were concluded for the supply activity.

Green certificates ("GC")

As a producer of electricity from renewable sources (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, and wind power), the Group receives green certificates through the green certificates support scheme.

In the first quarter of 2024, the Group received between 2.92 and 3 green certificates for each MWh generated by the eligible micro-hydropower plants (5 micro-hydropower plants in January 2024, 4 micro-hydropower plants starting February 2024; in 2023: between 2.86 and 3 green certificates for each MWh generated by eligible micro-hydropower plants, 7 micro-hydropower plants in January 2023 and 6 micro-hydropower plants starting February 2023) and 0.75 green certificates for each MWh generated by the wind farm in the first quarter of 2024 and for the year 2023. During the first quarter of 2024, the Group generated from its own production portfolio a number of 8,623 GC from hydropower plants and 71,493 GC from wind power plant (first quarter of 2023: 8,529 GC from hydropower plants and 75,843 GC from wind power plant, financial year 2023: 33,093 GC from hydropower plants and 251,242 GC from wind power plant).

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.

The Group's wind power subsidiary sold green certificates in 2022 at the minimum price on all markets, as a result of the excess GC offered for sale compared to the suppliers' purchasing obligations.

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 level of purchase obligations (quotas) of green certificates. Applicable annual estimated quota for 2024 is 0.4944765 green certificate per Mwh (2023: 0.4946974 green certificate per Mwh).

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 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.

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 2023. 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 14.05.2024.

The Group also issues an original version of these condensed consolidated interim financial statements prepared in accordance with IFRS-EU in Romanian language approved at the same date with these financial statements.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates, including climate-related risks and opportunities, 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 31 March 2024, considering the evolution in the cost of construction materials in the first quarter 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 2023. The policy for recognizing and measuring income taxes in the interim period is consistent with that applied in the previous interim period and is described in Note 10.

The Group has adopted Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1, as issued in 2020 and 2022. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities that are subject to covenants within 12 months after the reporting period. This change in the accounting policy has no impact on the condensed consolidated interim statement of the financial position as at 31 March 2024 or on the consolidated statement of the comparative financial position.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2024.

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.

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B. Information about operating segments

Three month period ended 31 March 2024 (unaudited)	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
External revenues	1,640,430	895,660	2,536,090	-	2,536,090
Inter-segment revenue	333,572	-	333,572	(333,572)	-
Segment revenue	1,974,002	895,660	2,869,662	(333,572)	2,536,090
Segment profit before tax	1,423,342	163,280	1,586,622	-	1,586,622
Net finance income/(cost)	80,133	(289)	79,844	-	79,844
Amortization and depreciation	(222,849)	(20)	(222,869)	-	(222,869)
Electricity purchased	(3,189)	(328,958)	(332,147)	321,476	(10,671)
Green certificates expenses	-	(68,621)	(68,621)	12,096	(56,525)
Employee benefits expenses	(170,783)	(5,066)	(175,849)	-	(175,849)
Turbinated water	(159,986)	-	(159,986)	-	(159,986)
Transport and distribution of electricity	(20,701)	(323,407)	(344,109)	-	(344,109)
Other expenses	(69,235)	(7,093)	(76,328)	-	(76,328)

Three month period ended 31 March 2023 (reviewed)	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
External revenues	2,117,056	1,155,034	3,272,090	-	3,272,090
Inter-segment revenue	368,076	-	368,076	(368,076)	-
Segment revenue	2,485,132	1,155,034	3,640,166	(368,076)	3,272,090
Segment profit before tax	1,703,591	358,138	2,061,729	-	2,061,729
Net finance income/(cost)	75,748	1,237	76,985	-	76,985
Amortization and depreciation	(198,204)	(17)	(198,221)	-	(198,221)
Reversal of impairment loss on property, plant and equipment	144	-	144	-	144
Electricity purchased	(43,624)	(423,240)	(466,864)	306,654	(160,210)
Green certificates expenses	-	(98,279)	(98,279)	61,422	(36,857)
Employee benefits expenses	(155,411)	(2,502)	(157,913)	-	(157,913)
Turbinated water	(163,598)	-	(163,598)	-	(163,598)
Tax for electricity producers	(230,561)	-	(230,561)	-	(230,561)
Transport and distribution of electricity	(16,053)	(234,348)	(250,401)	-	(250,401)
Other expenses	(60,290)	(39,805)	(100,095)	-	(100,095)

Other expenses include the following captions from consolidated statement of profit or loss: Repair, maintenance, materials and consumables, Impairment loss on trade receivables and Other operating expenses. Other income indicator is not presented.

The 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 316,428 thousand for the three months ended 31 March 2024 (three months ended 31 March 2023: RON 334,562 thousand). Inter-segment revenue is calculated based on a methodology approved by the Management Board 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:

	Three month period ended	
	31 March 2024 (unaudited)	31 March 2023 (reviewed)
Wholesale of electricity	1,576,114	2,047,901
Electricity supplied to final consumers (retail sales)	895,660	1,155,034
System services	64,192	69,111
Maintenance services	124	44
Total	2,536,090	3,272,090

Revenue from electricity supplied to final consumers reflect the value of volume supplied, including positive imbalances, which are based on automated or manual meter readings performed by the distribution operators, self-readings reported by the consumers, or based on volume estimated by distribution operators if readings are not available.

The majority of the Group's supply revenue in the three month period ended 31 March 2024 represent sales to non-household consumers (approx. 61% of volume, 75% in the first quarter of 2023), for which readings are performed at the end of each month, data sent by the distribution operators. Also, approximately 63% (60% in the first quarter of 2023) of the volume supplied to household consumers in the three month period ended 31 March 2024 is determined based on meter readings at the end of the period, and the rest is based on estimates of the consumption, data sent by the distribution operators. 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 three month period ended 31 March 2024, the Group produced 4,296 GWh (three month period ended 31 March 2023: 4,412 GWh), and sold 4,475 GWh (three month period ended 31 March 2023: 4,840 GWh). From total quantity sold, 1,433 GWh were supplied to end users in the three month period ended 31 March 2024, including positive imbalances (1488 GWh in the three month period ended 31 March 2023).

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.

Currently, 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 515,263 thousand in the three month period ended 31 March 2024 (20%), RON 308,628 thousand in the three month period ended 31 March 2023 (9%);
- OPCOM SA, the market operator – wholesale of electricity produced on the market for the centralized acquisition mechanism and on the spot market of RON 1,096,309 thousand in the three month period ended 31 March 2024 (43%), RON 1,238,180 thousand in the three month period ended 31 March 2023 (38%).

Timing of revenue recognition:

	Three month period ended	
	31 March 2024 (unaudited)	31 March 2023 (reviewed)
Revenue transferred over time	2,535,966	3,272,046
Revenue transferred at a point in time	124	44
Total	2,536,090	3,272,090

7. OPERATING EXPENSES

A. Turbined water

Turbined water represents the water used by the hydropower plants in order to generate electricity. The fee for turbined water established by the National Agency for Water Administration starting June 2023 is RON 37/MWh produced. For the first quarter of 2023 the fee was RON 1.40 per thousand cubic meters.

B. Electricity purchased

The Group purchases electricity in order to fulfill the deficit between the electricity contracted for sales and the actual electricity produced or in order to cover the electricity needs of the supply segment.

In the first quarter of 2024 the Group purchased 179 GWh (first quarter of 2023: 428 GWh) for RON 10,671 thousand (first quarter of 2023: RON 160,210 thousand). Decrease of electricity purchases in the first quarter of 2024 is primarily due to covering the electricity needs for the supply segment from electricity generation segment.

C. Transport and distribution of electricity

	Three month period ended	
	31 March 2024 (unaudited)	31 March 2023 (reviewed)
Injection of electricity produced in the national system	20,188	10,631
Distribution of electricity supplied	270,405	184,651
Transport of electricity supplied	53,516	55,119
Total	344,109	250,401

Tariffs for transport and distribution of electricity are regulated. Increase in transport and distribution costs in the first quarter of 2024 is determined by the successive increases in the regulated tariffs starting 1 April 2023 and 1 January 2024.

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) 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 licensed activities (generation and supply), which was approved by the Management Board 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.

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For the three month period ended 31 March 2024 the Group did not record any tax for electricity producers (three month period ended 31 March 2023: RON 230,561 thousand). As at 31 March 2024 there is no outstanding amount payable (31 December 2023: RON 877 thousand).

Romanian tax authorities, through the General Antifraud Fiscal Division, performed controls at the Group on the tax for electricity producers. 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 had a different point of view regarding the 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 17 b).

8. FINANCE RESULT

	Three month period ended	
	31 March 2024 (unaudited)	31 March 2023 (reviewed)
Interest income	97,689	86,489
Other finance income	1,133	1,324
Finance income	98,822	87,813
Interest expense	(5,132)	(2,766)
Unwinding of non-current provisions	(13,686)	(8,076)
Gain or (loss) from foreign exchange differences	(160)	14
Finance expenses	(18,978)	(10,828)
Net finance result	79,844	76,985

The increase in interest income is due to the high level of liquidity in banks and in the form of financial investments in bank deposits, growth negatively influenced by the decrease in interest rates on the established deposits

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.

	Three month period ended	
	31 March 2024 (unaudited)	31 March 2023 (reviewed)
<i>Profit attributable to the owners of the Company</i>		
Profit for the period attributable to the owners of the Company	1,326,155	1,723,355
Profit attributable to ordinary shareholders	1,326,155	1,723,355
<i>Weighted average number of ordinary shares (basic and diluted)</i>		
Issued ordinary shares at 1 January	449,802,567	448,459,482
Weighted average number of ordinary shares at 31 March	449,802,567	448,459,482
Earnings per share (basic and diluted) RON/share	2.95	3.84

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 17). 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 three month period ended 31 March 2024 was 16.4% (three month period ended 31 March 2023: 16.4%).

(b) Global minimum top-up tax

The Group qualifies as a large-scale domestic group and is subject to the global minimum top-up tax according to Law no. 431/2023. The Law transposes into national legislation the provisions of Directive 2523/2022 on ensuring a minimum level of taxation ("Directive 2523"), the Directive which includes the guidelines from the second pillar of the "Global model rules to combat tax base erosion" (called "GloBE rules") issued by the OECD/G20 Inclusive Framework on BEPS as well as the Administrative Guidelines on GloBE rules. For the three month period ended 31 March 2024, no top-up tax should be paid by the Group as the adjusted effective tax rate is above 15%.

(c) Current tax liabilities

As at 31 March 2024 the outstanding amount payable is RON 409,258 thousand (31 December 2023: RON 145,413 thousand), as the legal term for submitting the annual income tax statement for the year 2023 was postponed from 25 March 2024 to 25 June 2024.

(d) 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 31 March 2024, which following the distribution would generate additional income tax for the Group of RON 12,536 thousand (31 December 2023: RON 10,435 thousand).

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 361,232 thousand at 31 March 2024 (RON 363,332 thousand at 31 December 2023).

11. CASH AND CASH EQUIVALENTS

	31 March 2024 (unaudited)	31 December 2023 (audited)
Bank accounts	395,687	384,484
Bank deposits with a maturity below 3 months	200,000	23,000
Petty cash	147	150
Total	595,834	407,634

12. INVESTMENTS IN DEPOSITS AND BONDS

	31 March 2024 (unaudited)		31 December 2023 (audited)	
	Current	Non-current	Current	Non-current
Bank deposits with maturity less than 1 year held for investment purposes	6,542,929	-	4,349,482	-
Corporate bonds with a maturity more than 1 year	-	359,470	-	353,397
Total	6,542,929	359,470	4,349,482	353,397

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 6.05% per year in the first quarter of 2024 (first quarter of 2023: 8.3% per year).

In 2022 the Group acquired from CEC Bank corporate bonds denominated in euro with maturity on 30 December 2025. The balance as at 31 March 2024 represents principal of RON 352,835 thousand and related interest of RON 6,636 thousand (31 December 2023: principal of RON 353,197 thousand and related interest of RON 201 thousand). The corporate bonds annual yield is 7.5%.

13. TRADE RECEIVABLES

	31 March 2024 (unaudited)	31 December 2023 (audited)
Trade receivables – generation segment (wholesale)	424,331	521,029
Trade receivables – supply segment (retail)	2,153,848	2,684,192
Impairment allowance	(158,487)	(157,253)
Total	2,419,692	3,047,968

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The unbilled revenues included in trade receivables amounts to RON 1,064,291 thousand gross at 31 March 2024, representing 41% of total gross trade receivables (RON 1,229,147 thousand at 31 December 2023, representing 38% of total gross trade receivables), out of which RON 801,672 thousand gross relate to supply segment (RON 1,046,861 thousand as at 31 December 2023). In 2022 the Group started the implementation of new billing and customer relationship information systems, which continued also in 2023, 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 delays in the billing process of the Group and a significant balance of unbilled revenues at 31 March 2024 and 31 December 2023.

Of the invoiced receivables balance at 31 March 2024, RON 585,145 thousand represent payment rescheduled receivables (31 December 2023: RON 522,940 thousand).

Trade receivables ageing analysis is disclosed in Note 15. Trade receivables due from related parties are disclosed in Note 18.

14. OTHER ASSETS

	31 March 2024 (unaudited)		31 December 2023 (audited)	
	Current	Non-current	Current	Non-current
Payments made in connection with uncertain tax treatments	214,385	63,612	-	277,998
Prepayments	103,180	-	37,965	-
Value added tax receivable	723	-	726	-
Other assets	28,587	2,534	33,941	5,522
Impairment loss on other assets	(7,236)	-	(9,691)	-
Total	339,639	66,146	62,941	283,520

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 ANAF for guaranteeing the amounts resulting from a Tax Inspection concluded by ANAF in 2014. In April 2024, the lawsuit was definitively ruled in favor of the Group, the related receivables being reclassified as short term. Litigation details are presented in Note 17.

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 (see Note 7D). On 7 August 2023, the Company received a decision regarding interest and penalties in the amount of RON 1,560 thousand related to the previously mentioned imposing decision. In 2023, the Group paid both the additional tax imposed and the related interest and penalties, the amount being recorded as other non-current assets as Hidroelectrica challenged in Court these decisions, 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 17 b).

The Group recognized these payments as an asset based on IFRIC 23 *Uncertainty over Income Tax Treatments* because they will either be refunded if the Company is successful in the litigations related to the liability or they will be used to pay the liability in case of loss of the dispute.

15. 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.

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(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, part of these being held by Romanian State such as CEC Bank and Exim Bank.

Exposure to credit risk

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

	31 March 2024 (unaudited)	31 December 2023 (audited)
Trade receivables	2,419,692	3,047,968
Cash and cash equivalents	595,834	407,634
Restricted cash	101,057	101,057
Investments in corporate bonds and deposits	6,902,399	4,702,879
Total	10,018,982	8,259,538

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

The value of trade receivables, which decreased as compared to 31 December 2023, is the result of delays in the invoicing electricity supplied to end users due to the implementation of new billing and customer relationship systems for supply activity which continued also in 2023, to which are added the frequent regulatory changes with respect of supply prices to end-users and the significant increase in the number of new retail clients. These aspects resulted in material balance of unbilled revenues included in trade receivables of RON 1,064,291 thousand at 31 March 2024, which decreased as compared to 31 December 2023 (RON 1,229,147 thousand at 31 December 2023).

The following table provides information about the exposure to credit risk and expected credit loss (ECL) for trade receivables as at 31 March 2024:

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net trade receivables
Not past due	2.18%	1,303,853	(28,465)	1,275,387
Past due - from 0 to 3 months	24.12%	120,955	(29,177)	91,778
Past due - from 3 to 6 months	79.99%	67,713	(54,164)	13,549
Past due - from 6 months to 1 year	100.00%	34,129	(34,129)	-
Past due - more than 1 year	100.00%	12,551	(12,551)	-
Total		1,539,200	(158,487)	1,380,714
Customers analyzed individually		1,038,978	-	1,038,978
Total trade receivables		2,578,179	(158,487)	2,419,692

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The following table provides information about the exposure to credit risk and expected credit loss (ECL) for trade receivables as at 31 December 2023:

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net trade receivables
Not past due	2.32%	1,759,281	(40,756)	1,718,525
Past due - from 0 to 3 months	24.80%	229,670	(56,960)	172,710
Past due - from 3 to 6 months	80.61%	37,614	(30,319)	7,295
Past due - from 6 months to 1 year	100.00%	12,880	(12,880)	-
Past due - more than 1 year	100.00%	16,337	(16,337)	-
Total		2,055,782	(157,252)	1,898,530
Customers analyzed individually		1,149,438	-	1,149,438
Total trade receivables		3,205,220	(157,252)	3,047,968

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 quarter of 2024 are based on the actual credit loss experienced over the past seven quarters considering the evolution of the supply segment and the delays in invoicing the electricity supplied (31 December 2023: last 6 quarters).

The Group has guarantees received from customers of RON 334,888 thousand at 31 March 2024 (RON 444,551 thousand at 31 December 2023). These are guarantees for payment in the form of bank letters of guarantee received in relation to electricity sales contracts.

16. ACQUISITION OF SUBSIDIARIES

On 22 February 2023, the Company was declared winner of the sales procedure of business lines ABC and Calnicel platform, which are the property of UCM Resita SA.

In January 2024, the Company set-up a new subsidiary, Uzina de Construcții Mașini Hidroenergetice S.R.L., through which it took-over the business from U.C.M. Reșița S.A.. The object of activity of the new subsidiary is manufacturing of engines and turbines (code CAEN 2811). The Company contributed with RON 119,650 thousand to share capital of the newly formed subsidiary.

On 22 January 2024 Extraordinary shareholders meeting ("EMGS") approved the transaction and transaction documents regarding the acquisition of the business from U.C.M. Reșița S.A.

The transaction was completed following the fulfillment of the conditions precedent on 11 March 2024. The total price for the transfer of ownership rights over the business is RON 68,879 thousand.

The Group incurred acquisition related costs of RON 889 thousand for due diligence and legal fees in the previous years. These costs were included in other operating expenses.

The following table summarizes the amounts of assets acquired. The Grup did not acquire liabilities.

	RON thousand
Property, plant and equipment	35,999
Intangible assets	33,008
Inventories	10,608
Total book value of identifiable net assets acquired	79,615

The result of the transaction is as follows:

	RON
Book value of identifiable net assets acquired	79,615
Consideration transferred	67,879
Gain on bargain purchase	11,736

The valuation of the assets will be carried out by an valuation expert until 31 December 2024.

17. CONTINGENCIES

17.1 Litigation, claims and tax uncertainties

The main litigations involving the Group, with a potential exposure of RON 253,419 thousand as at 31 March 2024 (31 December 2023: RON 467,804 thousand), are disclosed as contingent liabilities:

a) Litigations with Tax authorities regarding past tax treatments

Potential exposure: RON 214,385 thousand as at 31 March 2024 and 31 December 2023

Plaintiff: Hidroelectrica

Subject: Annulment of the Decision on settling the preliminary tax appeal no. 406/18.12.2014 and annulment of Tax Decision no. F-MC 851/21.01.2014

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 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 thousand. 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, next term being 2 April 2024.

On 2 April 2024, the Court, through Decision no. 1852, definitively ruled in favor of Hidroelectrica.

b) Litigation with Tax authorities

Potential exposure: RON 63,612 thousand as at 31 March 2024 and 31 December 2023

Plaintiff: Hidroelectrica

File no. 638/2/2024 and 1962/2/2024

Subject matter: Annulment of Tax Decision No. A-DAF 6890/11.05.2023

Tax for electricity producers was subject to multiple changes with respect to the method of computation during 2022. The latest 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 62,052 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 challenge being rejected by the General Division for Solving Disputes within the Finance Ministry.

The Company argued in its Court application that successive changes of legislation regarding the calculation methodology of the tax for electricity producers can only be applicable for the future, starting with the date of publication of legislative amendments and not retroactively, as tax authorities considered. First term being set on 10 September 2024.

On 7 August 2023 the Company received a decision regarding interest and penalties in the amount of RON 1,560 thousand related to the previously mentioned imposing decision. The Group challenged the decision, initiating proceedings before the Court of Appeal under file no. 1962/2/2024. No term being settled yet.

Management estimates that the litigation will be ruled in the Group's favor, and consequently an outflow of resources is not probable.

c) Litigation with Hidroconstructia SA

Potential exposure: RON 98,762 thousand as at 31 March 2024 and 31 December 2023

Plaintiff: Hidroconstructia SA

File no. 12257/3/2022

Subject-matter: Termination of Contract no. 672/1989 regarding the Fagaras-Hoghiz investment project; claims

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.

On 12 October 2023, the Court of Appeal set aside the first Court ruling and granted a new hearing on the merits. On 14 December 2023, the Court requested an expertise report, next term being 13 June 2024.

Based on the legal analysis of the Hidroconstructia claims, the management considers the statement of claims as unsubstantiated. Considering the above, management estimates that the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

d) Litigation with Hidroconstructia SA

Potential exposure: RON 32,832 thousand as at 31 March 2024 and 31 December 2023

Plaintiff: Hidroconstructia SA

File no. 44443/3/2016, currently File no. 11314/3/2021

Subject-matter: Claims - the equivalent value of the costs generated by the cessation of construction works related to investment projects in progress.

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 11 June 2024.

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) Litigation with Hidroconstructia SA

Potential exposure: RON 28,963 thousand as at 31 March 2024 and 31 December 2023

Plaintiff: Hidroconstructia SA

File no. 31451/3/2020

Subject-matter: Claims - commercial discounts granted to the Group during 2014 – 2019 for construction works related to the Siriu-Surduc investment project

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-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 31,158 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.

On 26 October 2023 the Court rejected the appeal filed by Hidroconstructia as unfounded. The decision was challenged by Hidroconstructia, first term being 17 September 2024.

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.

f) Arbitration with Romelectro S.A.

Potential exposure: RON 29,250 thousand as at 31 March 2024 and 31 December 2023

Plaintiff: Romelectro S.A.

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

Subject-matter: Claims arising from the construction contract related to the refurbishment of Stejaru hydroelectric power plant.

Hidroelectrica filed an arbitration request for RON 78.7 million representing penalties for delayed works and related interest, plus legal expenses in relation to the Retehnologizare Stejaru investment project.

Romelectro made its counterclaims 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 requests for RON 78.7 million was terminated, as Hidroelectrica 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 claims. During 2022, Romelectro adjusted their initial claims and requested only EUR 5,912 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. The expert reports have been completed, the parties presented their views on them. During the arbitration hearing on 11 April 2024, arguments were put forth regarding both the exceptions raised and the detailed defenses on the merits of the case were presented. The Arbitration court is currently deliberating, the anticipated term for issuing the arbitration award being 26 September 2024.

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.

17.2 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.

17.3 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 (30 years from 31 December 2023) is unlikely, considering the long useful life of dams, which can be significantly extended over 100 years by maintenance and improvements.

18. RELATED PARTIES

a) Ultimate controlling party

The Company's ultimate controlling party is 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.

	Three month period ended	
	31 March 2024 (unaudited)	31 March 2023 (reviewed)
Board of Directors remuneration		
Expenses recognized during the period		
Fixed component	986	638
Variable component accrual	-	-
Total	986	638
Payments made in the period		
Fixed component	986	638
Variable component (for the previous year)	-	-
Total	986	638

The Board of Directors consists of 5 members appointed for a period of four years.

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 is limited to 24 gross monthly fixed components for the period related to the mandate contract. The annual maximum amount of the variable component for all the Board of Directors is RON 7,890 thousand, approved within the Management Plan in 2024 by the General Meeting of Shareholders.

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

Supervisory Board remuneration

	Three month period ended	
	31 March 2024 (unaudited)	31 March 2023 (reviewed)
Expenses recognized during the period		
Fixed component	447	236
Variable component accrual	-	-
Total	447	236
Payments made in the period		
Fixed component	447	236
Variable component (for the previous year)	-	-
Total	447	236

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

Remuneration of the members of the Supervisory Board was approved by shareholders decisions in 2023 and 2024. According to these decisions, the remuneration of the Supervisory Board members consists of a monthly fixed gross 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 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 is limited to 12 times the gross monthly fixed component. The annual maximum amount of the variable component for all the Supervisory Board members is RON 1,777 thousand.

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 three months period ended 31 March 2024 (unaudited)	Payables (including VAT) 31 March 2024 (unaudited)
Administratia Nationala Apele Romane	155,414	111,392
Transelectrica (Romanian Electricity System Operator)	345,285	199,857
OPCOM (Romanian Electricity Market Operator)	900	358
Distributie Energie Electrica Romania	86,573	36,852
Others	15,732	11,781
Total	603,904	360,240

Supplier	Purchases (without VAT) in three months period ended 31 March 2023 (reviewed)	Payables (including VAT) 31 December 2023 (audited)
Administratia Nationala Apele Romane	165,184	103,242
Transelectrica (Romanian Electricity System Operator)	112,336	85,459
OPCOM (Romanian Electricity Market Operator)	1,253	274
SN Nuclearelectrica SA	137,004	-
Distributie Energie Electrica Romania	78,543	32,846
Others	6,136	2,726
Total	500,465	224,547

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Client	Sales (without VAT)	Receivables Gross Carrying amount (including VAT)	Impairment loss	Receivables Net Carrying amount (including VAT)
	in three months period ended 31 March 2024 (unaudited)		31 March 2024 (unaudited)	
Transelectrica (Romanian Electricity System Operator)	515,263	232,181	-	232,181
OPCOM (Romanian Electricity Market Operator)	1,096,309	140,287	-	140,287
ROMPETROL RAFINARE	56,796	59,770	-	59,770
RAJA SA	14,842	11,730	-	11,730
SN RADIOCOMUNICATII SA COMPANIA MUNICIPALA TERMOENERGETICA	14,393	16,030	-	16,030
ELECTRICA FURNIZARE	16,928	25,334	-	25,334
Engie Romania	13,440	13,440	-	13,440
Others	2,688	2,688	-	2,688
	44,490	146,060	(33,032)	113,028
Total	1,775,149	647,520	(33,032)	614,488

Client	Sales (without VAT)	Receivables Gross Carrying amount (including VAT)	Impairment loss	Receivables Net Carrying amount (including VAT)
	in three months period ended 31 March 2023 (reviewed)		31 December 2023 (audited)	
Transelectrica (Romanian Electricity System Operator)	308,628	296,709	-	296,709
Electrica Furnizare	25,621	-	-	-
OPCOM (Romanian Electricity Market Operator)	1,238,180	177,885	-	177,885
Engie Romania	15,097	5,231	-	5,231
Others	117,469	317,786	(23,232)	294,554
Total	1,704,995	797,611	(23,232)	774,379

Other customers include mainly public institutions, local authorities and public educational institutions to which the Company supplied electricity in 2024 and 2023.

Balance

Bank	Bank account	Bank deposits	Corporate bonds	Bank account	Bank Deposits	Corporate bonds
	31 March 2024 (unaudited)			31 December 2023(audited)		
Exim Bank (Banca Romaneasca)	486	1,533,862	-	4,191	932,056	-
CEC Bank	9,145	1,100,000	359,470	30,530	1,105,539	353,397
Total	9,631	2,633,862	359,470	34,721	2,037,595	353,397

S.P.E.E.H. HIDROELECTRICA S.A. Two-tier system Company
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(All amounts are in thousand RON, unless otherwise indicated)

Transactions

Bank	Bank deposits placed		Bank deposits placed	
	Interest income		Interest income	
	Three months ended 31 March 2024 (unaudited)		Three months ended 31 March 2023 (reviewed)	
Exim Bank (Banca Romaneasca)	1,701,401	20,780	1,497,735	22,160
CEC Bank	-	16,555	801,994	6,543
Total	1,701,401	37,335	2,299,729	28,703

19. SUBSEQUENT EVENTS

Dividends distribution

On 29 April 2024, the Shareholder General Meeting approved the distribution of dividends from the 2023 profit of RON 6,292,901 thousand, representing 100% of the 2023 eligible for distribution net profit in the statutory separate financial statements of the Company.

OUG 32/ 2024 impact

In March 2024, the Government issued a new Emergency Ordinance (OUG no. 32/28.03.2024) which states that starting 1 April 2024, the MACEE mechanism becomes voluntary, leaving producers the possibility to sell energy through monthly auctions at the price of 400 lei/MWh until 31 December 2024.

Also, the tax for electricity producers is calculated by applying the percentage of 100% on the difference between the average monthly net selling price and the price of 400 RON per MWh. No tax is paid for the quantities of electricity sold through the centralized electricity acquisition mechanism.

Closure of Hidroserv reorganization procedure

On 9 May 2024, the Judicial Administrator submitted a petition for concluding the reorganization procedure of Hidroserv. The syndic judge is scheduled to render a decision on the closure request for the reorganization procedure, with the expected date for resolving this petition being 29 May 2024.

Karoly BORBELY Chairman of the Management Board	Bogdan-Nicolae BADEA Member of the Management Board	Radu Ioan CONSTANTIN Member of the Management Board	Marian FETIȚA Member of the Management Board	Ianăș RĂDOI Member of the Management Board
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Petronel CHIRIAC
Financial Director

Gabriela VASILESCU
Accounting Manager